

SUMMONS

To the Members of the County Council

You are hereby summoned to attend the County Council Budget & Precept to be held at The Castle, Winchester at 10.00 am on Thursday, 14th February, 2019 to consider and resolve upon the business set out in the Agenda below.

[Please note that there will be a short service of prayer at 10.00 am prior to the start of the formal business of the meeting].

Enquiries to: Debbie Vaughan: members.services@hants.gov.uk

This agenda can be provided on request in large print or Braille or on disk. This meeting will be recorded and broadcast live on the County Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Filming Protocol available on the County Council's website.

AGENDA

1. APOLOGIES FOR ABSENCE

To receive any apologies for absence.

2. DECLARATIONS OF INTEREST

All Members who believe they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore all Members with a Personal Interest in a matter being considered at the meeting should consider, having regard to Part 5, Paragraph 4 of the Code, whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, consider whether it is appropriate to leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with the Code.

3. MINUTES (Pages 7 - 18)

To confirm the Minutes of the meeting held on 29 November 2018.

4. CHAIRMAN'S ANNOUNCEMENTS

To receive such announcements as the Chairman may wish to make to

the Council.

5. LEADER'S REPORT

To receive such reports as the Leader of the Council may wish to bring before the Council.

6. DEPUTATIONS

To receive a deputation from Craig Etherton regarding the provision of school transport for Ancells Farm Estate in Fleet.

7. QUESTIONS UNDER STANDING ORDER 16.1.1

To deal with questions pursuant to Standing Order 16.1.1. Where a member has submitted more than one question, their second and subsequent questions will not be answered until all members' first questions have been dealt with.

Part I: Matters for Decision

8. APPOINTMENTS (Pages 19 - 20)

To consider a report of the Chief Executive to make any Member appointments or alterations as required to the membership of committees and standing panels of the County Council, to statutory joint committees, to other proportional bodies the County Council is represented on, or to any other bodies which are not subject to proportionality rules.

9. REVENUE BUDGET AND PRECEPT 2019/20 AND CAPITAL PROGRAMME 2019/20 - 2021/22 (Pages 21 - 182)

To consider the recommendations of Cabinet for the Revenue Budget and Precept for 2019/20 and the Capital Programme for 2019/20 to 2021/22.

10. HAMPSHIRE COUNTY COUNCIL PAY STATEMENT FOR FINANCIAL YEAR 2019/20 (Pages 183 - 194)

To consider a report of the Chief Executive recommending Hampshire County Council's Pay Statement for the financial year 2019/20, following consultation with the Employment in Hampshire County Council Committee.

11. CONSIDERATION OF MOTION REFERRED BY COUNTY COUNCIL: BREXIT (Pages 195 - 218)

To consider a report of the Cabinet detailing the outcome of their deliberation of a Motion referred by the County Council on 29 November 2018.

12. NOTICE OF MOTION

To consider the following Notice of Motion, submitted in accordance with Standing Order 18.1.

Notice of Motion submitted by Councillor Keith House, seconded by Councillor Adrian Collett:

Fair Funding for Hampshire People

1. Council notes £476million of loss of grant and budget cuts from central government in the last ten years and that with an ageing population and budget pressures of £30m each year over and above maximum council tax increases allowed by Government, the Council has twice had reported to it that its finances are not sustainable in the medium-term. Council further notes the backlog of road repairs estimated at £285million, in addition to the backlog on pavement and bridge repairs.
2. Council agrees that central government has an obligation to provide fair funding for local government to include the full effects of an ageing population, the real cost pressures on adult social care, children's services and the need for a 21st century infrastructure.
3. Council resolves to campaign for a restoration of fair funding now that the Prime Minister has determined that 'austerity is over' and to make good underfunding in recent years.

Part II: Matters for Information

13. HAMPSHIRE FIRE AND RESCUE AUTHORITY (Pages 219 - 220)

a) HFRA Questions

To deal with any questions which have been submitted pursuant to Standing Order 16.3 concerning the discharge of the Hampshire Fire and Rescue Authority's functions.

b) HFRA Report

14. CONSTITUTIONAL ARRANGEMENTS: APPOINTMENTS TO THE HEALTH AND WELLBEING BOARD FOR HAMPSHIRE (Pages 221 - 222)

To consider a report of the Health and Wellbeing Board updating the Council on membership changes to the Board taken under delegated authority.

15. **EXECUTIVE AND COMMITTEE REPORTS**

To receive for information the reports of the following:

- a) Executive Member for Public Health (Pages 223 - 224)

**John Coughlan CBE
Chief Executive
The Castle
Winchester**

Wednesday, 6 February 2019

**NB: Debate sequence and time limits in regard to Item 9 on this Agenda
are set out overleaf**

DEBATE SEQUENCE AND TIME LIMITS:

The procedure is set out below. Any Amendments to the Recommendations are to be in writing and seconded in accordance with Standing Order 17.1.

1. Leader of the Council, Councillor Roy Perry to present the report and move the recommendations, assisted by Councillor Mel Kendal, Executive Member for Economic Development – ***no limit***.
2. Leader of the Liberal Democrat Group to respond to the proposals and move any amendment - Councillor Keith House – ***30 minutes***.
(NB: any amendment to be in writing and seconded)
3. Liberal Democrat seconder regarding 2) above (if the right to speak later in the debate ***is not*** reserved) – ***4 minutes***.
4. Leader of the Labour Group to respond to the proposals and move any amendment – Councillor Michael Westbrook – ***30 minutes***.
(NB: any amendment to be in writing and seconded)
5. Labour seconder regarding 4) above (if right to speak later in the debate ***is not*** reserved) – ***4 minutes***.
6. Any other amendment (Independent Member, followed by one per group, Conservative, Liberal Democrat, Labour) – ***4 minutes per amendment***.
(NB: any amendment to be in writing and seconded)
7. Secunder(s) (for Independent Member, Conservative, Liberal Democrat, Labour) regarding 6) above (if right to speak later in the debate ***is not*** reserved) – ***4 minutes each***.
8. General debate - each speaker once only - ***4 minutes***.
9. Any seconder (for Independent Member, Conservative, Liberal Democrat, Labour) regarding 7) above (if applicable and the right to speak later in the debate ***has been*** reserved) – ***4 minutes***.
10. Labour seconder regarding 5) above (if applicable and the right to speak later in the debate ***has been*** reserved) - ***4 minutes***.

11. Liberal Democrat seconder regarding 3) above (if applicable and the right to speak later in the debate ***has been*** reserved) - ***4 minutes***.
12. Leader of the Council - in reply to the debate - ***No limit***.

In the event of Amendments to the Recommendations, Standing Order 17.12 applies, i.e. Amendments shall be voted on against the original Recommendation(s) in reverse order. This means that the last Amendment to be moved shall be voted upon against the original recommendation first.

Should any Amendment be carried such amendment shall become the Substantive Proposition against which any further Amendments shall be voted upon.

Order of Voting:

1. Any Amendments moved in 6) above.
2. Labour Amendment if moved in 4) above
3. Liberal Democrat Amendment if moved in 2) above
4. Chairman to put the Substantive Proposition to the vote if any amendment carried.
5. In the event of no Amendments being moved, the Chairman will put the original recommendation(s) to the vote.

