

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
Base Case	The most likely scenario based on agreed central assumptions. Balances prudent savings estimates with realistic implementation ambition, aligned to local capability.
High Case	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 1A
Recurring Savings from Year 3	81.8		81.8
Recurring Disaggregation Costs from Year 1	- 17.9	-	17.9
Cumulative benefit / (cost) after 5 years	251.9		251.9
One-off Implementation Cost by Year 3	- 128.2	-	133.0
Net Impact after 5 years (2032/33)	123.7		118.9
Payback period	3.0		3.1
Annual recurring benefit / (cost) post transformation from Year 4	63.9		63.9

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

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 total service expenditure (£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.

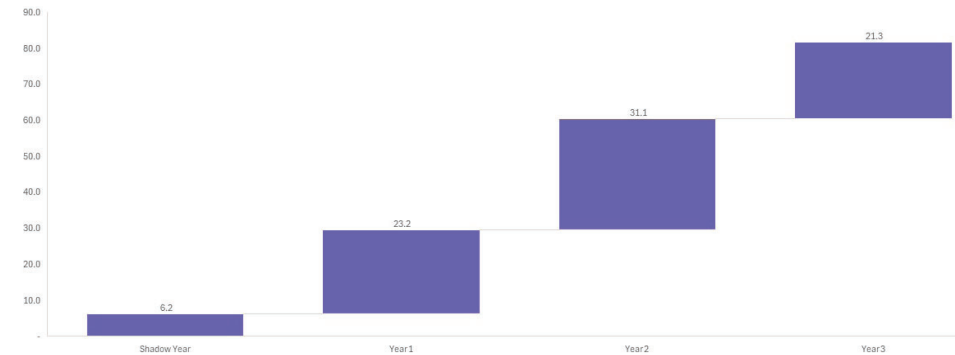
A summary table breaks down expected recurring savings by category (e.g. staffing, governance, IT, property) from Year 3 (2030/31).

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
Total	6,175	29,423	60,522	81,787

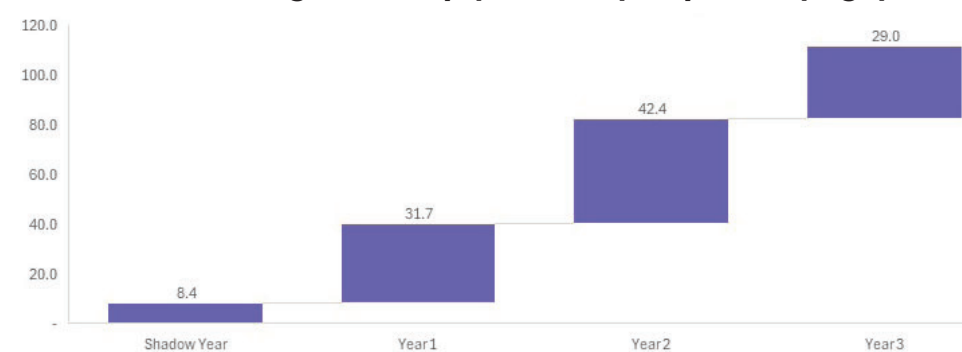
Projected Annual Savings by Category - Option 1 (High)				
£ '000	Shadow Year	Year 1	Year 2	Year 3
Optimising Leadership	613	3,067	6,133	6,133
Right Sizing the Organisation	4,460	13,381	31,223	44,605
Centralising Corporate Services	-	223	669	1,115
Service Contract Consolidation	3,345	15,054	26,763	33,453
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
Total	8,419	40,116	82,519	111,512

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 1A	
	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
Total	81,787	111,512	81,787	111,512	81,787	111,512

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.

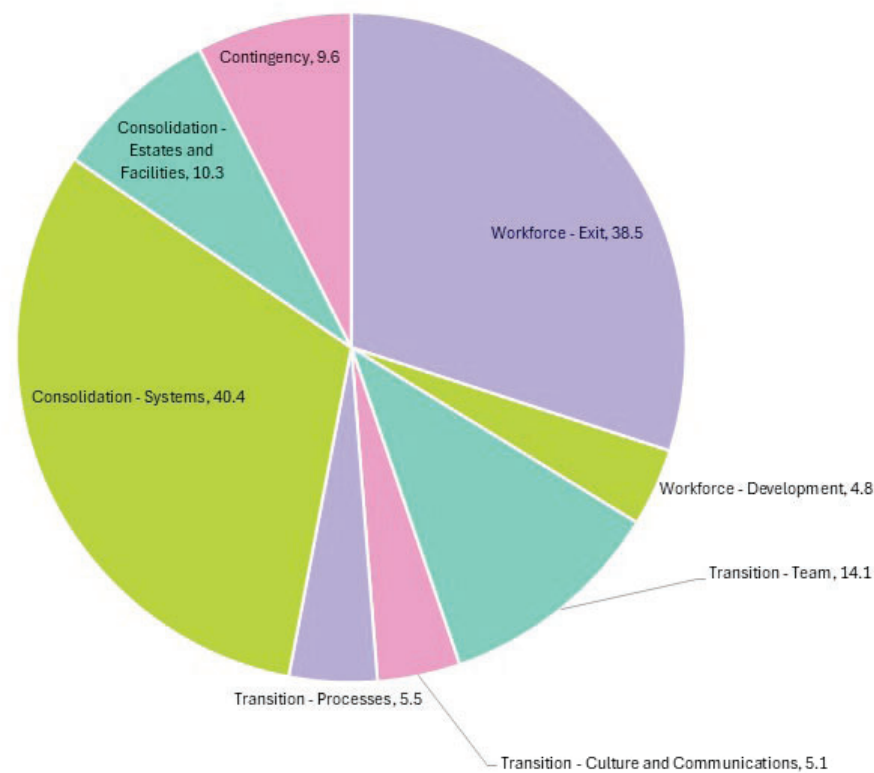
Implementation and Disaggregation Costs by Year - Option 1 (Base)															
£ '000	Base Year	Year - 1	Shadow Year	Year1	Year2	Year3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	Total	
Implementation costs															
Workforce - Exit	-	-	3,847	7,694	11,542	15,389	-	-	-	-	-	-	-	38,472	
Workforce - 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)**

