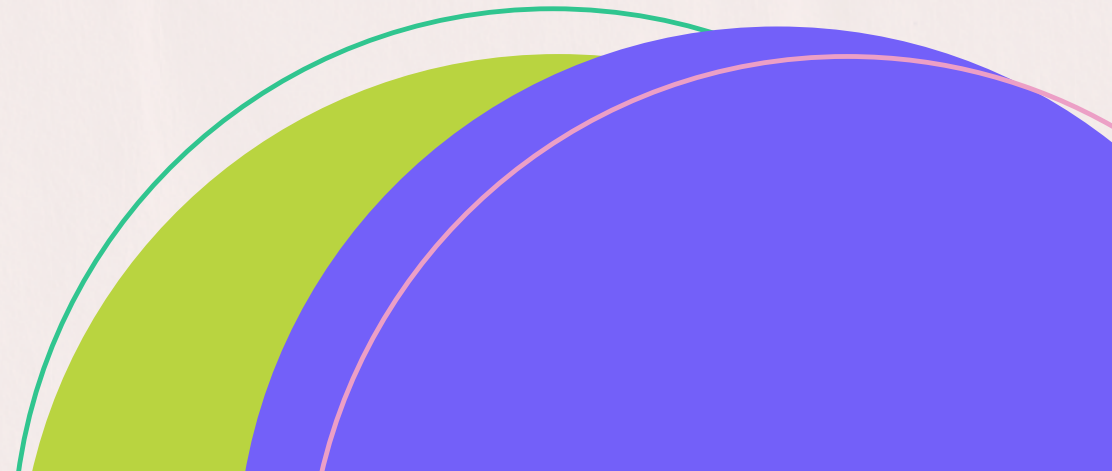


## **7. Financial case including financial modelling of costs, benefits and payback period encompassing transformation opportunities**

Our proposal is designed to address rising service pressures and long-term financial challenges through robust and detailed financial analysis. This balances disaggregation costs, recurring savings and implementation costs, while unlocking transformation opportunities to enhance service delivery and efficiency.

Through our financial modelling, we have developed two financial scenarios – a base case, which is prudent and we know can be delivered, and a more ambitious programme of change to deliver transformation and savings faster, which our new councils will strive for.

Our analysis indicates that our options will breakeven between 2.2 and 3.1 years and will deliver annual net recurring savings of £63.9 million per year in the base scenario and £91.8 million per year in our more ambitious scenario. Our strategic approach would ensure our new unitary councils are resilient against service pressures while improving outcomes and responsiveness.



## **7. Financial case including financial modelling of costs, benefits and payback period encompassing transformation opportunities**



### **Overview of financial sustainability analysis**

Financial sustainability analysis forms a central component of our proposal. Its purpose is to evaluate the financial implications of structural reform across Hampshire and the Isle of Wight, assessing whether the proposed reorganisation delivers measurable, long-term improvements in financial resilience, efficiency and value for money. The analysis provides a structured, evidence-based appraisal of potential savings, required investment and net benefit.

### **Context and purpose**

Across Hampshire and the Isle of Wight, existing councils are managing substantial budget gaps, rising social care and housing pressures and constrained funding growth. In two-tier areas the current structure also leads to duplication of roles, fragmented service delivery and inefficiencies in support functions, digital infrastructure and decision-making.

Our proposal provides an opportunity to streamline governance, transform services tailored to local needs and release efficiencies. However, it also requires upfront investment and, like most local government reorganisation processes, may involve some temporary financial disruption during transition. This makes it critical to assess whether, over a realistic implementation horizon, the financial benefits outweigh the costs and whether the new authorities would be more resilient and sustainable than the status quo.

The financial sustainability analysis therefore aims to:

- Quantify the financial impact of the evaluated reorganisation options.

- Compare options on a like-for-like basis, considering savings, costs and payback.
- Demonstrate the financial viability and strength of the evaluated options.
- Provide confidence in assumptions, modelling approach, and scenario flexibility.

## **Methodology overview**

The financial analysis followed a tried and tested methodology, benchmarked against other local government reorganisation processes and aligned with government guidance. The steps included:

### **1. Scoping and agreement of method**

- Worked with local finance teams to define scope, financial principles and data needs.
- Agreed on the options to be modelled and the treatment of shared services and disaggregation.

### **2. Data collection and validation**

- Issued standardised data requests to all councils, covering revenue budgets, reserves, capital plans, balance sheets and key service metrics.
- Gathered contextual and narrative information to understand pressures, risks and transformation plans.
- Held follow-up meetings with finance officers to verify data accuracy, reconcile discrepancies and align on inputs.

### **3. Baseline construction**

- Built a consolidated financial baseline, combining all district, unitary and county budgets into unified figures based on agreed assumptions (for example population apportionment).

## **4. Savings estimation**

- Applied standardised top-down models to estimate savings across key categories:
  - Senior management and democratic structures
  - Corporate and back-office services
  - ICT rationalisation and systems integration
  - Estates and asset rationalisation
  - Procurement and contract consolidation
  - Service transformation and demand management (where credible)
- Incorporated both direct (cashable) and enabling (efficiency) savings.
- Used a combination of local inputs and benchmark data from other local government reorganisation programmes to calibrate assumptions.

## **5. Implementation and disaggregation cost estimation**

- Identified one-off costs required to deliver the reorganisation, including:
  - Programme management and transition team costs
  - Redundancy and pension strain
  - ICT integration or separation
  - Property and rebranding
  - Legal and governance setup
- Included disaggregation costs such as:
  - Splitting finance or HR systems
  - Creating new organisational infrastructures
  - Establishing democratic and corporate capacity
- Costs were phased over a six-year period, with timing aligned to implementation logic.

## 6. Scenario modelling

- Developed a structured financial model that calculates, for each scenario:
  - Annual and cumulative savings
  - Phased implementation costs
  - Year-on-year net benefit
  - Breakeven year
  - Total 10-year net financial benefit

### Items considered in the financial case

The financial analysis integrates a wide range of inputs and assumptions, grouped into three main elements:

- **Recurring savings:** Cashable savings expected once reorganisation is complete and steady state is reached. These cover workforce reductions, systems rationalisation, contract management and operating model changes. Savings are categorised by source, with baselines derived from current budgets.
- **Implementation costs:** One-off costs required to implement the preferred options, typically incurred over the first two to three years. Includes programme delivery, ICT, staff redundancy, estates changes and transitional double running.
- **Disaggregation costs:** Disaggregation costs reflect the additional effort, complexity and duplication required to split shared systems and functions across new entities.

## Scenario-based modelling approach

Recognising the inherent uncertainty in savings realisation and implementation cost delivery, the analysis uses two financial scenarios to bracket the likely outcomes:

| Scenario         | Description  |
|------------------|--|
| <b>Base Case</b> | The most likely scenario based on agreed central assumptions. Balances prudent savings estimates with realistic implementation ambition, aligned to local capability.                                    |
| <b>High Case</b> | A more ambitious but achievable scenario, assuming bolder service transformation, more aggressive rationalisation, and faster delivery. Also assumes more investment in digital and commercial capacity. |

Each scenario uses the same methodology but varies assumptions across:

- % savings by category.
- One-off cost estimates.
- Degree of service transformation.

This enables the financial case to:

- Demonstrate the robustness of the evaluated options under different delivery environments.
- Quantify the risk and upside potential of reorganisation.
- Support stakeholder discussions on ambition verses feasibility.

## Outputs and use in the proposal

For each scenario and option, the model outputs:

- Gross and net annual savings
- Cumulative implementation costs
- Payback period (breakeven year)
- Total net benefit over 10 years

These outputs inform both the financial case and the comparative analysis between reorganisation options.

## Financial implications of the evaluated options

This section sets out the financial outlook and sustainability of the three variations in our proposal.

The purpose of this section is to consolidate and explain the end-state financial profile of the new councils. It brings together detailed evidence and modelling outputs across all relevant dimensions of local authority finance. This includes projected revenue budgets, the distribution and sufficiency of reserves and balances and the scale and timing of both anticipated savings and implementation costs. A critical component is the breakeven analysis, which models how quickly upfront investment in reorganisation will be recouped through long-term efficiencies. Taken together, these elements enable a judgement on the long-term financial viability of the new authority structure and whether it provides a credible route to enhanced sustainability compared to the status quo.

To structure this analysis, the section is organised into four sub-sections:

1. **Savings and efficiencies:** An estimate of recurrent savings achievable from reorganisation, including staff, systems, governance and estate rationalisation.

2. **Implementation and disaggregation costs:** A detailed breakdown of one-off transition costs required to achieve the reorganisation, including redundancy, ICT and programme delivery, alongside the incurred costs of disaggregation splitting county level services to four new unitaries.
3. **Breakeven and 10-year outlook:** A forward-looking payback analysis that tracks the net financial benefit of reorganisation over a seven-year period and illustrates improved fiscal resilience.
4. **Other considerations:** Consideration of other financial factors alongside the impact of transformation.