Agenda Item 3

AT A MEETING of the County Council of HAMPSHIRE COUNTY COUNCIL held
at the castle, Winchester on Thursday, 29th November, 2018

Chairman:

* Councillor Elaine Still

- | | |
|---------------------------------|---|
| * Councillor Charles Choudhary | * Councillor Wayne Irish |
| * Councillor John Bennison | * Councillor Gavin James |
| Councillor Fred Birkett | * Councillor Andrew Joy |
| * Councillor Martin Boiles | * Councillor David Keast |
| * Councillor Ray Bolton | * Councillor Mark Kemp-Gee |
| * Councillor Jackie Branson | * Councillor Mel Kendal |
| * Councillor Ann Briggs | * Councillor Rupert Kyrle |
| * Councillor Zilliah Brooks | * Councillor Peter Latham |
| * Councillor Graham Burgess | * Councillor Keith Mans |
| Councillor Adam Carew | * Councillor Alexis McEvoy |
| * Councillor Fran Carpenter | * Councillor Anna McNair Scott |
| * Councillor Christopher Carter | * Councillor Derek Mellor |
| * Councillor Roz Chadd | * Councillor Floss Mitchell |
| * Councillor Peter Chegwyn | Councillor Rob Mocatta |
| * Councillor Daniel Clarke | Councillor Kirsty North |
| * Councillor Adrian Collett | * Councillor Russell Oppenheimer |
| * Councillor Mark Cooper | * Councillor Neville Penman |
| * Councillor Rod Cooper | * Councillor Roy Perry |
| * Councillor Tonia Craig | * Councillor Stephen Philpott |
| Councillor Roland Dibbs | * Councillor Jackie Porter |
| * Councillor Alan Dowden | * Councillor Roger Price |
| * Councillor Peter Edgar | * Councillor Lance Quantrill |
| * Councillor Keith Evans | * Councillor Stephen Reid |
| * Councillor Liz Fairhurst | Councillor David Simpson |
| * Councillor Steve Forster | * Councillor Patricia Stallard |
| * Councillor Jane Frankum | * Councillor Robert Taylor |
| * Councillor Andrew Gibson | * Councillor Bruce Tennent |
| * Councillor Jonathan Glen | * Councillor Tom Thacker |
| * Councillor Judith Grajewski | * Councillor Michael Thierry |
| * Councillor David Harrison | * Councillor Mike Thornton |
| * Councillor Marge Harvey | * Councillor Martin Tod |
| * Councillor Pal Hayre | * Councillor Rhydian Vaughan |
| * Councillor Edward Heron | * Councillor Malcolm Wade |
| * Councillor Dominic Hiscock | * Councillor Jan Warwick |
| Councillor Geoffrey Hockley | * Councillor Michael Westbrook |
| * Councillor Keith House | * Councillor Michael White |
| * Councillor Rob Humby | * Councillor Bill Withers Lt Col (Retd) |
| * Councillor Gary Hughes | * Councillor Seán Woodward |
| * Councillor Roger Huxstep | |

*Present

Also present were Honorary Aldermen: Keith Chapman MBE, Phrynette Dickens, Roger Kimber, Sharyn Wheale and Michael Woodhall.

107. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Fred Birkett, Adam Carew, Roland Dibbs, Geoff Hockley, Rob Mocatta, Kirsty North and David Simpson and from Honorary Alderman Marilyn Tucker.

108. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

109. MINUTES

The Minutes of the Meeting held on 20 September 2018 were agreed and signed by the Chairman.

Matters Arising: In respect of Minute 91, Councillor Irish requested a position update on two questions for which a written answer was to be provided.

110. CHAIRMAN'S ANNOUNCEMENTS

The list of engagements carried out by the Chairman and Vice-Chairman since the last Council Meeting had been circulated, which reported on the wide range of duties undertaken to represent and promote the County Council and its strong community leadership role.

The Chairman welcomed Honorary Aldermen Keith Chapman MBE, Phrynette Dickens, Roger Kimber, Sharyn Wheale and Michael Woodhall to the meeting.

The Chairman highlighted the hosting of a reception to recognise members of staff who had reached 25 years of service; the hosting of a 'Wear It Pink' tea party to raise awareness for Breast Cancer Now; the Staff Remembrance Service to commemorate the Centenary of the end of the First World War; attendance at the 'Music Through the Ages of WWI and WW2' Hampshire Music Service Concert at the Royal Victoria Country Park and at the Peace and Reconciliation Concert at Romsey Abbey; the visit of HRH The Countess of

Wessex to open the restored Royal Victoria Chapel and the launch of the Interfaith Calendar.

The Chairman had pleasure in leading the Council's thanks to Karen Murray, Director of Culture, Communities & Business Services who was retiring from the County Council following over 40 years of dedicated service. Members and officers joined the Chairman in a standing ovation.

The Chairman also raised awareness of the Christmas Carol Concert on 13 December, tickets for which were selling fast.

The Chairman's full report is appended to these Minutes.

111. **LEADER'S REPORT**

The Leader reported on a number of Remembrance events across the county to mark the centenary of the end of World War I that were attended by many Members of the Council including events in Members' own Divisions. The County Youth Orchestra also repeated their performance of Mozart's Requiem in Winchester's twin town of Giessen and was joined by a German choir, which the Leader had pleasure in attending.

The Leader had recently attended the NCAS conference in Manchester and the CCN conference in Guildford. At both conferences the point was made very clear that upper tier councils were facing huge funding pressures with escalating social care costs and children's care costs increasing at the fastest rate. The County Council, like many other Councils, were experiencing pressures in this regard and the Leader had made representations to the Prime Minister, corresponded with Treasury ministers and had face to face meetings with the Ministry for Housing, Communities and Local Government (MHCLG) including the Secretary of State.

The recent meeting of the Hampshire Partnership had updated partners on the work of the Hampshire Commission 2050 and all Members were encouraged to follow the work of the Commission and make representations. The Policy & Resources Select Committee had received a report and the work of the Commission is available on the County Council's website. Meetings are open to all to attend.

In regard to Brexit, the Leader advised Members that there would be a detailed report to Cabinet to assess the implications of Brexit for Hampshire and what measures should be taken locally to deal with potential eventualities.

The Leader reported that he was in dialogue with the Leaders of the Isle of Wight Council, Portsmouth City Council and Southampton City Council to continue to foster close co-operation and partnership working. Regular meetings were being set up, including with the Police and Crime Commissioner for Hampshire.

On the theme of close co-operation, the Leader confirmed that in its response to the Government consultation on LEPs, the County Council has proposed that either the Solent and EM3 LEP should merge or if that was not achieved, that they work more closely together.

The Leader took the opportunity to comment on access to information for County Councillors and in particular, the use of and access to exempt reports. The Leader assured Members that he was committed to ensuring that all elected Members should have the fullest access to information that can be achieved within the constraints of the law and good governance. The Leader drew Members attention to the Council's responsibilities that can concern highly sensitive and confidential information about vulnerable service users, as well as various forms of commercial confidentiality. The introduction of the General Data Protection Regulations (GDPR) earlier in the year had accentuated the Council's responsibilities and highlighted that no Councillor has an automatic right of access to any information simply by dint of being an elected Member. The application of exemptions to reports was rare and the evidence of concerns being raised about such reports was rarer still. The Leader drew Members attention to the evidence of many external inspections by the Information Commissioner, Ofsted and the CQC, that the Council's management and sharing of confidential information is rated very highly according to their critical standards. The Leader confirmed that he would be considering a report in this regard at his Policy & Resources Decision Day in December which would include options for development and clarity. The report would be published in advance and the Leader confirmed he would be happy to take comments in advance of his decision.