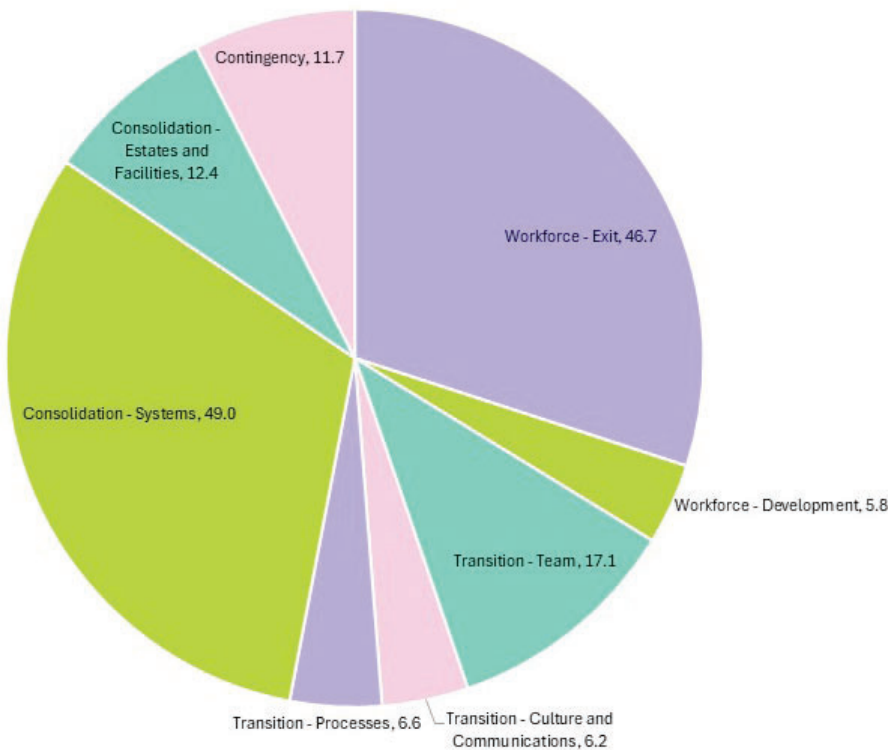
£ '000	Base Year	Year - 1	Shadow Year	Year1	Year2	Year3	Year4	Year5	Year6	Year7	Year8	Year9	Year10	Total
Implementation costs														
Workforce - Exit	-	-	4,665	9,331	13,996	18,661	-	-	-	-	-	-	-	46,654
Workforce - Development	-	-	2,333	2,333	1,166	-	-	-	-	-	-	-	-	5,832
Transition - Team	3,421	5,987	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
Total implementation costs	11,599	16,556	50,781	29,923	25,012	21,642	-	-	-	-	-	-	-	155,512
Disaggregation costs														
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
Total disaggregation costs	-	-	-	19,705	19,705	19,705	19,705	19,705	19,705	19,705	19,705	19,705	19,705	197,045
Total costs	11,599	16,556	50,781	49,628	44,716	41,347	19,705	19,705	19,705	19,705	19,705	19,705	19,705	352,557