Each subsection includes validated financial inputs, analytical findings, and clearly explained narrative commentary. To aid interpretation and support transparency, visualisations such as summary tables, charts, and cumulative impact graphs are used throughout.

Ultimately, this section forms the evidential backbone of our financial case for reorganisation. It ensures that decision-makers, including Section 151 Officers, programme sponsors and central government stakeholders, have a clear and comprehensive view of the fiscal implications of the proposal. By articulating a clear path from current-state finances to the post-reorganisation end-state and quantifying the value that the change can deliver, this section helps confirm that our proposal is not only achievable, but financially sustainable.



## Options summary

A summary view of the financial impact of reorganisation per option is outlined in the below tables for each scenario (Base and High). Further information regarding the estimated recurring savings, recurring disaggregation costs and one-off implementation costs are outlined in the subsequent sections and the Financial Technical Appendices.

**Overall, the financial analysis confirms that all modelled options and scenarios deliver a positive net financial benefit, achieves payback within a short period and places the new authorities on a stronger financial footing than under the status quo.**

| Summary - Base   |              |       |              |
|--|--------------|-------|--------------|
| £'million  | Option 1 & 2 |       | Option 3     |
| Recurring Savings from Year 3  | 81.8         |       | 81.8         |
| Recurring Disaggregation Costs from Year 1                               | -            | 17.9  | - 17.9       |
| <b>Cumulative benefit / (cost) after 5 years</b>                         | <b>251.9</b> |       | <b>251.9</b> |
| One-off Implementation Cost by Year 3                                    | -            | 128.2 | - 133.0      |
| <b>Net Impact after 5 years (2032/33)</b>                                | <b>123.7</b> |       | <b>118.9</b> |
| Payback period   | 3.0          |       | 3.1          |
| <b>Annual recurring benefit / (cost) post transformation from Year 4</b> | <b>63.9</b>  |       | <b>63.9</b>  |

| Summary - High   |              |       |              |
|--|--------------|-------|--------------|
| £'million  | Option 1 & 2 |       | Option 3     |
| Recurring Savings from Year 3  | 111.5        |       | 111.5        |
| Recurring Disaggregation Costs from Year 1                               | -            | 19.7  | - 19.7       |
| <b>Cumulative benefit / (cost) after 5 years</b>                         | <b>367.1</b> |       | <b>367.1</b> |
| One-off Implementation Cost by Year 3                                    | -            | 155.5 | - 160.3      |
| <b>Net Impact after 5 years (2032/33)</b>                                | <b>211.6</b> |       | <b>206.8</b> |
| Payback period   | 2.3          |       | 2.3          |
| <b>Annual recurring benefit / (cost) post transformation from Year 4</b> | <b>91.8</b>  |       | <b>91.8</b>  |

## Evaluation of Option 1

### Savings and efficiency opportunities from reorganisation – Option 1

This subsection outlines the projected savings from local government reorganisation, based on anticipated efficiencies from service integration, workforce reduction, streamlined governance and shared infrastructure. The estimates are built from both top-down modelling and local data inputs. Scenarios include the base and high savings estimates.

Reorganisation is projected to generate recurring savings of **£81.8 million** annually by Year 3 (**£111.5 million** in High case), equivalent to 2.2% (3.0% in High case) of the combined net revenue budget (£3.8 billion). The largest drivers are Right Sizing the Organisation (Base: £32.7 million. High: £44.6 million) and Service Contract Consolidation (Base: £24.5 million. High: £33.5 million). These savings underpin the financial case for change and position the new councils to achieve a more efficient and sustainable model of delivery.

A summary table breaks down expected recurring savings by category (e.g. staffing, governance, IT, property) from Year 3 (2030/31).

| Projected Annual Savings by Category - Option 1 (Base) |              |               |               |               |
|--|--------------|---------------|---------------|---------------|
| £ '000   | Shadow Year  | Year 1        | Year 2        | Year 3        |
| Optimising Leadership                                  | 450          | 2,249         | 4,498         | 4,498         |
| Right Sizing the Organisation                          | 3,271        | 9,814         | 22,900        | 32,715        |
| Centralising Corporate Services                        | -            | 164           | 491           | 818           |
| Service Contract Consolidation                         | 2,454        | 11,041        | 19,629        | 24,536        |
| Proportionate Democratic Services                      | -            | 2,290         | 2,863         | 2,863         |
| Improved Digital & IT Systems                          | -            | 797           | 2,658         | 5,316         |
| Asset & Property Optimisation                          | -            | 981           | 1,963         | 2,454         |
| Customer Engagement                                    | -            | 981           | 2,944         | 4,907         |
| Consolidating Fleets & Optimising Routes               | -            | 1,104         | 2,576         | 3,680         |
| <b>Total</b>   | <b>6,175</b> | <b>29,423</b> | <b>60,522</b> | <b>81,787</b> |

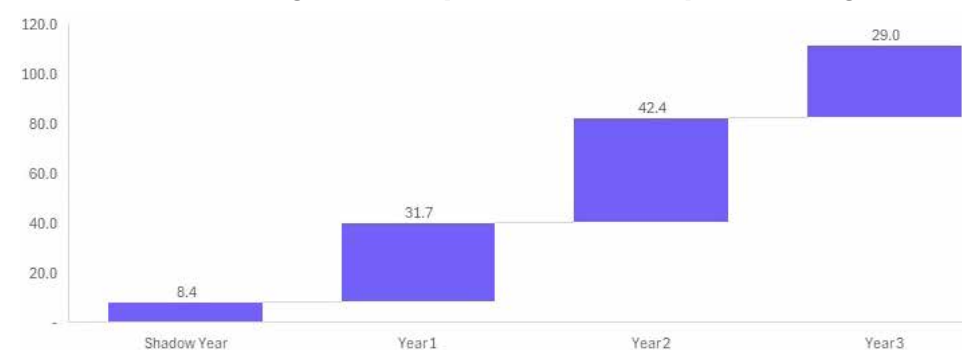
| Projected Annual Savings by Category - Option 1 (High) |              |               |               |                |
|--|--------------|---------------|---------------|----------------|
| £ '000   | Shadow Year  | Year 1        | Year 2        | Year 3         |
| Optimising Leadership                                  | 613          | 3,067         | 6,133         | 6,133          |
| Right Sizing the Organisation                          | 4,460        | 13,381        | 31,223        | 44,605         |
| Centralising Corporate Services                        | -            | 223           | 669           | 1,115          |
| Service Contract Consolidation                         | 3,345        | 15,054        | 26,763        | 33,453         |
| Proportionate Democratic Services                      | -            | 3,122         | 3,903         | 3,903          |
| Improved Digital & IT Systems                          | -            | 1,087         | 3,624         | 7,248          |
| Asset & Property Optimisation                          | -            | 1,338         | 2,676         | 3,345          |
| Customer Engagement                                    | -            | 1,338         | 4,014         | 6,691          |
| Consolidating Fleets & Optimising Routes               | -            | 1,505         | 3,513         | 5,018          |
| <b>Total</b>   | <b>8,419</b> | <b>40,116</b> | <b>82,519</b> | <b>111,512</b> |

The waterfall chart illustrates the annual savings build up, which are expected to be over a four-year period.

**Annual Savings Build-Up (£ 'million) - Option 1 (Base)**



**Annual Savings Build-Up (£ 'million) - Option 1 (High)**



The below comparative table shows Base vs High savings estimates by category. A comparison across the different options is also included although our modelling outlines consistent savings to be expected across all options.

| Base and Stretch Savings Scenarios       |               |                |               |                |               |                |
|--|---------------|----------------|---------------|----------------|---------------|----------------|
| £ '000                                   | Option 1      |                | Option 2      |                | Option 3      |                |
|  | Base          | High           | Base          | High           | Base          | High           |
| Optimising Leadership                    | 4,498         | 6,133          | 4,498         | 6,133          | 4,498         | 6,133          |
| Right Sizing the Organisation            | 32,715        | 44,605         | 32,715        | 44,605         | 32,715        | 44,605         |
| Centralising Corporate Services          | 818           | 1,115          | 818           | 1,115          | 818           | 1,115          |
| Service Contract Consolidation           | 24,536        | 33,453         | 24,536        | 33,453         | 24,536        | 33,453         |
| Proportionate Democratic Services        | 2,863         | 3,903          | 2,863         | 3,903          | 2,863         | 3,903          |
| Improved Digital & IT Systems            | 5,316         | 7,248          | 5,316         | 7,248          | 5,316         | 7,248          |
| Asset & Property Optimisation            | 2,454         | 3,345          | 2,454         | 3,345          | 2,454         | 3,345          |
| Customer Engagement                      | 4,907         | 6,691          | 4,907         | 6,691          | 4,907         | 6,691          |
| Consolidating Fleets & Optimising Routes | 3,680         | 5,018          | 3,680         | 5,018          | 3,680         | 5,018          |
| <b>Total</b>                             | <b>81,787</b> | <b>111,512</b> | <b>81,787</b> | <b>111,512</b> | <b>81,787</b> | <b>111,512</b> |

## Implementation and disaggregation cost estimates – Option 1

This subsection sets out the one-off costs required to implement the reorganisation, including programme delivery, systems integration, estates changes and workforce exit costs. It also includes disaggregation costs where services or systems are split due to the creation of the new unitaries. These costs are necessary enablers of the longer-term benefits and have been profiled over the implementation period.