In conclusion, the Leader also paid tribute to Karen Murray, Director of Culture, Communities and Business Services on her retirement and extended his best wishes for the future.

112. DEPUTATIONS

The Council received a deputation as detailed on the Summons and received a petition.

113. QUESTIONS UNDER STANDING ORDER 16.1.1

Executive Members responded to questions submitted in accordance with Standing Order 16.1.1 as published with the exception of questions 10 and 11 for which a written answer would be provided in accordance with Standing Order 16.1.5.

114. APPOINTMENTS

There were no appointments on this occasion.

115. TREASURY MANAGEMENT MID-YEAR MONITORING REPORT

The Council considered the report of the Cabinet (Item 9 in the Minute Book) setting out the treasury management mid-year position. In presenting the report, the Executive Member for Economic Development highlighted key areas of the report which demonstrated the Council was in a healthy position.

The Council's debate focused mainly on the approach to risk in regard to borrowing, return on investments, both short and long term and investment in pooled funds as a way of managing risk against yield. The performance of some investments was compared to that of district councils, however the Executive Member highlighted the importance of comparing the County Council against its peer group.

In conclusion, the Leader gave his assurance to the Council and Hampshire residents and taxpayers that the Council takes careful and prudent advice from its officers and financial consultants, and that the Council would not engage in speculative investment deals.

RESOLVED:

That the County Council noted the mid-year report on treasury management activity.

116. **2018 REVIEW OF THE HAMPSHIRE MINERALS AND WASTE PLAN**

The Council considered the report of the Executive Member for Environment and Transport detailing the outcome of a review of the Hampshire and Minerals Waste Plan in line with the National Planning Policy Framework (2018).

In presenting the report, the Executive Member confirmed that a review of the Plan had concluded that an update was not required at this time with a recommendation that a further review be undertaken in 2020. The County Council would continue to engage with partners as an ongoing process. The recommendations would be put to the constituent partners including Portsmouth and Southampton City Councils and the New Forest and the South Downs National Park Authorities for approval and when that process has concluded the findings of the review will be published which is anticipated early in the new year.

The debate focused on a number of factors that might impact the Plan such as the production and management of recycled material, for which it was noted there was sufficient capacity within the Plan, the use of silica sand, which was being looked into, and the rate of extractions at quarries in relation to lorry movements for which conditions often apply.

RESOLVED:

That the County Council agreed:

- a) That an update to the Hampshire Minerals & Waste Plan (2013) is not required at this time, but that a further Review takes place in 2020.
- b) That a summary of the review process and the decisions be consolidated and published as a publicly available report, to be entitled the '2018 Review of the Hampshire Minerals & Waste Plan'.
- c) That a programme of on-going engagement with interested parties

commences following publication of the '2018 Review' and prior to the further Review in 2020.

- d) That authority is delegated to the Director of Economy, Transport and Environment, in consultation with the Executive Member for Environment and Transport, to update the Minerals & Waste Development Scheme to reflect the decisions of the County Council.

117. **NOTICE OF MOTION**

The following Motion had been submitted in accordance with Standing Order 18.1 as proposed by Councillor Gavin James:

"Council notes that it is now more than two years since the Referendum and the Government still has no coherent Brexit plan that has the support of a majority in Parliament.

Since the vote in 2016:

- a) The performance of the UK economy has fallen behind. It is now the slowest growing economy in Europe with productivity slipping further and competitiveness reliant on the declining value of the Pound;
- b) Hampshire residents – particularly those on lower incomes - are being hit hard by rising inflation and squeezed pay rates;
- c) Confidence among investors and established businesses is ebbing with jobs moving away from the UK;
- d) Many non-UK EU nationals resident in the county have had their lives, and those of their UK-national families, destabilised by the uncertainty of Brexit. On top of the social impacts, local businesses and, above all the NHS are losing vital staff;
- e) New investment, which Hampshire relies on for future prosperity, is being jeopardised and new job opportunities are being lost;

Council believes that a 'hard' or 'no deal' Brexit will seriously harm the long-term prosperity of all Hampshire residents. With only 20 weeks to go before the UK leaves, it is vitally important that Hampshire County Council speaks up on their residents' behalf.

Council calls on the government to abandon plans for a hard Brexit and to give the people of Hampshire a vote on the final deal, along with the opportunity to vote on keeping the irreplaceable benefits Britons currently enjoy by staying in the European Union."

The Chairman invited the proposer of the Motion, Councillor Gavin James to move the Motion in accordance with Standing Order 18.4. The Motion was seconded by Councillor Martin Tod.

In accordance with Standing Order 18.4 Councillor Roy Perry proposed that the Motion be referred to the Executive for consideration. The proposal was seconded by Councillor Keith Mans.

In accordance with Standing Order 18.4, the proposal to refer the Motion to the Executive was put to the vote. In accordance with Standing Order 22.3 Councillor Keith House requested a recorded vote, which was supported by 10 other Members present in the Chamber.

The outcome of the recorded vote was as follows:

FOR: 49

Councillors Martin Boiles, Ray Bolton, Jackie Branson, Ann Briggs, Zilliah Brooks, Graham Burgess, Fran Carpenter, Christopher Carter, Roz Chadd, Charles Choudhary, Rod Cooper, Peter Edgar, Keith Evans, Liz Fairhurst, Steve Forster, Andrew Gibson, Jonathan Glen, Judith Grajewski, Marge Harvey, Pal Hayre, Edward Heron, Gary Hughes, Rob Humby, Roger Huxstep, Andrew Joy, David Keast, Mark Kemp-Gee, Mel Kendal, Peter Latham, Keith Mans, Alexis McEvoy, Anna McNair Scott, Derek Mellor, Floss Mitchell, Russell Oppenheimer, Neville Penman, Roy Perry, Stephen Philpott, Lance Quantrill, Stephen Reid, Patricia Stallard, Robert Taylor, Tom Thacker, Michael Thierry, Rhydian Vaughan, Jan Warwick, Michael White, Bill Withers and Seán Woodward.

AGAINST: 19

Councillors Peter Chegwyn, Daniel Clarke, Adrian Collett, Mark Cooper, Tonia Craig, Alan Dowden, Jane Frankum, Dominic Hiscock, Keith House, Wayne Irish, Gavin James, Rupert Kyrle, Jackie Porter, Roger Price, Bruce Tennent, Mike Thornton, Martin Tod, Malcolm Wade and Michael Westbrook.

ABSTAIN: 3

Councillors John Bennison, David Harrison and Elaine Still.

The Proposal was carried.

RESOLVED:

That the Motion, as included in the Summons, be referred to the Executive for consideration.

118. **HAMPSHIRE FIRE AND RESCUE AUTHORITY**

a) HFRA Questions:

No questions had been received in accordance with Standing Order 16.3.

b) HFRA Report:

The Council received and noted the report of the Hampshire Fire and Rescue Authority as presented by Councillor Chris Carter in his capacity

as Chairman of the Fire Authority.