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

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

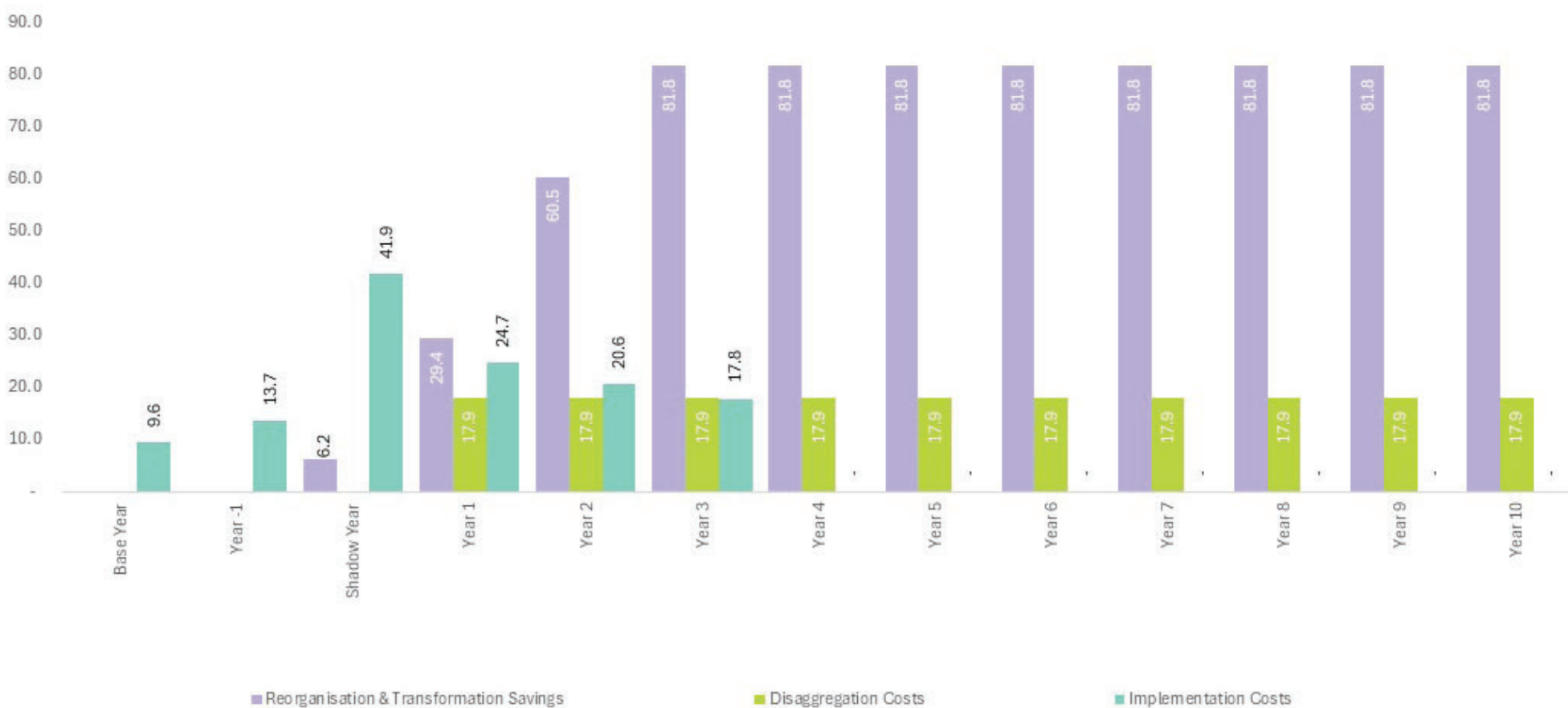


One-Off Costs by Category (£ 'million)- Option 1 (High)

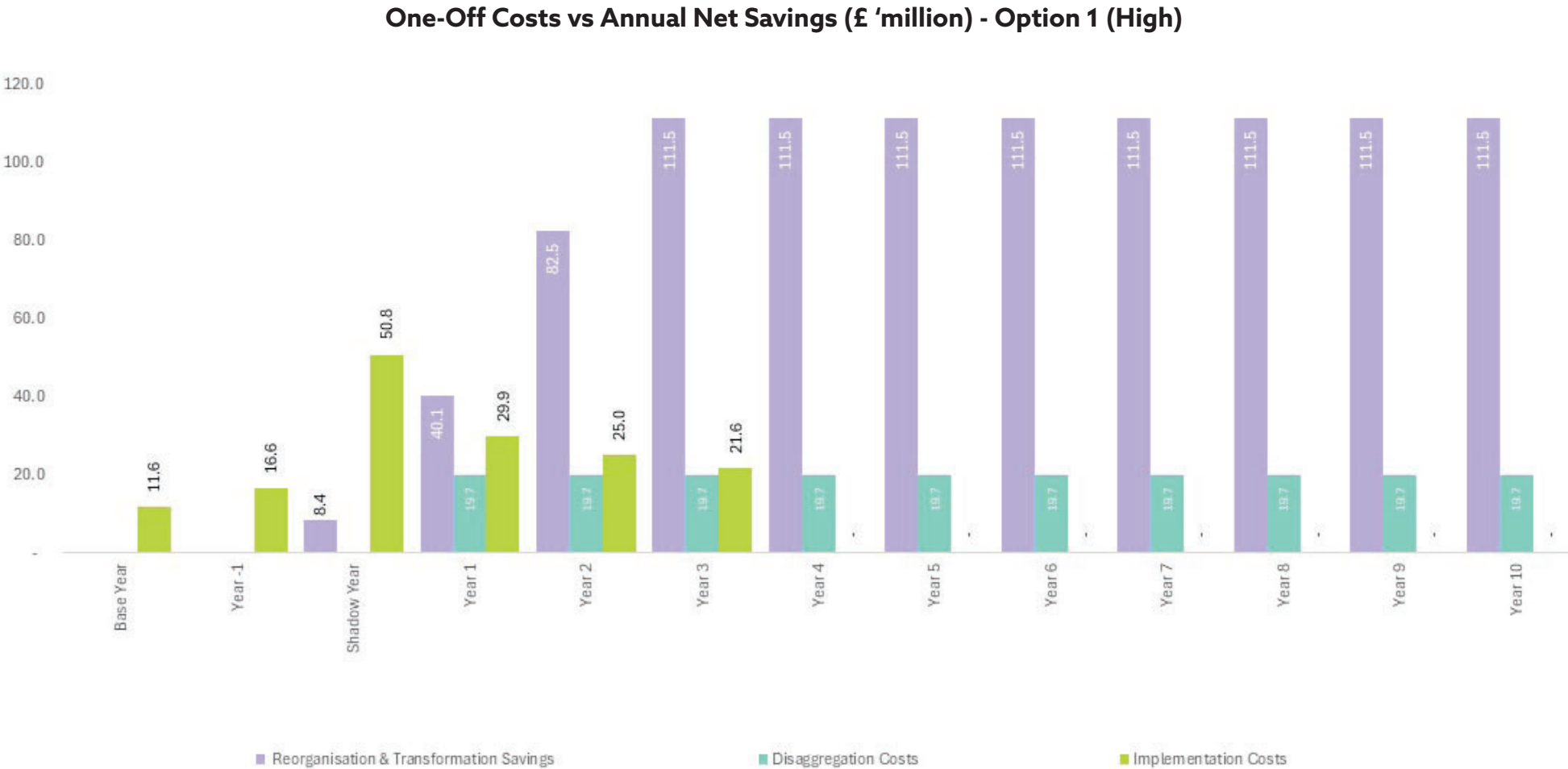


The below bar chart compares one-off implementation costs against the estimated annual savings and estimated annual disaggregation costs.

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.