The total estimated implementation cost is **£128.2 million (£155.5 million in High)** over a period of 6 years (including 2025/26 Base year, Year -1, Shadow Year and 3 Years post implementation), with the majority incurred in 'Workforce – Exit' and 'Transition – Team'. These costs are essential to unlock recurring efficiencies. Where disaggregation is required, additional annual costs of **£17.9 million (£19.7 million in High)** are included. These disaggregation costs are only reflected post implementation and primarily relate to Adult Social Care costs. The investment is proportionate and supports a positive return on investment over the planning period.



Below is a table of implementation and disaggregation costs by year and category presents the full financial profile.

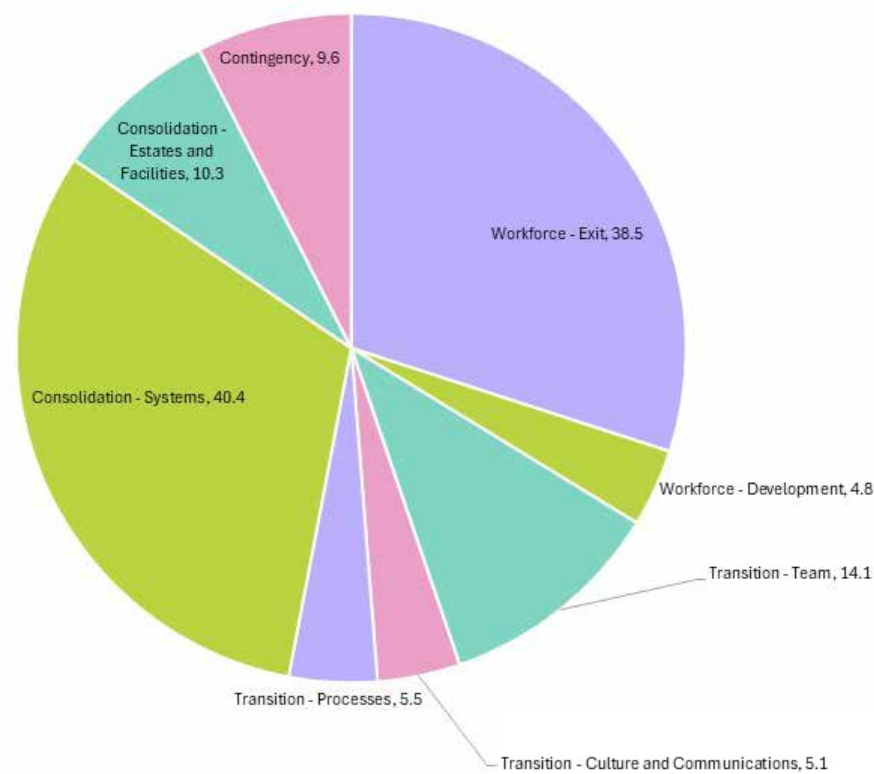
| Implementation and Disaggregation Costs by Year - Option 1 (Base) |           |          |             |        |        |        |        |        |        |        |        |        |        |         |  |
|---|-----------|----------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--|
| £ '000  | Base Year | Year - 1 | Shadow Year | Year1  | Year2  | Year3  | Year4  | Year5  | Year6  | Year7  | Year8  | Year9  | Year10 | Total   |  |
| Implementation costs  |           |          |             |        |        |        |        |        |        |        |        |        |        |         |  |
| Workforce - Exit  | -         | -        | 3,847       | 7,694  | 11,542 | 15,389 | -      | -      | -      | -      | -      | -      | -      | 38,472  |  |
| Workforce - Development   | -         | -        | 1,924       | 1,924  | 962    | -      | -      | -      | -      | -      | -      | -      | -      | 4,809   |  |
| Transition - Team   | 2,821     | 4,937    | 4,937       | 1,411  | -      | -      | -      | -      | -      | -      | -      | -      | -      | 14,106  |  |
| Transition - Culture and Communications                           | 1,026     | 1,795    | 1,795       | 513    | -      | -      | -      | -      | -      | -      | -      | -      | -      | 5,130   |  |
| Transition - Processes  | 1,090     | 1,908    | 1,908       | 545    | -      | -      | -      | -      | -      | -      | -      | -      | -      | 5,450   |  |
| Consolidation- Systems  | 4,040     | 4,040    | 24,237      | 8,079  | -      | -      | -      | -      | -      | -      | -      | -      | -      | 40,396  |  |
| Consolidation- Estates and Facilities                             | -         | -        | 1,539       | 3,591  | 5,130  | -      | -      | -      | -      | -      | -      | -      | -      | 10,259  |  |
| Contingency   | 588       | 972      | 1,688       | 919    | 2,992  | 2,458  | -      | -      | -      | -      | -      | -      | -      | 9,618   |  |
|   |           |          |             |        |        |        |        |        |        |        |        |        |        |         |  |
| Total implementation costs  | 9,565     | 13,652   | 41,876      | 24,676 | 20,625 | 17,847 | -      | -      | -      | -      | -      | -      | -      | 128,240 |  |
| Disaggregation costs  |           |          |             |        |        |        |        |        |        |        |        |        |        |         |  |
| Adult Social Care Inefficiencies                                  | -         | -        | -           | 10,221 | 10,221 | 10,221 | 10,221 | 10,221 | 10,221 | 10,221 | 10,221 | 10,221 | 10,221 | 102,213 |  |
| Children's Services Inefficiencies                                | -         | -        | -           | 2,910  | 2,910  | 2,910  | 2,910  | 2,910  | 2,910  | 2,910  | 2,910  | 2,910  | 2,910  | 29,095  |  |
| Place Service Inefficiencies                                      | -         | -        | -           | 2,496  | 2,496  | 2,496  | 2,496  | 2,496  | 2,496  | 2,496  | 2,496  | 2,496  | 2,496  | 24,956  |  |
| Corporate & Support Services to the Council Duplication           | -         | -        | -           | 2,287  | 2,287  | 2,287  | 2,287  | 2,287  | 2,287  | 2,287  | 2,287  | 2,287  | 2,287  | 22,868  |  |
|   |           |          |             |        |        |        |        |        |        |        |        |        |        |         |  |
| Total disaggregation costs  | -         | -        | -           | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 179,132 |  |
|   |           |          |             |        |        |        |        |        |        |        |        |        |        |         |  |
| Total costs   | 9,565     | 13,652   | 41,876      | 42,589 | 38,538 | 35,760 | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 17,913 | 307,372 |  |