119. EXECUTIVE AND COMMITTEE REPORTS

- a) The Leader/Cabinet
 - i) Annual Safeguarding Report – Children’s Services
 - ii) Annual Safeguarding Report – Adults’ Services
 - iii) Air Quality
- b) Executive Lead Member for Children's Services
 - i) Early Years Provision
- c) Executive Member for Public Health
 - i) Level 2 Community Sexual Health and Influenza Immunisation Services

The meeting closed at 11:55am.

Chairman,

CHAIRMAN'S ANNOUNCEMENTS

May I welcome on your behalf those Honorary Aldermen who have graced us with their presence today: Honorary Alderman Keith Chapman, Phrynette Dickens, Roger Kimber, Sharyn Wheale & Michael Woodhall.

Thank you for your support.

Members, you have received a list of the engagements your Vice Chairman and I have attended on your behalf, some of the highlights that I wish to mention are.

25 Year Long Service

It was a pleasure to host a reception at The Great Hall on 27 September to honour staff that have completed their 25 years of dedication and service for the benefit of the people of Hampshire.

Wear It Pink

On Friday 19 October I hosted a Wear It Pink tea party at Serle's House to raise awareness for Breast Cancer Now. The event was well supported, and I would like to place on record my thanks to everyone that donated monies to this worthy cause and I am pleased to say that we raised £400 for the charity.

Staff Act of Remembrance

This year's service was a particularly special event to commemorate the Centenary of the end of the First World War. It was a memorable and moving service. The Winchester Military Wives Choir, The Peter Symonds College Chamber Choir and Hampshire Music Service Brass Quartet all performed brilliant and I give my special thanks to them and all who participated in this Act of Remembrance.

Music through the Ages of WWI & WW2

I attended a wonderful Hampshire Music Service concert at the refurbished chapel at Queen Victoria Country Park on Saturday 10 November to celebrate music through the ages of WWI and WW2. The Gosport and Fareham Youth Band, Romsey Youth Choir and HMS Staff Jazz Band gave us a fantastic performance. This was the vision of Councillor Peter Edgar, which I am so pleased came to fruition.

Royal Visit by HRH The Countess of Wessex to open the restored Royal Victoria Chapel - 12 November

As you may be aware, our Countryside Service has undergone a £18.5 million transformation programme; ensuring our parks become self sustaining and thus preserving them for future generations to enjoy.

Following on from the successful launch of the new Visitor Centre at Lepe Country park, I was honoured to welcome HRH The Countess of Wessex, on 12 November to the formal opening of the Chapel at another of our beloved Country Parks – the Royal Victoria Country Park.

Following a £3.5 million conservation project, funded by Hampshire County Council and supported by the Heritage Lottery Fund, we are now able to highlight the hidden history of the park – and its importance in our national and local history to both local visitors, and those from further afield. The chapel, as I am sure you will agree, is one of Hampshire's jewels.

HRH was introduced to nearly all of the 130 invited guests – most of whom were volunteers involved with the project and then signed a scroll which has been deposited in a time capsule for future generations!

Launch of the Hampshire Interfaith Calendar

I was delighted to present awards and certificates to the winners and runners up at the Launch of the Hampshire Interfaith Calendar on 13 November in Ashburton Hall. All the entries were amazing and displayed around the Hall. I do believe calendars are still on sale and available from Members Secretariat if anyone wishes to purchase one.

Peace and Reconciliation Concert

I attended the Peace and Reconciliation Concert hosted by our Leader at Romsey Abbey on Saturday 17 November. The Hampshire County Youth Orchestra and the Choir from Giessen, Germany gave a spectacular and meaningful performance.

Staff Carol Concert

Our annual staff carol concert takes place on Thursday 13 December at the Great Hall. If you wish to attend, please contact my PA, Natalie, as quickly as possible. The event is free to all Members and Staff and is a well supported event. Tickets are strictly limited to one guest per member and available on a first come, first served basis.

Karen Murray

Lastly, I wish to place on record my thanks to Karen Murray for her dedication and service to the County Council over the last 41 years. Karen joined the Council in 1977, aged 17, as a trainee in Social Services.

She then moved to the Architects Departments followed by a spell in Surveyors.

Karen became the Director of Property, Business and Regulatory Services following Andrew Smith's appointment as Chief Executive.

In 2011 PBRS merged with Culture, Communities and Rural Affairs and became Culture, Communities and Business Services with Karen as Director.

Karen, we will miss you. Enjoy the well deserved break and next chapter in your life.

LEADER'S REPORT

November has been an important month of Remembrance especially as we marked the centenary of the end of World War I. On behalf of the County Council on Remembrance Sunday, I laid a wreath at the War Memorial at Winchester Cathedral. I am aware most members were present at parades and events in their own Divisions.

On Friday 9th November there was a memorial event in the Great Hall with the Winchester Military Wives Choir and Chamber Choir of Peter Symonds College.

The Remembrance season included special concerts at Royal Victoria Country Park Netley and at Romsey Abbey the latter attended by the Lord Lieutenant. At both events there were French and German guests in attendance. I know many councillors attended those concerts.

The County Youth Orchestra of which we can be justly proud repeated their performance of Mozart's Requiem last Saturday in Winchester's twin town of Giessen. I was privileged to be invited to hear our Hampshire orchestra joined by a German choir.

I pay tribute to the Hampshire Music Service and the work they do across the County.

The week before last I attended the NCAS conference in Manchester and last week I was at the CCN conference in Guildford. At both conferences the point was made very clear that upper tier councils are facing huge funding pressures with escalating social care costs. Children's Care costs increasing at the fastest rate. Hampshire suffers from these pressures as much as other councils but because we have faced up to these pressures earlier than most as well as having the scale and capacity to handle pressures it is clear we are faring better than most.

Members will know I have alerted the PM to these problems. I have also corresponded with Treasury ministers and had face to face meetings with MHCLG ministers including the secretary of state. I am sure they get the message although they may be somewhat distracted by other pressures and also the competing demands on public funds for other important services such as health, police, pensions and social security not to mention defence. It is also clear the best thing the Chancellor can do to help the quality of life of all residents is to run a sound economy. We want no more letters from ex Ministers saying "there is no money left".

The week before last there was a meeting of the Hampshire Partnership where we updated partners on the work of the Hampshire Commission 2050. I encourage all councillors to follow the work of the Commission and make representations if you wish. It is important that we try to future gaze as well as deal with immediate problems. A report was made to P&R Committee and its work is available on the County website and meetings are open to attend.

I am aware of the motion that has been tabled for today's meeting re Brexit which looks at national aspects of Britain's impending departure from the EU. I can advise Council there will be a detailed report to Cabinet to assess implications of Brexit for Hampshire and what measures we should take locally to deal with potential eventualities rather than debate the more philosophical issues of EU membership.

I reported to Cabinet earlier this month that the Minister of State at MHCLG Mr Jake Berry has confirmed to the 3 unitary Councils of Southampton, Portsmouth and IOW that there will be no moves on progressing their bid for a Combined Authority. Members will know that could have created a great risk to the integrity of the county of Hampshire and

the quality of services for Hampshire residents. That risk is now removed, I am pleased to say.

I am however in dialogue with the Leaders of the 3 unitaries as I believe close cooperation and partnership with the unitary neighbours is important. We are setting up regular meetings including with the Police and Crime Commissioner.

Related to co-operation with the unitaries the County Council in its response to the Government consultation on LEPs has proposed that either the Solent and EM3 LEP should merge or if that is not achieved they work more closely together.