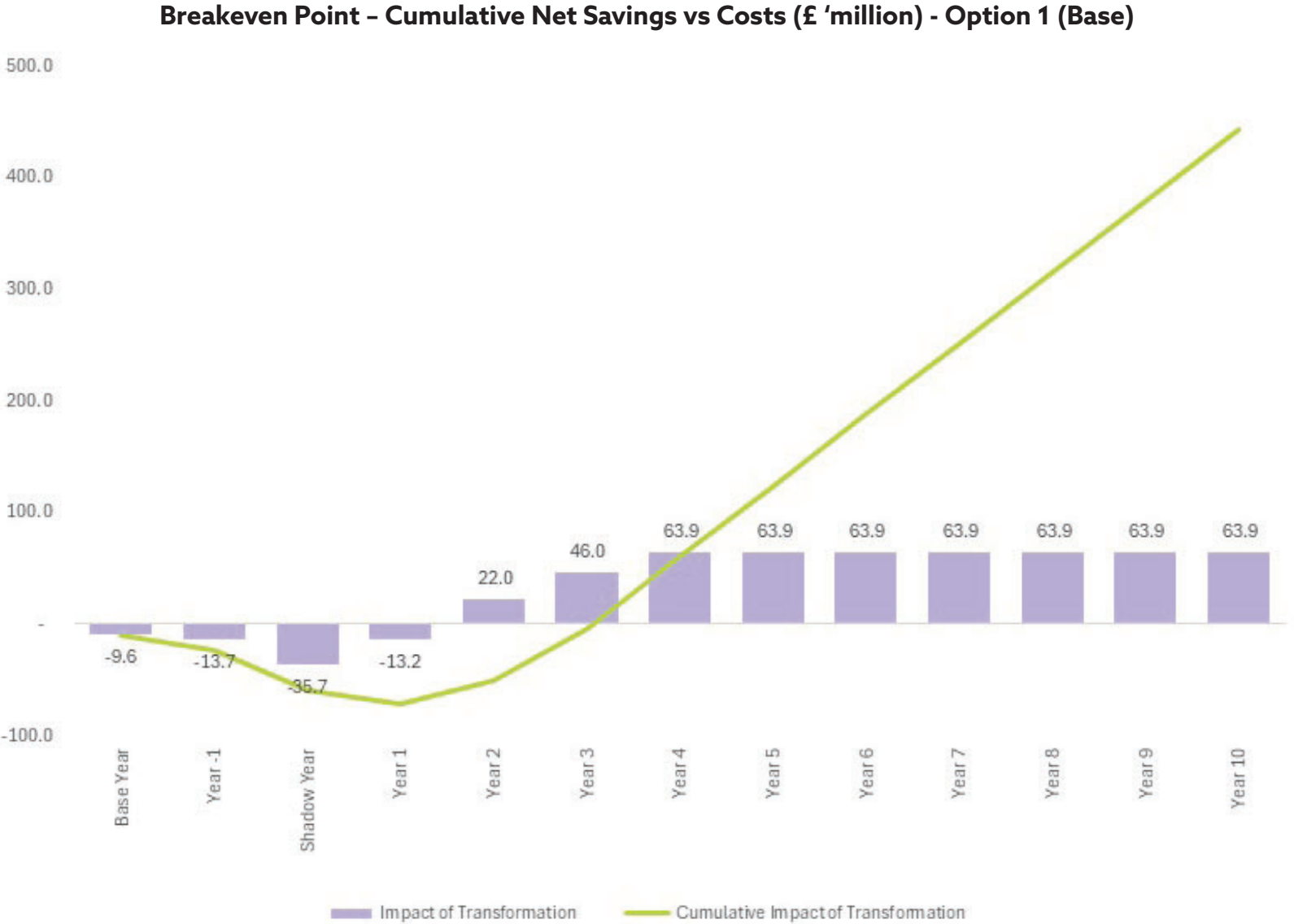


Breakeven analysis and 10-year financial outlook – Option 1

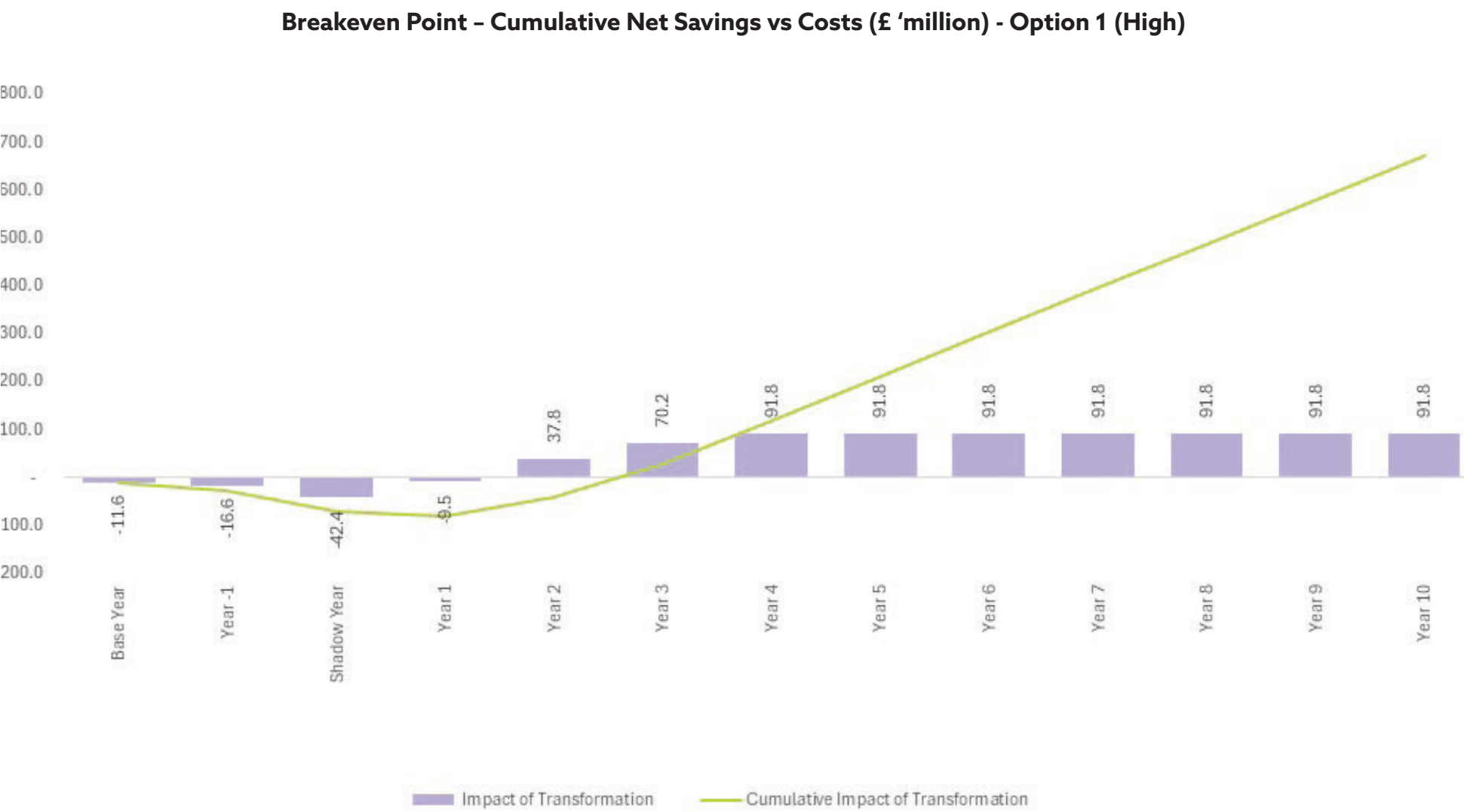
This subsection provides a breakeven analysis, assessing when cumulative savings from reorganisation outweigh the one-off implementation costs. It also presents a 10-year outlook of the net financial benefit. This forward-looking view demonstrates the long-term value of the option.