**Implementation and Disaggregation Costs by Year - Option  
1 (High)**

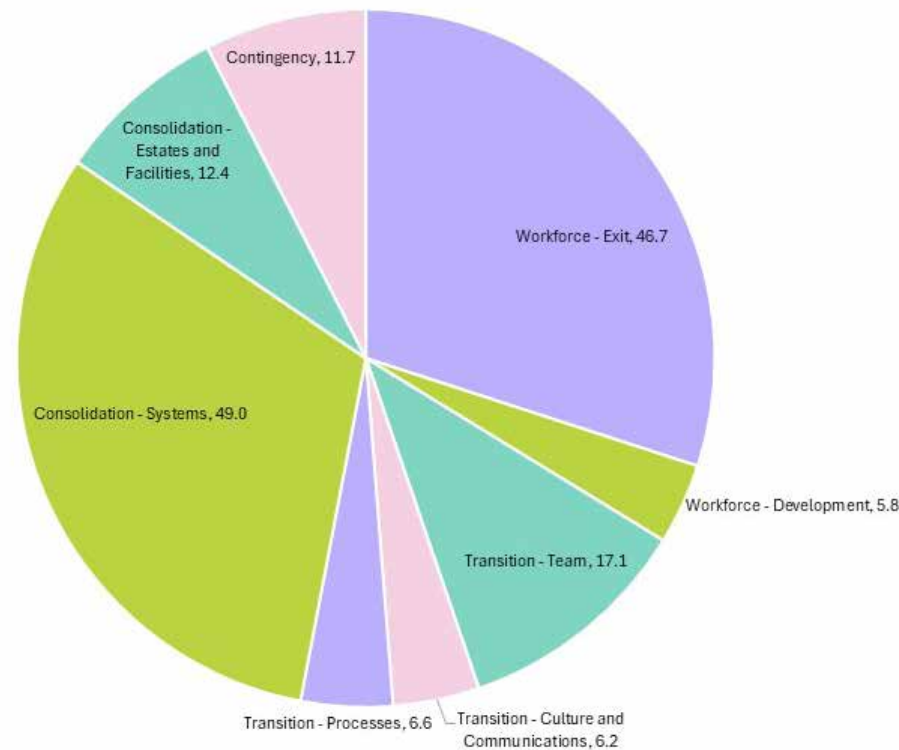
| £ '000  | Base<br>Year  | Year -<br>1   | Shadow<br>Year | Year1         | Year2         | Year3         | Year4         | Year5         | Year6         | Year7         | Year8         | Year9         | Year10        | Total          |
|---|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| <b>Implementation costs</b>                             |               |               |                |               |               |               |               |               |               |               |               |               |               |                |
| Workforce - Exit  | -             | -             | 4,665          | 9,331         | 13,996        | 18,661        | -             | -             | -             | -             | -             | -             | -             | 46,654         |
| Workforce - Development                                 | -             | -             | 2,333          | 2,333         | 1,166         | -             | -             | -             | -             | -             | -             | -             | -             | 5,832          |
| Transition - Team                                       | 3,421         | 5,987         | 5,987          | 1,711         | -             | -             | -             | -             | -             | -             | -             | -             | -             | 17,106         |
| Transition - Culture and Communications                 | 1,244         | 2,177         | 2,177          | 622           | -             | -             | -             | -             | -             | -             | -             | -             | -             | 6,220          |
| Transition - Processes                                  | 1,322         | 2,313         | 2,313          | 661           | -             | -             | -             | -             | -             | -             | -             | -             | -             | 6,609          |
| Consolidation - Systems                                 | 4,899         | 4,899         | 29,392         | 9,797         | -             | -             | -             | -             | -             | -             | -             | -             | -             | 48,986         |
| Consolidation - Estates and Facilities                  | -             | -             | 1,866          | 4,354         | 6,220         | -             | -             | -             | -             | -             | -             | -             | -             | 12,441         |
| Contingency   | 713           | 1,179         | 2,048          | 1,115         | 3,629         | 2,981         | -             | -             | -             | -             | -             | -             | -             | 11,663         |
| <b>Total implementation costs</b>                       | <b>11,599</b> | <b>16,556</b> | <b>50,781</b>  | <b>29,923</b> | <b>25,012</b> | <b>21,642</b> | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>155,512</b> |
| <b>Disaggregation costs</b>                             |               |               |                |               |               |               |               |               |               |               |               |               |               |                |
| Adult Social Care Inefficiencies                        | -             | -             | -              | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 112,434        |
| Children's Services Inefficiencies                      | -             | -             | -              | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 32,005         |
| Place Service Inefficiencies                            | -             | -             | -              | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 27,452         |
| Corporate & Support Services to the Council Duplication | -             | -             | -              | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 25,155         |
| <b>Total disaggregation costs</b>                       | <b>-</b>      | <b>-</b>      | <b>-</b>       | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>197,045</b> |
| <b>Total costs</b>                                      | <b>11,599</b> | <b>16,556</b> | <b>50,781</b>  | <b>49,628</b> | <b>44,716</b> | <b>41,347</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>352,557</b> |

The below pie charts show the cost composition, identifying the largest expenditure areas.

One-Off Costs by Category (£'million) - Option 1 (Base)

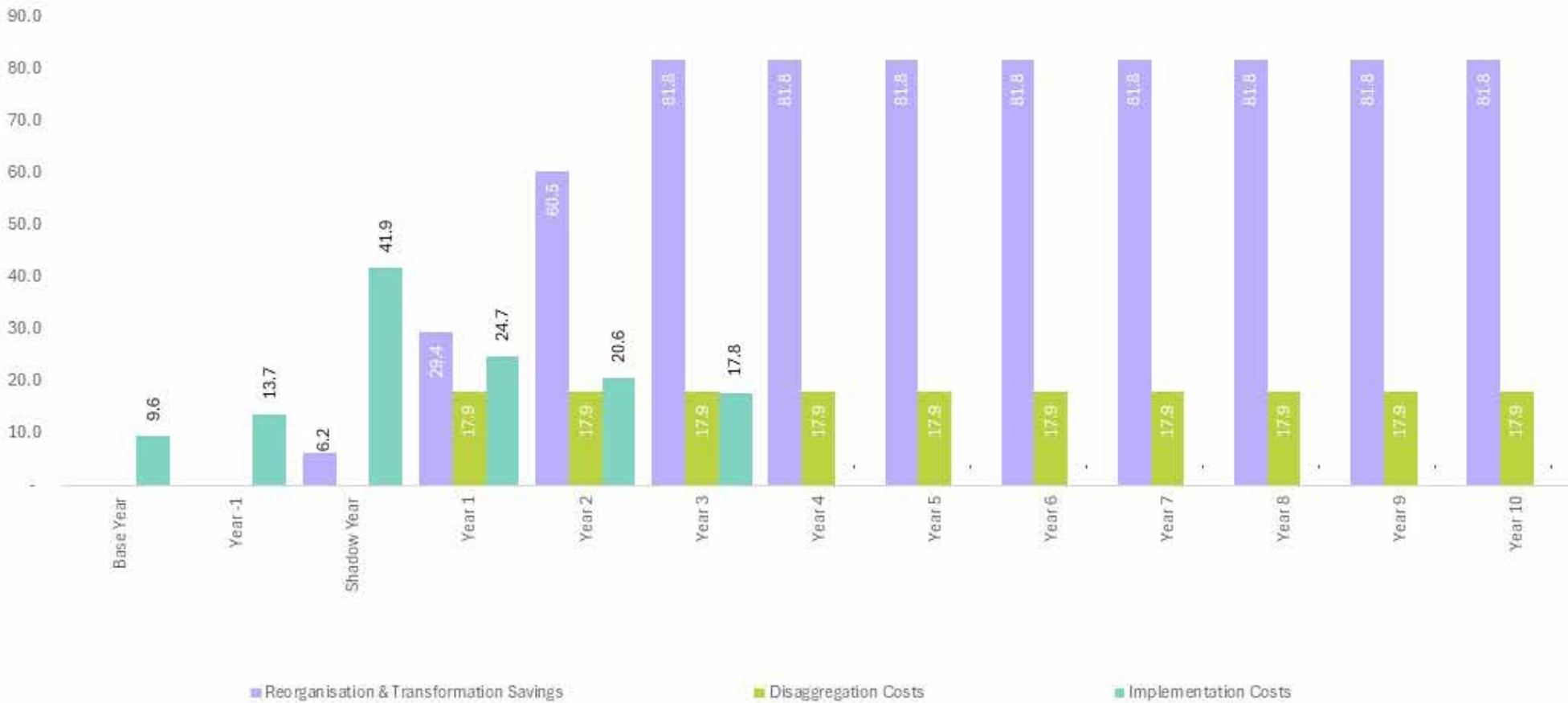


One-Off Costs by Category (£ 'million)- Option 1 (High)