I want to take the opportunity today to make some comments about access to information for County Councillors. I have been advised this has been a matter for some discussion recently with senior council officers. This is clearly not a party political matter. It is an issue for all members whatever their role or party. It particularly concerns the use of and access to exempt reports.

My first assurance to Council is that I am personally wholly committed to ensuring that all elected members should have the fullest access to information that we can achieve, within the constraints of the law and our need to run a good business. Democracy must be as transparent as possible and I would never interfere with officers judgement in such matters other than to urge on the side of transparency

Members will be aware that Council responsibilities can concern highly sensitive and confidential information about vulnerable service users, as well as various forms of commercial confidentiality. I do not intend to hide behind GDPR, but there is no question that the new regulatory framework has changed and accentuated our shared responsibilities. For example, it is simply not the case that any member has an automatic right of access to any information simply by dint of being a councillor.

I also want to keep this matter in perspective. This council's formal use of exempted reports is actually very rare indeed and the evidence of concerns being raised about those reports over years is rarer still. We also know from endless external inspection, from the Information Commissioner, Ofsted and CQC, that our management and sharing of confidential information is actually rated very highly indeed according to their critical standards.

We can always improve, especially with the advent of new technology which is helping us transform administrative processes. I can report I am due to consider a report at my P&R Decision Day in early December which will include options for development and clarity. That report will be published in advance of my decision as usual and I would be more than happy to take comments in advance of my decision. I will of course have to be guided by professional legal advice which I hope all members would agree is one of the great strengths of this council.

In conclusion I wish to pay tribute to Karen Murray who is retiring from the County Council today as Director of Culture, Communities and Business Services after more than 40 years' service with HCC.

It says much for Karen that she has served the county for such a long period and has risen from being a Management Trainee to a Director of Service and member of the CMT. Karen, I wish to place on record our sincere thanks to you for your excellent service performed with style elegance and charm and a smile. The people of Hampshire have been well served and we wish you and your family the long and healthy retirement you so richly deserve.

COUNCIL MEETING, 14 FEBRUARY 2019

REPORT OF THE
Chief Executive
PART I

1. APPOINTMENTS

The following appointment is proposed by the Leader of the Council:

- a) That Ruth Snook be appointed as a Co-opted Member of the Children and Young People Select Committee, replacing Jane Longman representing Special Schools.

RECOMMENDATION

That the County Council approves the appointment set out above.

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COUNCIL MEETING, 14 FEBRUARY 2019

REPORT OF THE
Cabinet
PART I

1. REVENUE BUDGET AND PRECEPT 2019/20

- 1.1. The Cabinet considered the proposed Revenue Budget and Precept for 2019/20 at its meeting on 1 February 2019 and resolved to make a number of recommendations to the County Council. The report considered by Cabinet is attached as Appendix A to this Part I report and is referenced in recommendations a to k below.
- 1.2. The main changes that have been made to the figures presented to Cabinet are technical and relate to notifications from District Councils of final tax base, business rates and collection fund figures.
- 1.3. Various changes to figures have been notified by District Councils, which have been reflected in an amended Summary Revenue Budget for 2019/20 presented at Annex 1 to this Part I report. In addition, the tax base as notified by the Districts has informed the final Flood Protection Levy which has now been updated in Annex 1 to this Part I report.
- 1.4. Overall there is a net increase in income of £5.168m which can be added to the Grant Equalisation Reserve (GER), resulting in a net contribution to the GER of £1.311m in 2019/20 rather than the previously planned draw of £3.857m.
- 1.5. The recommendations from Cabinet to Full Council are not changed, although final figures reflect the technical adjustments that have been made.

2. CAPITAL PROGRAMME 2019/20 – 2021/22

- 2.1. The Capital Programme report was presented to Cabinet on 1 February 2019 and recommendations were made to the County Council. The report is attached as Appendix B to this Part I report and is referenced in recommendations p to r below.
- 2.2. At the Cabinet meeting, further information was provided with regard to the development at Botley, confirming that planning permission had been granted by Eastleigh Borough Council and that Housing Infrastructure Fund (HIF) funding from Homes England would be available as a non-repayable grant. It was therefore proposed and agreed that total provision of £32.869m be added to the Capital Programme to fund infrastructure work relating to the progress of the project. This is reflected in recommendation q and r to County Council. The project will be funded by HIF grant, developer contributions and capital receipts and no impact on the revenue budget is anticipated.

- 2.3. The overall project includes elements within the Policy and Resources 2018/19 Programme and within the Children's Services and Environment and Transport Programmes for 2019/20. The changes since the Cabinet report are summarised in the tables below and reflected in the updated capital programme at Annex 2:

	Revised 2018/19	2018/19 Additions	2019/20	2019/20 Additions	2020/21	2021/22	Total
Adults' Health and Care	43,241		13,422		481	481	57,625
Children's Services	48,633		105,145	240	29,251	81,980	265,249
Environment and Transport	197,285		97,593	31,441	51,765	44,917	423,001
Policy and Resources	39,226	1,188	22,656		21,956	21,956	106,982
Total	328,385	1,188	238,816	31,681	103,453	149,334	852,857
				523,284			

£'000

2018/19

Uplands Infrastructure 1,188

2019/20

Botley Bypass Phase 1 2,714

Botley Bypass Phase 2 22,027

Botley Bypass Underpass 6,700

Deer Park Secondary School 240

32,869

The full reports to Cabinet can be found at the following link:

- [Cabinet 1 February 2019](#)

RECOMMENDATIONS

A. REVENUE BUDGET AND PRECEPT 2019/20

That the County Council agree that:

- a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 6 to Annex A) be taken into account when the Council determines the budget and precept for 2019/20.
- b) The Revised Budget for 2018/19 set out in Appendix 1 to Annex A be approved.
- c) The Revenue Budget for 2019/20 as set out in Annex 1 to this Part I report be approved.
- d) Funding for one off revenue priorities linked to the development of capital investment totalling £2.9m as set out in paragraphs 5.26 to 5.46 of Annex A be approved.
- e) Funding for the future years cost of the Manydown development of up to £4.2m be approved to be met from general contingencies.
- f) Loan funding of up to £600,000 a year from 2018/19 to 2026/27 be made available to meet the running costs of the Manydown Garden Communities LLP to be met from general contingencies.
- g) The total **net budget requirement** for the general expenses of the County Council for the year beginning 1 April 2019, be £759,056,133.
- h) The **council tax requirement** for the County Council for the year beginning 1 April 2019, be £635,828,608.
- i) The County Council's band D council tax for the year beginning 1 April 2019 be £1,236.87, an increase of 2.99%.
- j) The County Council's council tax for the year beginning 1 April 2019 for properties in each tax band be:

	£
Band A	824.58
Band B	962.01
Band C	1,099.44
Band D	1,236.87
Band E	1,511.73
Band F	1,786.59
Band G	2,061.45
Band H	2,473.74

- k) Precepts be issued totalling £635,828,608 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

Basingstoke and Deane	65,768.80
East Hampshire	50,461.90
Eastleigh	45,853.61
Fareham	42,909.60
Gosport	26,956.20
Hart	40,704.11
Havant	40,708.30
New Forest	71,074.40
Rushmoor	31,352.21
Test Valley	48,966.00
Winchester	49,307.47

- l) The Capital & Investment Strategy for 2019/20 (and the remainder of 2018/19) as set out in Appendix 7 to Annex A be approved.
- m) The Treasury Management Strategy for 2019/20 (and the remainder of 2018/19) as set out in Appendix 8 to Annex A be approved.
- n) An increase to the allocation targeting higher yields from £200m to £235m (as set out in the Treasury Management Strategy in Appendix 8 to Annex A) to increase the overall rate of return and the income contributed to the revenue budget, based on the stability of the County Council's cash balances be approved.
- o) Authority is delegated to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

B. CAPITAL PROGRAMME 2019/20 – 2021/22

That the County Council:

- p) Approve the increase in value of the M27 J10 scheme (design and development phase) from £1.5m to £4m.
- q) Approve an increase in the capital programme by £32.869m to meet the additional costs associated with further infrastructure works and the by-pass at Botley.
- r) Approve the capital programme for 2019/20 and the provisional programmes for 2020/21 and 2021/22 as set out in Annex 2 to this report.