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.



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
Savings													
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
Costs													
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	-	-	-	-	-	-	-
Impact of Transformation	9,565	13,652	- 35,701	- 13,166	21,984	46,027	63,874	63,874	63,874	63,874	63,874	63,874	63,874

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
Savings													
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
Costs													
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	-	-	-	-	-	-	-
Impact of Transformation	11,599	16,556	- 42,362	- 9,511	37,803	70,165	91,807	91,807	91,807	91,807	91,807	91,807	91,807

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 1A

Savings and efficiency opportunities from reorganisation – Option 1A

The projected savings for Option 1A 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 1A

This subsection outlines the projected implementation and disaggregation costs, as previously described, for Option 1A. Due to the proposed boundary changes assumed in Option 1A, 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.

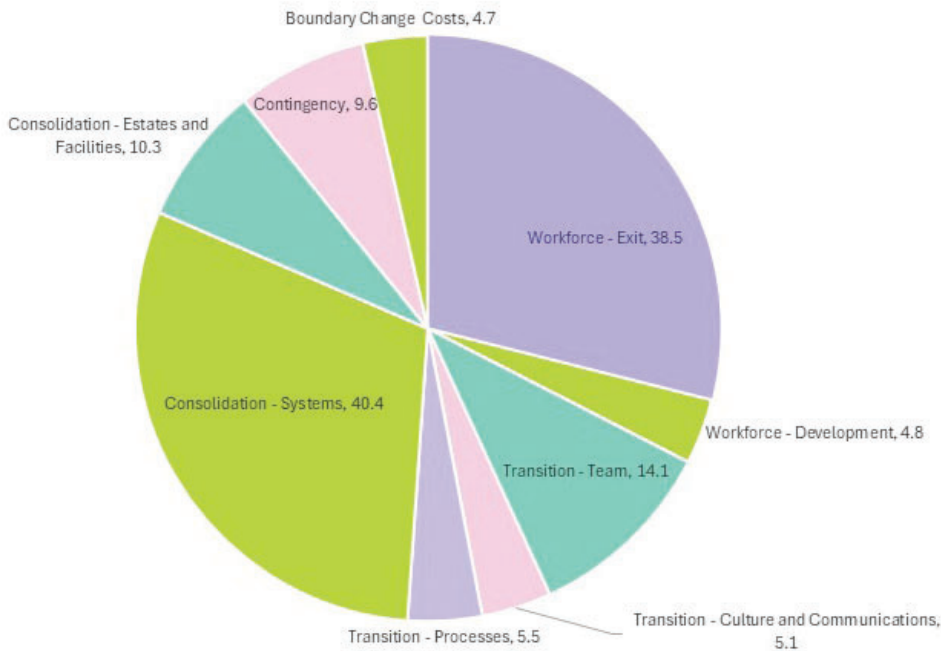
Implementation and Disaggregation Costs by Year - Option 1A (Base)														
£'000	Base Year	Year -1	Shadow Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Implementation costs														
Workforce - Exit	-	-	3,847	7,694	11,542	15,389	-	-	-	-	-	-	-	38,472
Workforce - 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
Boundary Change Costs	-	1,424	3,323	-	-	-	-	-	-	-	-	-	-	4,747
Total costs	9,565	15,076	45,199	42,589	38,538	35,760	17,913	17,913	17,913	17,913	17,913	17,913	17,913	312,119