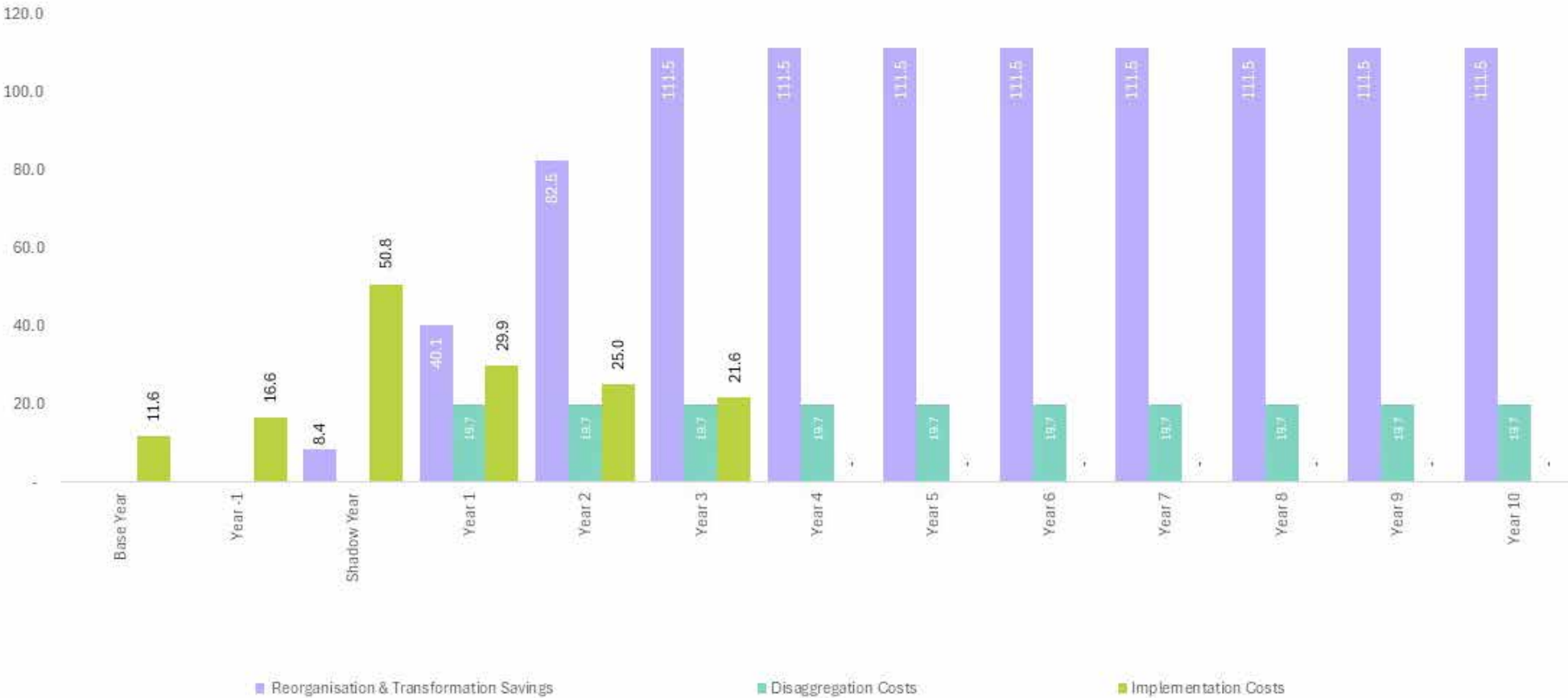
The below bar chart compares one-off implementation costs against the estimated annual savings and estimated annual disaggregation costs.

One-Off Costs vs Annual Net Savings (£ 'million) - Option 1 (Base)



The below bar chart compares one-off implementation costs against the estimated annual savings and estimated annual disaggregation costs.

One-Off Costs vs Annual Net Savings (£ 'million) - Option 1 (High)



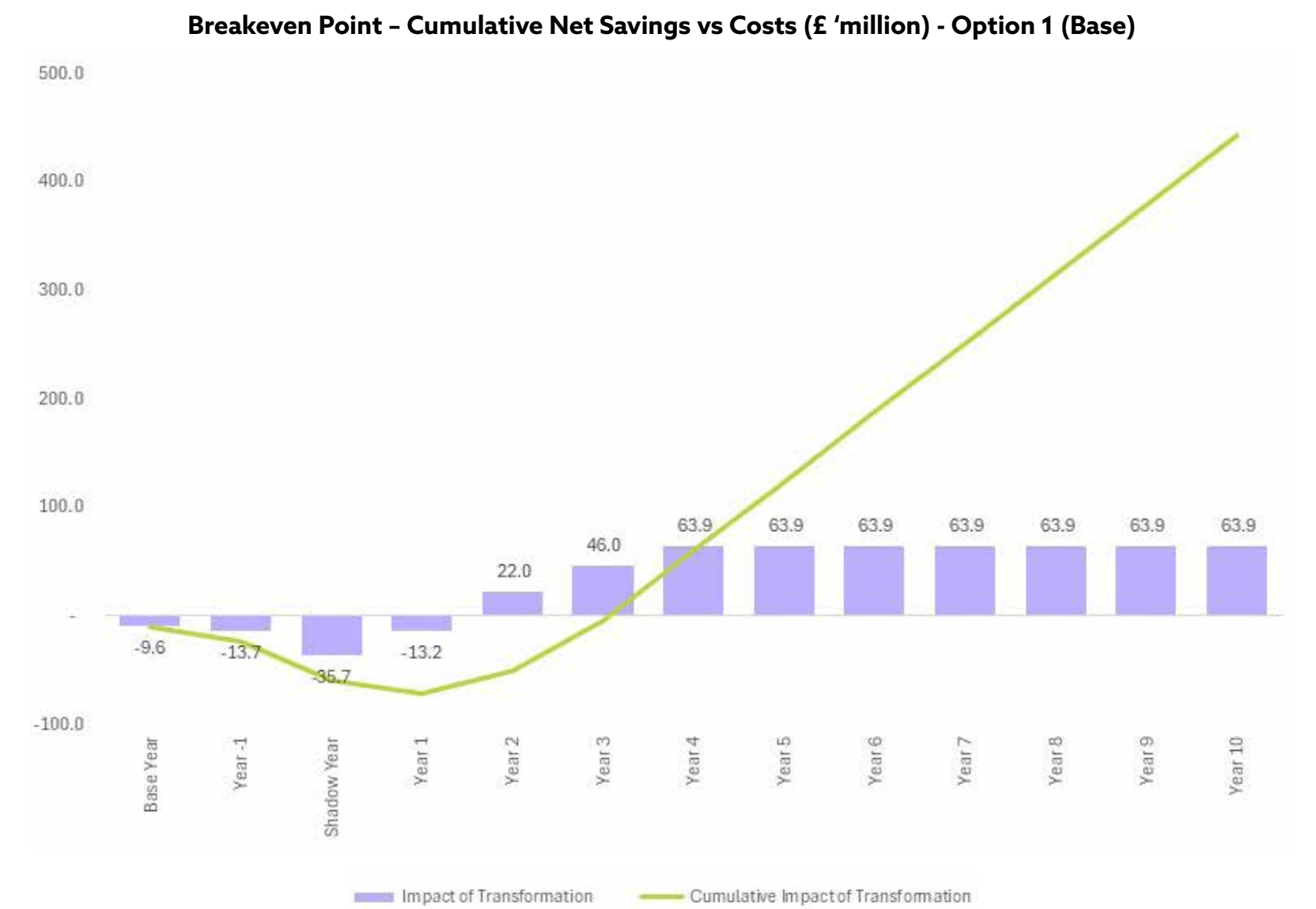


## Breakeven analysis and 10-year financial outlook – Option 1

This subsection provides a breakeven analysis, assessing when cumulative savings from reorganisation outweigh the one-off implementation costs. It also presents a 10-year outlook of the net financial benefit. This forward-looking view demonstrates the long-term value of the option.

The financial analysis indicates that breakeven is achieved in **3.0 years** in the base scenario (**2.3 years** in High scenario), after which cumulative net savings exceed implementation costs. By Year 4, the reorganisation delivers a total net financial benefit per year of **£63.9 million** in the base scenario (**£91.8 million** in High scenario), supporting stronger long-term resilience. These benefits position the new authorities well to contribute to future budget gaps and reinvest in public services.

A cumulative net benefit line graph shows the payback trajectory over time, highlighting the breakeven year.



A cumulative net benefit line graph shows the payback trajectory over time, highlighting the breakeven year.

Breakeven Point - Cumulative Net Savings vs Costs (£ 'million) - Option 1 (High)



The summary tables include yearly savings, costs and annual net benefit.

| Net Benefit by Year – 10-Year Profile - Option 1 (Base) |              |               |                 |                 |               |               |               |               |               |               |               |               |               |
|---|--------------|---------------|-----------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| £'000   | Base Year    | Year-1        | Shadow Year     | Year 1          | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       |
| <b>Savings</b>  |              |               |                 |                 |               |               |               |               |               |               |               |               |               |
| Reorganisation & Transformation Savings                 | -            | -             | 6,175           | 29,423          | 60,522        | 81,787        | 81,787        | 81,787        | 81,787        | 81,787        | 81,787        | 81,787        | 81,787        |
| <b>Costs</b>  |              |               |                 |                 |               |               |               |               |               |               |               |               |               |
| Disaggregation Costs                                    | -            | -             | -               | - 17,913        | - 17,913      | - 17,913      | - 17,913      | - 17,913      | - 17,913      | - 17,913      | - 17,913      | - 17,913      | - 17,913      |
| Implementation Costs                                    | 9,565        | 13,652        | - 41,876        | - 24,676        | - 20,625      | - 17,847      | -             | -             | -             | -             | -             | -             | -             |
| <b>Impact of Transformation</b>                         | <b>9,565</b> | <b>13,652</b> | <b>- 35,701</b> | <b>- 13,166</b> | <b>21,984</b> | <b>46,027</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> |

| Net Benefit by Year – 10-Year Profile - Option 1 (High) |               |               |                 |                |               |               |               |               |               |               |               |               |               |
|---|---------------|---------------|-----------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| £'000   | Base Year     | Year-1        | Shadow Year     | Year 1         | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       |
| <b>Savings</b>  |               |               |                 |                |               |               |               |               |               |               |               |               |               |
| Reorganisation & Transformation Savings                 | -             | -             | 8,419           | 40,116         | 82,519        | 111,512       | 111,512       | 111,512       | 111,512       | 111,512       | 111,512       | 111,512       | 111,512       |
| <b>Costs</b>  |               |               |                 |                |               |               |               |               |               |               |               |               |               |
| Disaggregation Costs                                    | -             | -             | -               | - 19,705       | - 19,705      | - 19,705      | - 19,705      | - 19,705      | - 19,705      | - 19,705      | - 19,705      | - 19,705      | - 19,705      |
| Implementation Costs                                    | 11,599        | 16,556        | - 50,781        | - 29,923       | - 25,012      | - 21,642      | -             | -             | -             | -             | -             | -             | -             |
| <b>Impact of Transformation</b>                         | <b>11,599</b> | <b>16,556</b> | <b>- 42,362</b> | <b>- 9,511</b> | <b>37,803</b> | <b>70,165</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> |

## **Evaluation of Option 2**

### **Savings and efficiency opportunities from reorganisation – Option 2**

The projected savings for Option 2 are identical to the savings (categories, quantum and phasing) assumed in Option 1 for both the Base scenario and High scenario.