Revenue Budget 2019/20

	Original Budget 2018/19 £'000	Adjustment £'000	Proposed Budget 2019/20 £'000
<u>Departmental Expenditure</u>			
Adults' Health and Care	398,955	(13,500)	385,455
Children's - Schools	806,885	21,201	828,086
Children's - Non Schools	167,041	(8,280)	158,761
Economy, Transport and Environment	112,506	(9,650)	102,856
Policy and Resources	91,521	(3,358)	88,163
	1,576,908	(13,587)	1,563,321
<u>Capital Financing Costs</u>			
Committee Capital Charges	135,041	5,994	141,035
Capital Charge Reversal	(136,329)	(6,985)	(143,314)
Interest on Balances	(7,595)	(2,841)	(10,436)
Capital Financing Costs	40,301	1,800	42,101
	31,418	(2,032)	29,386
<u>RCCO</u>			
Main Contribution	10,582	(2,178)	8,404
	10,582	(2,178)	8,404
<u>Other Revenue Costs</u>			
Contingency	58,413	34,978	93,391
Dedicated Schools Grant	(747,270)	(16,958)	(764,228)
Specific Grants	(173,314)	(19,585)	(192,899)
Pensions – Non-Distributed Costs	20,291	1,772	22,063
Levies	1,998	313	2,311
Coroners	1,747	74	1,821
Business Units (Net Trading Position)	218	236	454
	(837,917)	830	(837,087)
Net Revenue Budget	780,991	(16,967)	764,024
<u>Contributions to / (from) Earmarked Reserves</u>			
Transfer to / (from) Earmarked Reserves	(28,213)	22,658	(5,555)
Trading Units Transfer to / (from) Reserves	(77)	(236)	(313)
	(28,290)	22,422	(5,868)
Contribution to / (from) General Balances	(1,000)	1,900	900
NET BUDGET REQUIREMENT	751,701	7,355	759,056

	Original Budget 2018/19 £'000	Adjustment £'000	Proposed Budget 2019/20 £'000
NET BUDGET REQUIREMENT	751,701	7,355	759,056
Funded by			
Business Rates and Government Grant	(138,551)	19,040	(119,511)
Business Rates Collection Fund Deficit / (Surplus)	(71)	123	52
Council Tax Collection Fund Deficit / (Surplus)	(4,627)	859	(3,768)
COUNCIL TAX REQUIREMENT	608,452	27,377	635,829

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2019/20 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
1	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
2	Disabled Facilities Grants	-	-	11,641	11,641	-	-
3	Nursecall	-	-	1,300	1,300	-	130
	Total Programme	241	40	13,141	13,422	-	156

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months	All schemes support the Corporate Priority of maximising wellbeing	
N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	1
N/A	1	12	Grant paid to district councils to fund adaption to people's homes	2
N/A	1	12	Upgrade Nursecall system within In House, residential and nursing establishments	3
			+ Projects to be partly funded from external contributions.	

Adult Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
4	2020/21 Schemes						
	Schemes Supported from Local Resources						
	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
	Total Programme	241	40	200	481	-	26

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>		
N/A	1	12	All schemes support the Corporate Priority of maximising wellbeing	4
			Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	
			+ Projects to be partly funded from external contributions.	

Adult Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
5	2021/22 Schemes						
	Schemes Supported from Local Resources						
	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
	Total Programme	241	40	200	481	-	26

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>		
N/A	1	12	All schemes support the Corporate Priority of maximising wellbeing	5
			Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	
			+ Projects to be partly funded from external contributions.	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes						
	Children's Social Care						
1	Foster Carers	86	14	-	100	-	-
2	Adaptation Equipment	-	-	250	250	-	25
	Primary School Improvements						
3	Ashley Junior, New Milton	296	49	-	345	-	7
4	Colden Common Primary, Winchester	1,545	255	-	1,800	-	36
5	Fair Oak Infant & Junior, Eastleigh	1,545	255	-	1,800	-	36
6	Fryern Junior, Chandlers Ford	6,560	1,082	-	7,642	-	153
7	Grange Junior, Gosport	6,802	1,122	-	7,924	-	158
8	Kings Furlong Nursery, Basingstoke	1,073	177	-	1,250	-	25
	New Primary School Provision						
9	Barton Farm Primary, Winchester	8,955	1,478	-	10,433	-	-
10	Cornerstone CE (Aided) Primary Whiteley	10,987	1,813	-	12,800	-	-
11	Stoneham Park Academy, Eastleigh	5,322	878	-	6,200	-	-
	Secondary School Improvements						
12	Wyvern Secondary, Fair Oak	1,888	312	-	2,200	-	-
	New Secondary School Provision						
13	Deer Park School, Hedge End	18,644	3,076	-	21,720	-	-

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
N/A	Various	Various	Improvements to foster carers' homes where necessary	1
N/A	Various	Various	Access improvement equipment for homes	2
Owned	2	12	School Improvements	3
Owned	2	12	expansion to two form entry	4
Owned	2	12	Site Improvements	5
Owned	2	12	Major Refurbishment	6
Owned	2	12	Major Refurbishment	7
Owned	2	12	New Nursery Provision	8
Owned	2	12	New 2fe primary school to meet housing demand	9
Owned	2	12	New 3fe primary school to meet housing demand	10
Owned	2	12	New 1.5fe primary school to meet housing demand	11
Owned	2	12	STP & classroom re-modelling	12
Owned	2	24	New 7fe secondary school	13

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes (continued)						
14	Special School Improvements	1,516	250	-	1,766	-	35
15	Norman Gate School, Andover	515	85	-	600	-	12
16	Prospect School, Havant	687	113	-	800	-	16
17	St Francis Special School, Fareham	3,772	622	-	4,394	-	88
	New Special School provision						
18	Austen Academy, Basingstoke	8,609	1,421	-	10,030	-	-
19	Other Improvement Projects	2,575	425	-	3,000	-	60
20	Purchase of modular classrooms	1,852	148	-	2,000	-	67
21	Health and Safety	343	57	-	400	-	8
22	Schools Devolved Capital	3,313	-	-	3,313	-	66
23	Access improvements in schools #	429	71	-	500	-	10
24	Furniture and Equipment #	-	-	250	250	-	25
25	Contingency	3,320	548	-	3,868	-	77
	Total Programme	90,634	14,251	500	105,385	-	904