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

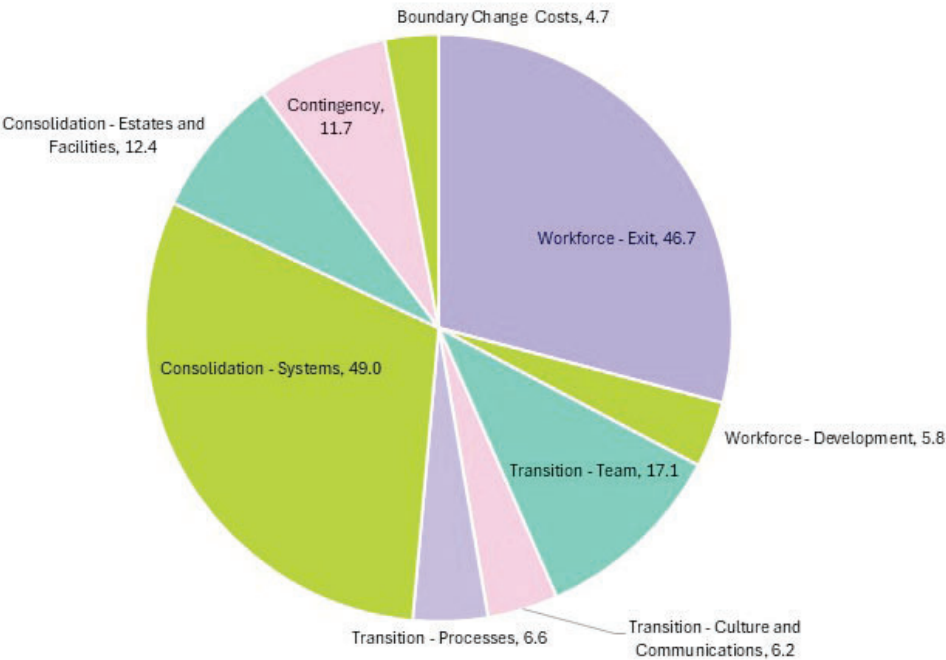
£'000	Base Year	Year -1	Shadow Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Implementation costs														
Workforce - Exit	-	-	4,665	9,331	13,996	18,661	-	-	-	-	-	-	-	46,654
Workforce - Development	-	-	2,333	2,333	1,166	-	-	-	-	-	-	-	-	5,832
Transition - Team	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
Total implementation costs	11,599	16,556	50,781	29,923	25,012	21,642	-	-	-	-	-	-	-	155,512
Disaggregation costs														
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
Total disaggregation costs	-	-	-	19,705	19,705	19,705	19,705	19,705	19,705	19,705	19,705	19,705	19,705	197,045
Boundary Change Costs	-	1,424	3,323	-	-	-	-	-	-	-	-	-	-	4,747
Total costs	11,599	17,980	54,104	49,628	44,716	41,347	19,705	19,705	19,705	19,705	19,705	19,705	19,705	357,304

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)

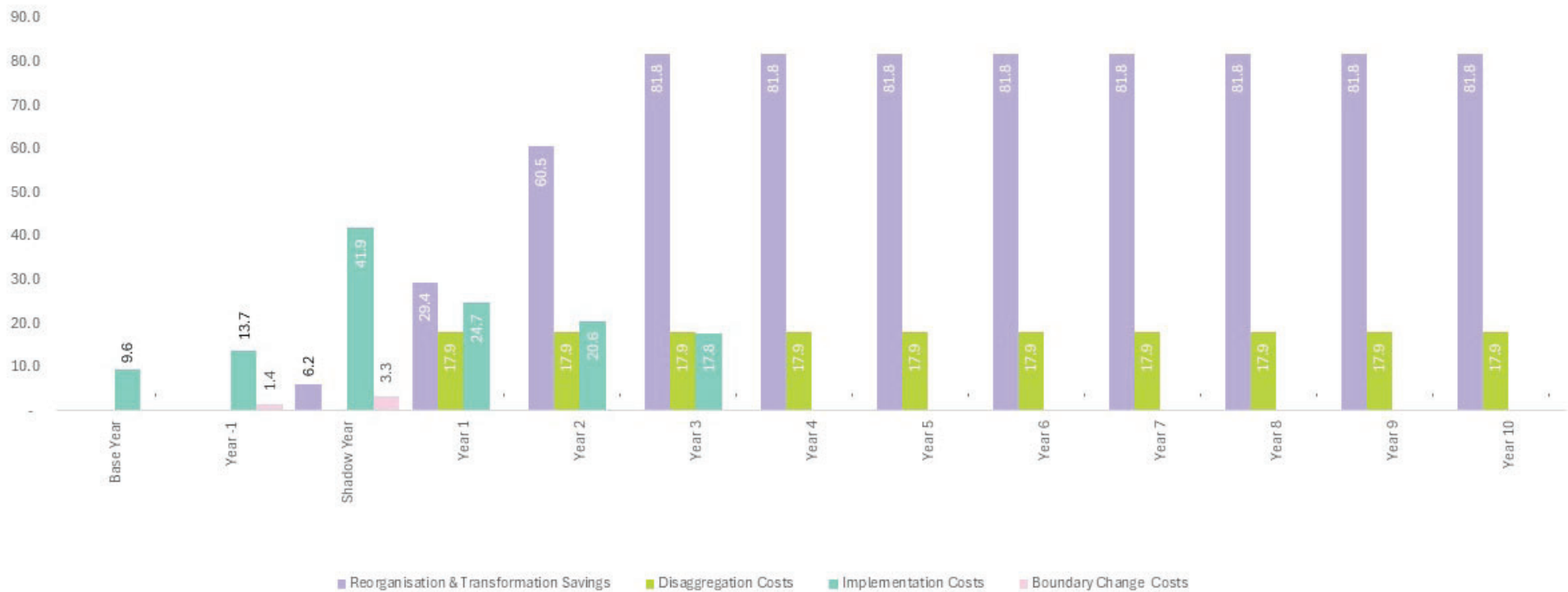


One-Off Costs by Category (£'million)- Option 1 (High)