### **Implementation and disaggregation cost estimates – Option 2**

The projected implementation and disaggregation costs as previously described, for Option 2, are identical to the implementation and disaggregation costs (categories, quantum and phasing) assumed in Option 1 for both the Base scenario and High scenario.

### **Breakeven analysis and 10-Year financial outlook – Option 2**

As the savings, implementation and disaggregation costs are identical between Option 1 and Option 2, the 10-year outlook of the net financial benefit, breakeven analysis (assessing when cumulative savings from reorganisation outweigh the one-off implementation costs) and forward-looking view for Option 2 is identical to Option 1 for both Base scenario and High scenario.

## **Evaluation of Option 3**

### **Savings and efficiency opportunities from reorganisation – Option 3**

The projected savings for Option 3 are identical to the savings (categories, quantum and phasing) assumed in Option 1 for both the Base scenario and High scenario.

### **Implementation and disaggregation cost estimates – Option 3**

This subsection outlines the projected implementation and disaggregation costs, as previously described, for Option 3.

Due to the proposed boundary changes assumed in Option 3, there are additional one-off implementation costs associated with this change of splitting district boundaries assumed under this option. The disaggregation costs (categories, quantum and phasing) are identical to the costs assumed in Option 1 and Option 2 for both the Base scenario and High scenario.

The total estimated implementation cost (including boundary change costs) is **£133.0 million (£160.3 million** in High scenario) over a period of 6 years (including 2025/26 Base year, Year -1, Shadow Year and 3 years post implementation), with the majority incurred in 'workforce – exit' and 'transition – team'. These costs are essential to unlock recurring efficiencies. Where disaggregation is required, additional annual costs of **£17.9 million (£19.7 million** in High) are included – identical to the costs assumed in Option 1 and Option 2.



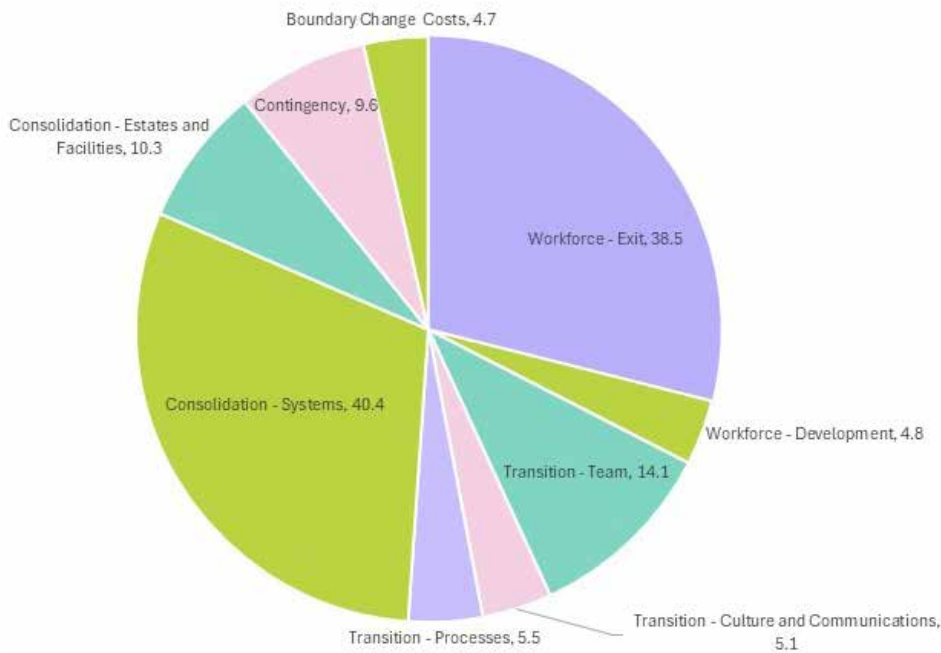
The below table outlines the total implementation and disaggregation costs by year and category.

| Implementation and Disaggregation Costs by Year - Option 3 (Base) |              |               |               |               |               |               |               |               |               |               |               |               |               |                |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| £'000   | Base Year    | Year -1       | Shadow Year   | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       | Total          |
| <b>Implementation costs</b>                                       |              |               |               |               |               |               |               |               |               |               |               |               |               |                |
| Workforce - Exit  | -            | -             | 3,847         | 7,694         | 11,542        | 15,389        | -             | -             | -             | -             | -             | -             | -             | 38,472         |
| Workforce - Development   | -            | -             | 1,924         | 1,924         | 962           | -             | -             | -             | -             | -             | -             | -             | -             | 4,809          |
| Transition - Team   | 2,821        | 4,937         | 4,937         | 1,411         | -             | -             | -             | -             | -             | -             | -             | -             | -             | 14,106         |
| Transition - Culture and Communications                           | 1,026        | 1,795         | 1,795         | 513           | -             | -             | -             | -             | -             | -             | -             | -             | -             | 5,130          |
| Transition - Processes  | 1,090        | 1,908         | 1,908         | 545           | -             | -             | -             | -             | -             | -             | -             | -             | -             | 5,450          |
| Consolidation - Systems   | 4,040        | 4,040         | 24,237        | 8,079         | -             | -             | -             | -             | -             | -             | -             | -             | -             | 40,396         |
| Consolidation - Estates and Facilities                            | -            | -             | 1,539         | 3,591         | 5,130         | -             | -             | -             | -             | -             | -             | -             | -             | 10,259         |
| Contingency   | 588          | 972           | 1,688         | 919           | 2,992         | 2,458         | -             | -             | -             | -             | -             | -             | -             | 9,618          |
| <b>Total implementation costs</b>                                 | <b>9,565</b> | <b>13,652</b> | <b>41,876</b> | <b>24,676</b> | <b>20,625</b> | <b>17,847</b> | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>128,240</b> |
| <b>Disaggregation costs</b>                                       |              |               |               |               |               |               |               |               |               |               |               |               |               |                |
| Adult Social Care Inefficiencies                                  | -            | -             | -             | 10,221        | 10,221        | 10,221        | 10,221        | 10,221        | 10,221        | 10,221        | 10,221        | 10,221        | 10,221        | 102,213        |
| Children's Services Inefficiencies                                | -            | -             | -             | 2,910         | 2,910         | 2,910         | 2,910         | 2,910         | 2,910         | 2,910         | 2,910         | 2,910         | 2,910         | 29,095         |
| Place Service Inefficiencies                                      | -            | -             | -             | 2,496         | 2,496         | 2,496         | 2,496         | 2,496         | 2,496         | 2,496         | 2,496         | 2,496         | 2,496         | 24,956         |
| Corporate & Support Services to the Council Duplication           | -            | -             | -             | 2,287         | 2,287         | 2,287         | 2,287         | 2,287         | 2,287         | 2,287         | 2,287         | 2,287         | 2,287         | 22,868         |
| <b>Total disaggregation costs</b>                                 | <b>-</b>     | <b>-</b>      | <b>-</b>      | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>179,132</b> |
| <b>Boundary Change Costs</b>                                      | <b>-</b>     | <b>1,424</b>  | <b>3,323</b>  | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>4,747</b>   |
| <b>Total costs</b>  | <b>9,565</b> | <b>15,076</b> | <b>45,199</b> | <b>42,589</b> | <b>38,538</b> | <b>35,760</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>17,913</b> | <b>312,119</b> |