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
Owned	Various	Various	Rebuild and refurbishment of special schools	14
Neg.	2	12	Classroom remodelling	15
Neg.	2	12	3 Classroom extension	16
Neg.	2	12	Significant re-modelling	17
Owned	2	24	New 125 place special school	18
Owned	Various	Various	Various projects to meet identified needs	19
N/A	Various	Various	Various projects to be identified	20
Owned	Various	Various	Improvements to address health and safety issues	21
N/A	Various	Various	Allocations to schools through devolved formula capital	22
N/A	Various	Various	Improvements to school's buildings to improve accessibility	23
N/A	Various	Various	Provision of furniture and equipment for capital schemes	24
N/A	Various	Various		25
			# controlled on an accrued expenditure basis	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2020/21 Schemes						
	Children's Social Care						
26	Foster Carers	86	14	-	100	-	-
27	Adaptation Equipment	-	-	250	250	-	25
	Primary School Improvements						
28	Four Marks CE Primary, Alton	1,846	305	-	2,151	-	43
29	Whitchurch CE Primary, Basingstoke	1,846	305	-	2,151	-	43
	Secondary School Improvements						
30	Calthorpe Park, Fleet	7,880	1,300	-	9,180	-	184
31	Special School Improvements	2,194	362	-	2,556	-	51
32	Other Improvement Projects	3,433	567	-	4,000	-	80
33	Purchase of modular classrooms	1,852	148	-	2,000	-	67
34	Health and Safety	343	57	-	400	-	8
35	Schools Devolved Capital	3,313	-	-	3,313	-	66
36	Access Improvements in Schools #	429	71	-	500	-	10
37	Furniture and Equipment #	-	-	250	250	-	25
38	Contingency	2,060	340	-	2,400	-	48
	Total Programme	25,283	3,468	500	29,251	-	650

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
N/A	Various	Various	Improvements to foster carers' homes where necessary.	26
N/A	Various	Various	Access improvement equipment for homes.	27
Owned	2	12	Expansion to 2fe	28
Owned	2	6	Expansion to 2.5fe	29
Owned	2	12	Expansion to 12fe	30
Owned	Various	Various	Rebuild and refurbishment of special schools.	31
Owned	Various	Various	Various projects to meet identified needs.	32
N/A	Various	Various	Various projects to be identified.	33
Owned	Various	Various	Improvements to address health and safety issues.	34
N/A	Various	Various	Allocations to schools through devolved formula capital.	35
N/A	Various	Various	Improvements to school buildings to improve accessibility	36
N/A	Various	Various	Provision of furniture and equipment for capital schemes.	37
N/A	Various	Various		38
			# controlled on an accrued expenditure basis	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2021/22 Schemes						
	Children's Social Care						
39	Foster Carers	86	14	-	100	-	-
40	Adaptation Equipment	-	-	250	250	-	25
41	Early Years/Childcare sufficiency	4,292	708	-	5,000	-	100
	Primary School Improvements						
42	Bordon Infant & Junior, East Hants	2,936	485	-	3,421	-	68
43	Fareham Primary Places	4,618	762	-	5,380	-	108
44	Morelands Primary, Havant	1,761	290	-	2,051	-	41
	New Primary School Provision						
45	Hartland Park Primary, Fleet	7,442	1,228	-	8,670	-	-
46	Hazelton Farm/Land east of Horndean	4,155	685	-	4,840	-	-
47	Manydown Primary, Basingstoke	7,442	1,228	-	8,670	-	-
48	Welborne Primary, Fareham	7,442	1,228	-	8,670	-	-
49	Special School Improvements	5,150	850	-	6,000	-	120
	New Special School Provision						
50	South Hampshire	12,876	2,124	-	15,000	-	-
51	Other Improvement Projects	3,433	567	-	4,000	-	80
52	Purchase of modular classrooms	1,852	148	-	2,000	-	67
53	Health and Safety	343	57	-	400	-	8
54	Schools Devolved Capital	3,313	-	-	3,313	-	66
55	Access Improvements in Schools #	429	71	-	500	-	10

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
N/A	Various	Various	Improvements to foster carers' homes where necessary	39
N/A	Various	Various	Access improvement equipment for homes	40
N/A	Various	Various	Improvements to early years facilities	41
Owned	2	12	expansion to 3fe	42
Owned	2	12	Expansion by 1fe	43
Owned	2	12	Expansion to 2fe	44
Owned	2	12	New 2fe primary school to meet housing demand	45
Owned	2	12	New 1fe primary school to meet housing demand	46
Owned	2	12	New 2fe primary school to meet housing demand	47
Owned	2	12	New 2fe primary school to meet housing demand	48
Owned	Various	Various	Rebuild and refurbishment of special schools	49
Owned	2	12	80 Place co-educational SEMH school	50
Owned	Various	Various	Various projects to meet identified needs	51
N/A	Various	Various	Various projects to be identified	52
Owned	Various	Various	Improvements to address health and safety issues	53
N/A	Various	Various	Allocations to schools through devolved formula capital	54
N/A	Various	Various	Improvements to school's buildings to improve accessibility	55
			# controlled on an accrued expenditure basis	

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2021/22 Schemes (continued)	£'000	£'000	£'000	£'000	£'000	£'000
56	Furniture and Equipment #	-	-	250	250	-	25
57	Contingency	2,974	491	-	3,465	-	69
	Total Programme	70,544	10,936	500	81,980		787

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>	<p>All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan</p>	
N/A	Various	Various	Provision of furniture and equipment for capital schemes	56
N/A	Various	Various		57
<p># controlled on an accrued expenditure basis</p>				

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2019/20 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
1	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
2	Structural Maintenance - A31 Near Alton	900	100	-	1,000	-	50
3	Structural Maintenance - A33 North of Basingstoke	675	75	-	750	-	38
4	Flood and Coastal Defence Management	88	18	-	106	-	2
	Total Programme Supported by Local Resources	12,304	1,375	-	13,679	-	681
	Schemes Supported by the Government and Other External Bodies						
5	Whitehill Bordon, A325 Integration +	2,454	816	-	3,270	-	164
6	Whitehill Bordon, Budds Lane *	2,565	855	-	3,420	-	171
7	Botley Bypass Phase 1	6,536	2,179	-	8,714	-	436
7a	Botley Bypass Phase 2	16,520	5,507	-	22,027	-	1,101
7b	Botley Bypass Underpass	5,025	1,675	-	6,700	-	335
8	A30 Corridor Brighton Hill Improvements, Basingstoke +	14,119	4,709	-	18,828	-	941
9	Redbridge Lane Roundabout (Bakers Drove), Nursling *	1,875	625	-	2,500	-	125
10	Farnborough Corridor - Lynchford Road Improvements *	6,150	2,050	-	8,200	-	410
11	Farnborough Corridor - Invincible Road Improvements *	375	125	-	500	-	25
12	High Street, West End Accessibilty Improvements *	188	62	-	250	-	13
13	A3090 Winchester Road/ Halterworth Lane, Romsey *	431	143	-	574	-	29