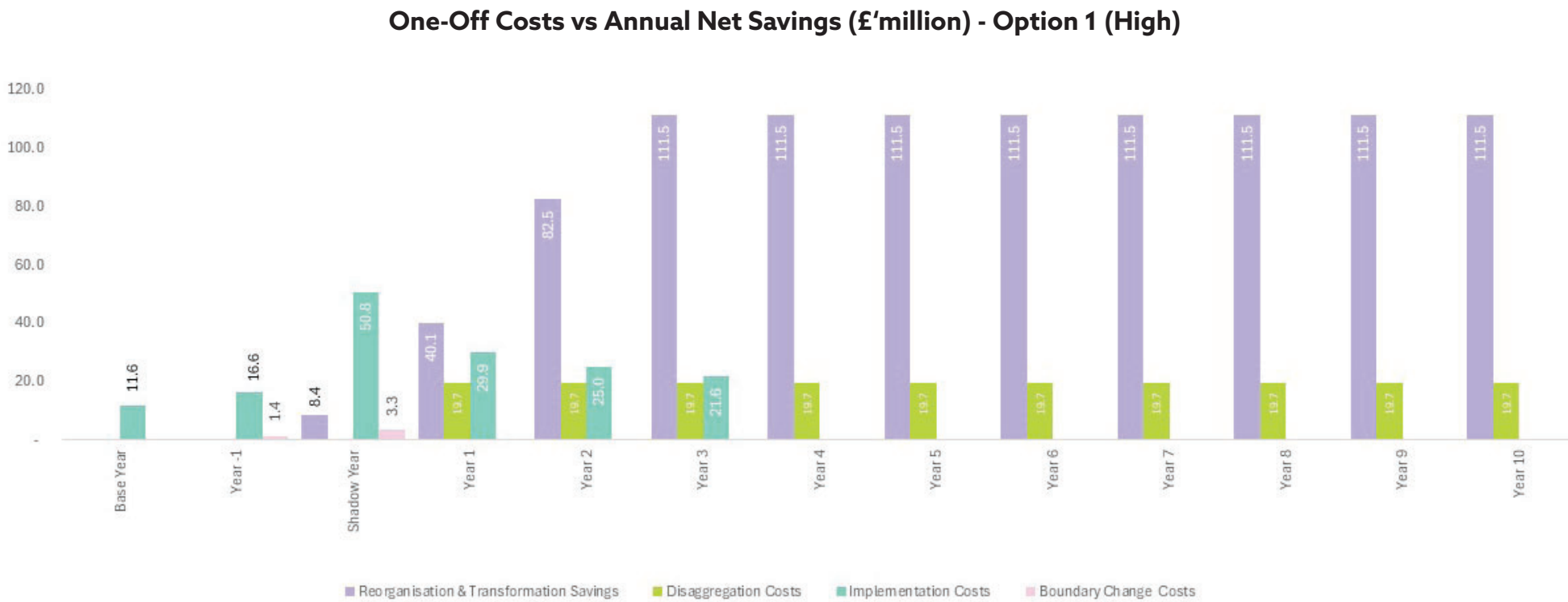


The below bar charts compare one-off implementation costs (including boundary changes costs) against the estimated annual savings and annual disaggregation costs.

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.



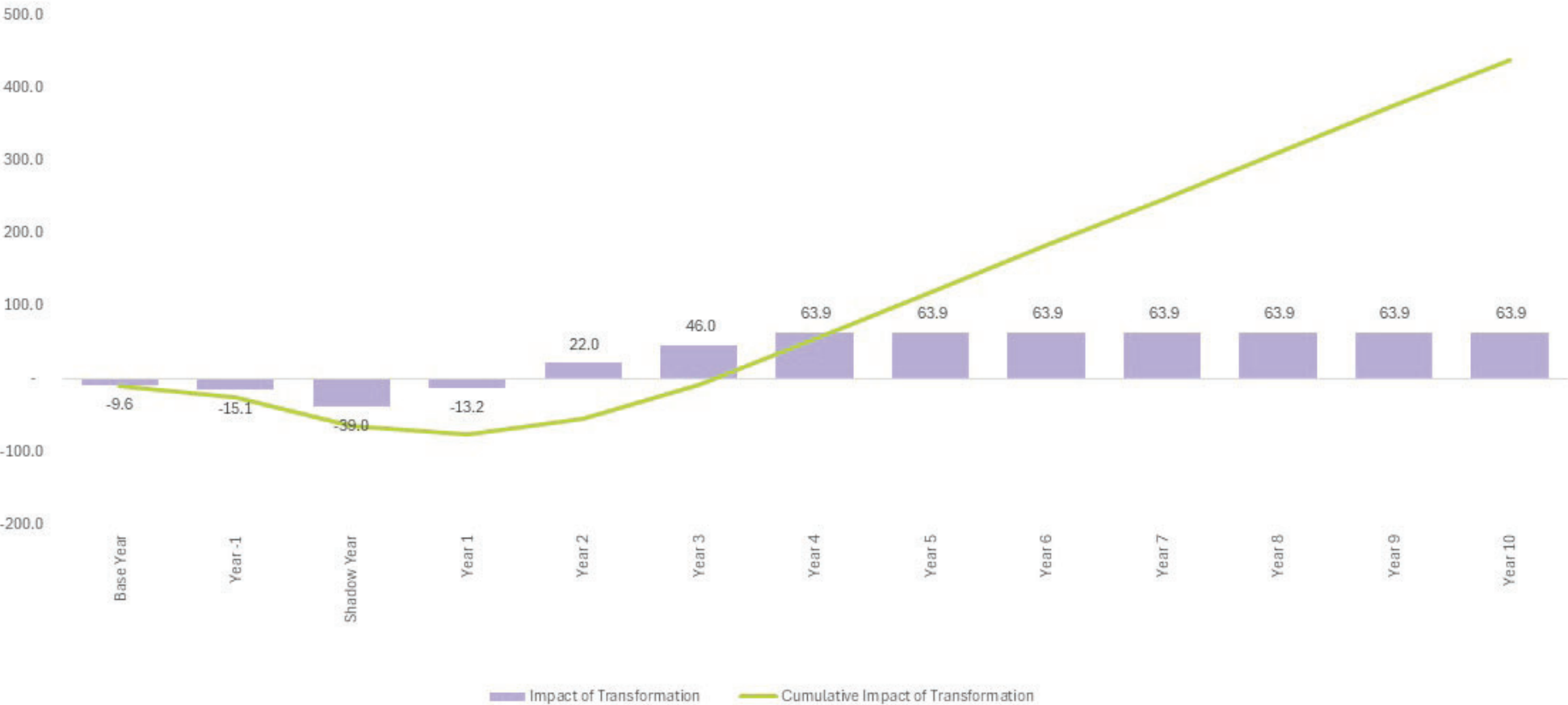
Breakeven analysis and 10-Year financial outlook – Option 1A