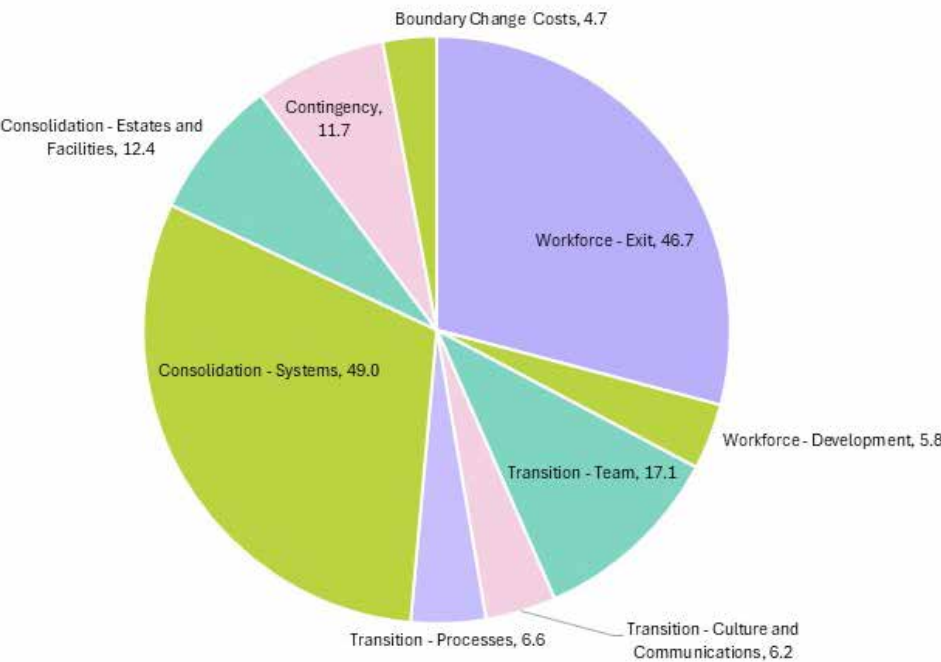
| Implementation and Disaggregation Costs by Year - Option 3 (High) |               |               |               |               |               |               |               |               |               |               |               |               |               |                |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| £ '000  | Base Year     | Year -1       | Shadow Year   | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       | Total          |
| <b>Implementation costs</b>                                       |               |               |               |               |               |               |               |               |               |               |               |               |               |                |
| Workforce - Exit  | -             | -             | 4,665         | 9,331         | 13,996        | 18,661        | -             | -             | -             | -             | -             | -             | -             | 46,654         |
| Workforce - Development   | -             | -             | 2,333         | 2,333         | 1,166         | -             | -             | -             | -             | -             | -             | -             | -             | 5,832          |
| Transition - Team   | 3,421         | 5,987         | 5,987         | 1,711         | -             | -             | -             | -             | -             | -             | -             | -             | -             | 17,106         |
| Transition - Culture and Communications                           | 1,244         | 2,177         | 2,177         | 622           | -             | -             | -             | -             | -             | -             | -             | -             | -             | 6,220          |
| Transition - Processes  | 1,322         | 2,313         | 2,313         | 661           | -             | -             | -             | -             | -             | -             | -             | -             | -             | 6,609          |
| Consolidation - Systems   | 4,899         | 4,899         | 29,392        | 9,797         | -             | -             | -             | -             | -             | -             | -             | -             | -             | 48,986         |
| Consolidation - Estates and Facilities                            | -             | -             | 1,866         | 4,354         | 6,220         | -             | -             | -             | -             | -             | -             | -             | -             | 12,441         |
| Contingency   | 713           | 1,179         | 2,048         | 1,115         | 3,629         | 2,981         | -             | -             | -             | -             | -             | -             | -             | 11,663         |
| <b>Total implementation costs</b>                                 | <b>11,599</b> | <b>16,556</b> | <b>50,781</b> | <b>29,923</b> | <b>25,012</b> | <b>21,642</b> | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>155,512</b> |
| <b>Disaggregation costs</b>                                       |               |               |               |               |               |               |               |               |               |               |               |               |               |                |
| Adult Social Care Inefficiencies                                  | -             | -             | -             | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 11,243        | 112,434        |
| Children's Services Inefficiencies                                | -             | -             | -             | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 3,200         | 32,005         |
| Place Service Inefficiencies                                      | -             | -             | -             | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 2,745         | 27,452         |
| Corporate & Support Services to the Council Duplication           | -             | -             | -             | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 2,515         | 25,155         |
| <b>Total disaggregation costs</b>                                 | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>197,045</b> |
| <b>Boundary Change Costs</b>                                      | <b>-</b>      | <b>1,424</b>  | <b>3,323</b>  | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>4,747</b>   |
| <b>Total costs</b>  | <b>11,599</b> | <b>17,980</b> | <b>54,104</b> | <b>49,628</b> | <b>44,716</b> | <b>41,347</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>19,705</b> | <b>357,304</b> |

The below pie charts show the cost composition for one-off costs, identifying the largest expenditure areas.

One-Off Costs by Category (£'million) - Option 1 (Base)

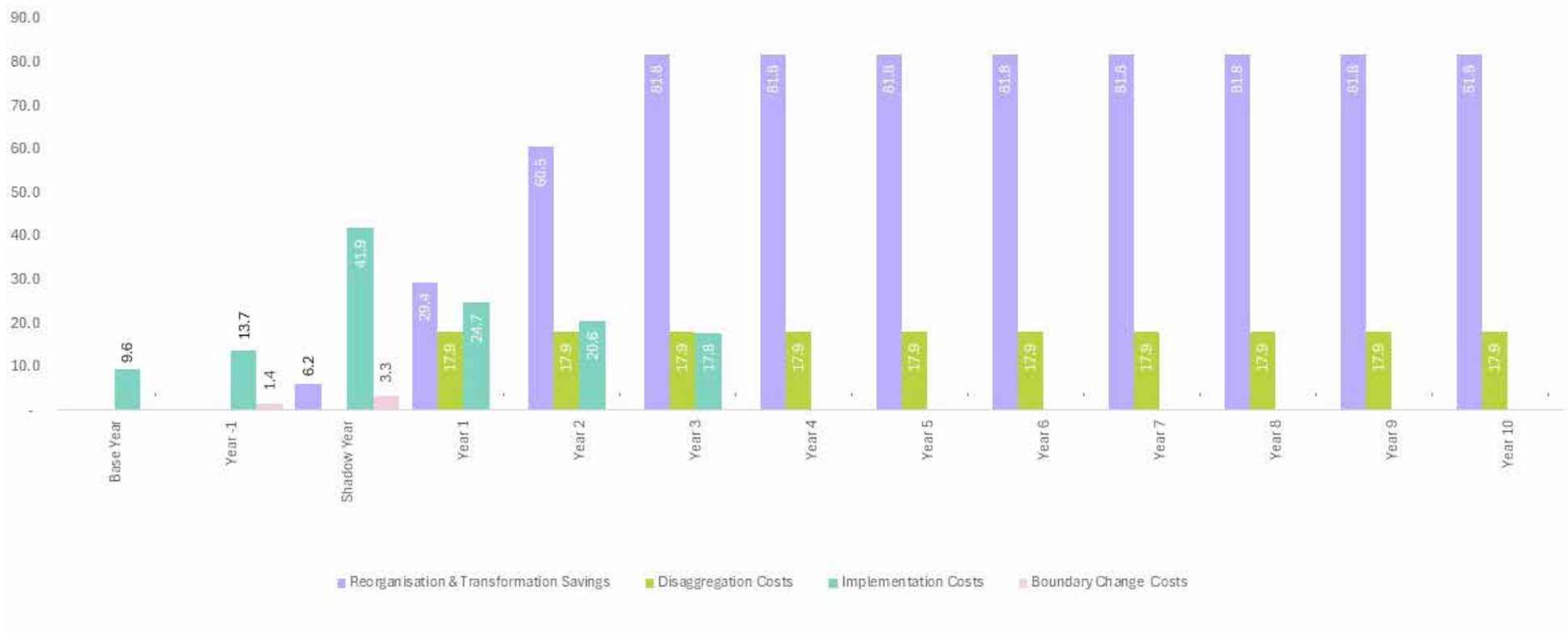


One-Off Costs by Category (£'million)- Option 1 (High)



The below bar charts compare one-off implementation costs (including boundary changes costs) against the estimated annual savings and annual disaggregation costs.

One-Off Costs vs Annual Net Savings (£'million) - Option 1 (Base)



The below bar charts compare one-off implementation costs (including boundary changes costs) against the estimated annual savings and annual disaggregation costs.