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 1A.

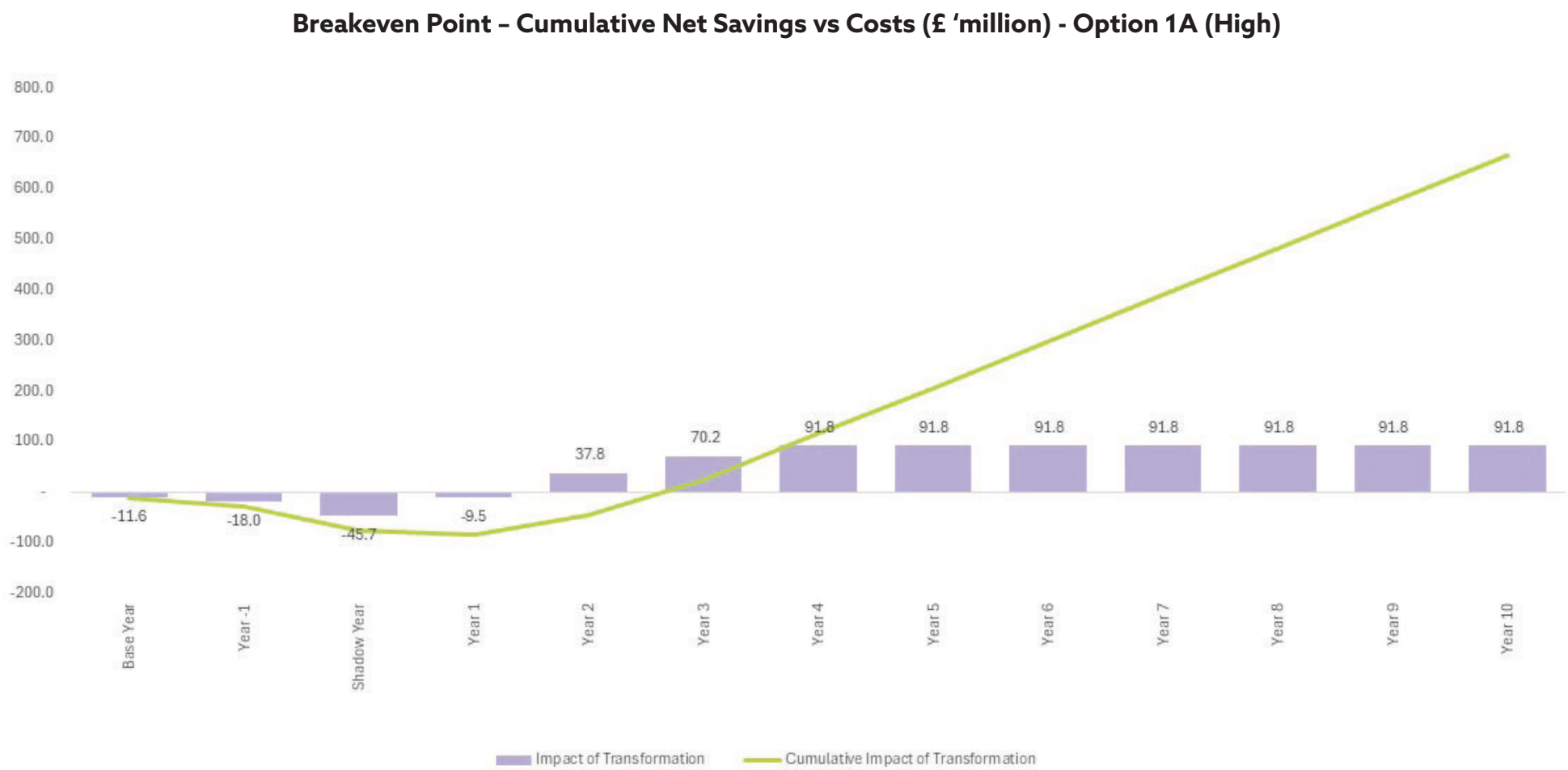
The additional boundary change costs assumed in Option 1A as compared to Option 1 and 2 means that overall payback analysis is marginally longer than Option 1 and 2. The financial analysis indicates that breakeven is achieved in **3.1 years** for the base scenario (**2.3 years** in High scenario), after 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 1A (Base)



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



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

Net Benefit by Year – 10-Year Profile - Option 1A (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
Savings													
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
Costs													
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	-	-	-	-	-	-	-	-	-	-
Impact of Transformation	9,565	15,076	- 39,024	- 13,166	21,984	46,027	63,874	63,874	63,874	63,874	63,874	63,874	63,874

Net Benefit by Year – 10-Year Profile - Option 1A (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
Savings													
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
Costs													
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	-	-	-	-	-	-	-	-	-	-
Impact of Transformation	11,599	17,980	- 45,685	- 9,511	37,803	70,165	91,807	91,807	91,807	91,807	91,807	91,807	91,807

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.