**One-Off Costs vs Annual Net Savings (£'million) - Option 1 (High)**





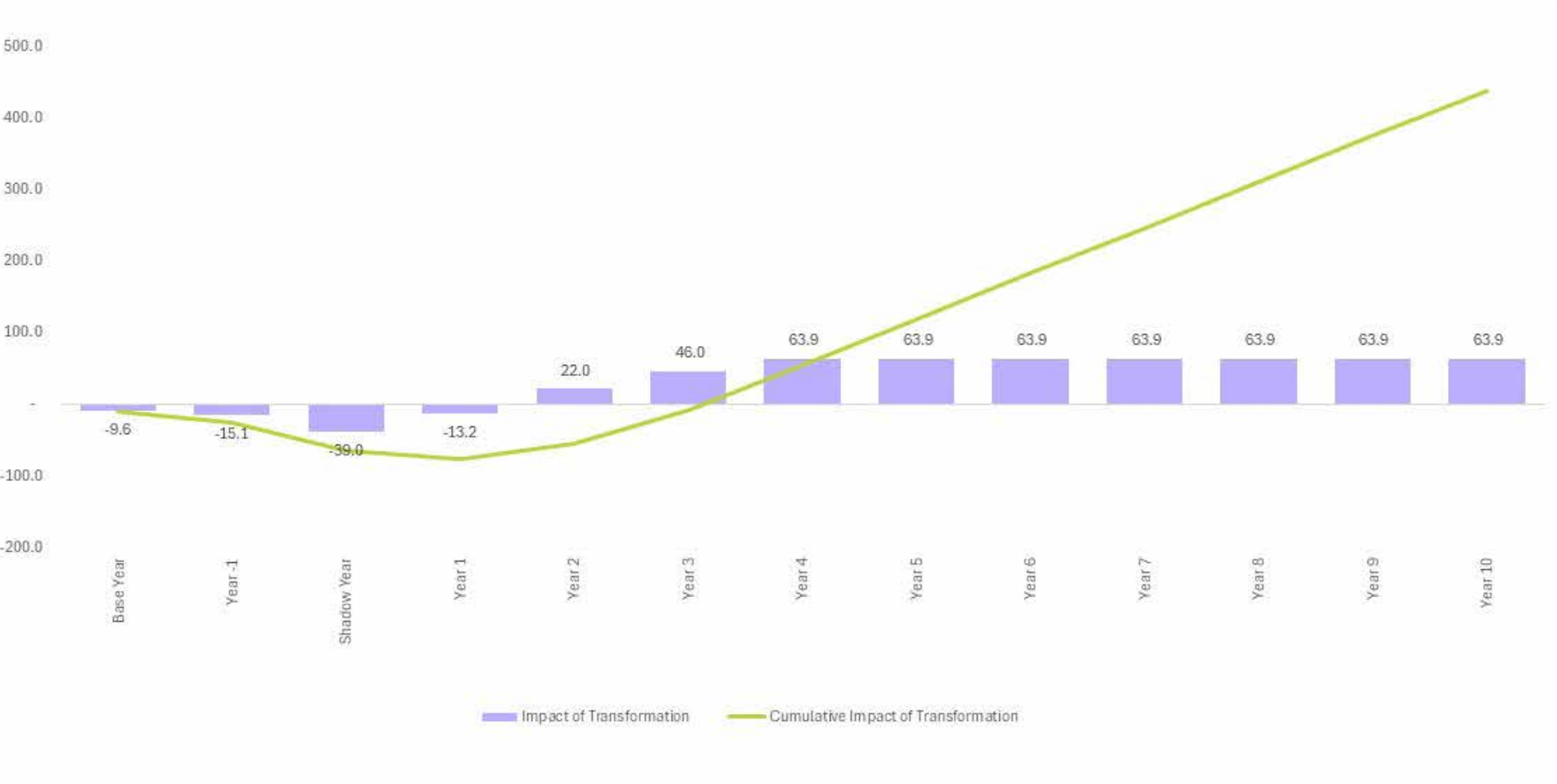
### **Breakeven analysis and 10-Year financial outlook – Option 3**

This subsection provides a breakeven analysis, assessing when cumulative savings from reorganisation outweigh the one-off implementation costs (including the boundary change costs) for Option 3.

The additional boundary change costs assumed in Option 3 as compared to Option 1 and 2 means that overall payback analysis is marginally longer than Option 1 and 2. The financial analysis indicates that breakeven is achieved in **3.1 years** for the base scenario (**2.3 years** in High scenario), after which cumulative net savings exceed implementation costs. By Year 4, the reorganisation delivers a total net financial benefit of **£63.9 million** per year for the base scenario (**£91.8 million** in High scenario), supporting stronger long-term resilience – identical to Option 1 and 2. These benefits position the new authorities well to contribute to future budget gaps and reinvest in public services.

Cumulative net benefit line graphs show the payback trajectory over time, highlighting the breakeven year.

**Breakeven Point - Cumulative Net Savings vs Costs (£ 'million) - Option 3 (Base)**



Cumulative net benefit line graphs show the payback trajectory over time, highlighting the breakeven year.

Breakeven Point - Cumulative Net Savings vs Costs (£ 'million) - Option 3 (High)



The summary tables include yearly savings, costs and annual net benefit.

| Net Benefit by Year – 10-Year Profile - Option 3 (Base) |              |               |               |               |               |               |               |               |               |               |               |               |               |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| £ '000  | Base Year    | Year -1       | Shadow Year   | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       |
| <b>Savings</b>  |              |               |               |               |               |               |               |               |               |               |               |               |               |
| Reorganisation & Transformation Savings                 | -            | -             | 6,175         | 29,423        | 60,522        | 81,787        | 81,787        | 81,787        | 81,787        | 81,787        | 81,787        | 81,787        | 81,787        |
| <b>Costs</b>  |              |               |               |               |               |               |               |               |               |               |               |               |               |
| Disaggregation Costs                                    | -            | -             | -             | 17,913        | 17,913        | 17,913        | 17,913        | 17,913        | 17,913        | 17,913        | 17,913        | 17,913        | 17,913        |
| Implementation Costs                                    | 9,565        | 13,652        | 41,876        | 24,676        | 20,625        | 17,847        | -             | -             | -             | -             | -             | -             | -             |
| Boundary Change Costs                                   | -            | 1,424         | 3,323         | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Impact of Transformation</b>                         | <b>9,565</b> | <b>15,076</b> | <b>39,024</b> | <b>13,166</b> | <b>21,984</b> | <b>46,027</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> | <b>63,874</b> |

| Net Benefit by Year – 10-Year Profile - Option 3 (High) |               |               |               |              |               |               |               |               |               |               |               |               |               |
|---|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| £ '000  | Base Year     | Year -1       | Shadow Year   | Year 1       | Year 2        | Year 3        | Year 4        | Year 5        | Year 6        | Year 7        | Year 8        | Year 9        | Year 10       |
| <b>Savings</b>  |               |               |               |              |               |               |               |               |               |               |               |               |               |
| Reorganisation & Transformation Savings                 | -             | -             | 8,419         | 40,116       | 82,519        | 111,512       | 111,512       | 111,512       | 111,512       | 111,512       | 111,512       | 111,512       | 111,512       |
| <b>Costs</b>  |               |               |               |              |               |               |               |               |               |               |               |               |               |
| Disaggregation Costs                                    | -             | -             | -             | 19,705       | 19,705        | 19,705        | 19,705        | 19,705        | 19,705        | 19,705        | 19,705        | 19,705        | 19,705        |
| Implementation Costs                                    | 11,599        | 16,556        | 50,781        | 29,923       | 25,012        | 21,642        | -             | -             | -             | -             | -             | -             | -             |
| Boundary Change Costs                                   | -             | 1,424         | 3,323         | -            | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>Impact of Transformation</b>                         | <b>11,599</b> | <b>17,980</b> | <b>45,685</b> | <b>9,511</b> | <b>37,803</b> | <b>70,165</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> | <b>91,807</b> |

## **Other considerations**

### **Gross budget gap of existing councils**

The financial analysis assumes that all existing councils (including the county) will manage their ongoing gross budget gaps regardless of local government reorganisation, therefore the forecasted gross budget gaps of all councils totalling **£178m** (including the county council of **£136m**) by 2028/29, have not been included within the breakeven analysis of transformation. Hampshire County Council's MTFS budget gap of £136m faces pressures to increase to £281m in 2028/29, however, there is recognition that the significant savings from our proposal will contribute to any future gross budget gaps of the new authorities.

### **Reserves and funding the reorganisation**

As of 31st March 2025, there are **£1,779m** of total usable reserves. It will be up to each new authority to determine how

to use its resources to fund the cost of reorganisation which is likely to be through a mixture of use of reserves and capital receipts to support the transformation.

### **Council tax harmonisation**

Due to the uncertainties of implementation, the impact of council tax harmonisation as a consequence of reorganisation has not been reflected within the breakeven analysis across all options. However, our financial analysis derived an expected additional council tax revenue of **£138m** over 10 years across the three variations of our proposal. The incremental impact on council tax revenue varies by new authority. Our analysis calculated the difference between the expected council tax revenue without reorganisation and the expected council tax revenue due to harmonisation of council tax rates per new authority, assumed at the weighted average rate of the component council tax rates.