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	1	12	Structural maintenance to improve road conditions.	1
	4	6	Structural maintenance to improve road conditions.	2
	4	6	Structural maintenance to improve road conditions.	3
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies.	4
N/A	2	18	Integration of new relief road with current A325	5
N/A	1	5	Pedestrian and cycle improvements	6
N/A	1 / (2021)	24	New road construction	7
N/A	1 / (2021)	24	New road construction	7a
N/A	1 / (2021)	24	Construction of underpass to provide a safe route to school	7b
N/A	1 / (2021)	24	Road improvements	8
N/A	1	7	Road improvements	9
N/A	4	18	Junction and capacity improvements	10
N/A	4	6	Junction and capacity improvements	11
N/A	2	4	Pedestrian accessibility improvements	12
N/A	1	7	Junction Improvements	13
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes (continued)						
14	Hambledon Rd, Waterlooville - Toucan and Cycling Imps, Waterlooville*	188	62	-	250	-	13
15	Over Wallop Village - Traffic Management, Phase 2 *	249	83	-	332	-	17
16	Romsey Road/Clifton Terrace, Winchester - Pedestrian Crossing *	361	120	-	481	-	24
17	Bishops Waltham Village Access Improvements *	203	68	-	271	-	14
18	Whitchurch Access & Traffic Management *	291	97	-	388	-	19
19	Hook to Dilly Lane, Hartley Wintney Cycle Route *	334	111	-	445	-	22
20	Town Mill, Andover - Access to Car Park Improvements*	248	82	-	330	-	17
21	Town Mill, Andover - Riverside/Pocket Park Improvements+	390	130	-	520	-	26
22	Hayling Island (South Side) Accessibility Improvements *	176	59	-	235	-	12
23	Andover Railway Station *	244	81	-	325	-	16
24	Roman Way/Viking Way/Smanell Road Traffic Calming, Andover *	225	75	-	300	-	15
25	Jermyns Lane to Braishfield, Romsey*	263	87	-	350	-	18
26	Kings School, Winchester *	225	75	-	300	-	15
27	AQS programme - Rushmoor A331 NO ₂ Speed Reduction*	284	94	-	378	-	19
28	AQS programme - Basingstoke A339 NO ₂ Speed Reduction*	284	94	-	378	-	19
29	AQS programme - Fareham, NO ₂ Bus Stop RTI*	266	88	-	354	-	18
30	AQS programme - Fareham, NO ₂ Cycle Infrastructure*	420	140	-	560	-	28

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	2	3	Pedestrian and cycling improvements	14
N/A	1	4	Traffic calming on Wallop Rd and reclassification of the B3084	15
N/A	1	3	New puffin crossing with associated improvements and junction work	16
N/A	2	3	Access improvements for pedestrians and cyclists to village centre	17
N/A	2	3	Cycle and Accessibility improvements and A34 Off-Slip TM	18
N/A	4	4	Cycle route	19
N/A	1	4	New access to Town Mill car park for vehicles from A3057 ring road	20
N/A	3	4	Environmental enhancements at Riverside area and Pocket Park	21
N/A	1	4	Pedestrian improvements	22
N/A	1	4	Improvements to promote sustainable travel.	23
N/A	3	4	Traffic calming & safety imp's for pedestrians travelling to/from school	24
N/A	1	4	Construction of footway	25
N/A	1	1	Pedestrian/cyclist safety and accessibility improvements.	26
N/A	3	3	Scheme to support air quality enhancements	27
N/A	3	3	Scheme to support air quality enhancements	28
N/A	3	4	RTI installation	29
N/A	3	3	Cycling improvements	30
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes (continued)						
31	AQS programme - Rushmoor Bradford's Roundabout NO ₂ Scheme*	329	110	-	439	-	21
32	A32/Wych Lane lane Junction Improvements, Gosport*	1,187	394	-	1,581	-	79
33	A27 Portchester Precinct*	450	150	-	600	-	30
34	Schemes Costing Less than £250,000	1,176	391	-	1,567	-	78
35	Safety Schemes #	750	250	-	1,000	-	50
36	Minor Improvements (part #) +	563	187	-	750	-	38
37	Structural Maintenance of Roads and Bridges #	25,415	2,823	-	28,238	-	1,412
	Total Programme Supported by the Government and other bodies	90,759	24,596	-	115,355	779	5,770
	Total Programme				129,034	779	6,451

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	4	5	Scheme to support air quality enhancements	31
N/A	1	4	Junction improvements	32
N/A	2	6	Safety improvements	33
N/A	1	12	Local Improvements Sub-programme	34
N/A	1	12	Casualty reduction programme.	35
N/A	1	12	Improvement schemes costing less than £70,000 each.	36
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	37
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2020/21 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
38	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
39	Flood and Coastal Defence Management	88	18	-	106	-	2
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593
	Schemes Supported by the Government and Other External Bodies						
40	Hartford Bridge Flats Junction Imps Phase 2 - Fourth Arm+	825	275	-	1,100	-	55
41	Blackwater Valley Gold Grid*	1,125	375	-	1,500	-	75
42	A340 Safety and Accessibility Improvements, Basingstoke*	225	75	-	300	-	15
43	Chapel Hill Cycle & Accessibility Improvements, Basingstoke*	188	62	-	250	-	13
44	A33 Additional Junctions, Basingstoke*	488	163	-	651	-	33
45	A339/B3349 Junction Improvements, Alton*	727	243	-	970	-	49
46	Anstey Road/Anstey Lane, Alton Junction Improvements*	225	75	-	300	-	15
47	Horndean Access Improvements*	338	112	-	450	-	23
48	A27 Barnes Lane Junction Improvements*	488	162	-	650	-	33
49	Walworth RAB/A3093/A3057, Andover*	637	213	-	850	-	43
50	Sustainable Eastern Access, Andover*	525	175	-	700	-	35
51	London Road/Eastern Avenue, Andover*	229	77	-	306	-	15

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	1	12	Structural maintenance to improve road conditions.	38
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	39
N/A	4	6	Addition of fourth arm on roundabout	40
N/A	3	12	Bus route improvements	41
N/A	2	4	Cycleway and upgraded road surface to improve safety	42
N/A	4	4	Improve general access to and from development	43
N/A	4	6	Provision of right turn lane on A33	44
N/A	4	9	Junction improvements (enhance capacity)	45
N/A	1	3	Junction improvements for peds/cyclists and enhanced capacity	46
N/A	1	4	Pedestrian and cycle accessibility imp's and traffic management	47
N/A	3	6	Capacity improvements	48
N/A	1	8	Signalisation of rbt and improvements to ped/cycle infrastructure	49
N/A	1	7	Improvements to sustainable access	50
N/A	1	3	Junction imp's at Eastern Ave/London Street	51
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months	The following schemes all reflect the Corporate Priorities	
N/A	1	3	Road safety improvements	52
N/A	1	12	Local Improvements Sub-programme	53
N/A	1	12	Casualty reduction programme.	54
N/A	1	12	Improvement schemes costing less than £70,000 each.	55
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	56
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	-

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2021/22 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
57	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
58	Flood and Coastal Defence Management	88	18	-	106	-	2
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593
	Schemes Supported by the Government and Other External Bodies						
59	Whitehill Bordon - A325/B3004 - Sleaford Lights Junction*	750	250	-	1,000	-	50
60	Safety Schemes #	1,125	375	-	1,500	-	75
61	Minor Improvements (part #) +	563	187	-	750	-	38
62	Schemes Costing Less than £250,000	1,125	375	-	1,500	-	75
63	Structural Maintenance of Roads and Bridges (part #)	25,415	2,823	-	28,238	-	1,412
	Total Programme Supported by the Government and other bodies	28,978	4,010	-	32,988	67	1,650
	Total Programme				44,917	67	2,243

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	1	12	Structural maintenance to improve road conditions.	57
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	58
N/A	1	10	Junction improvements	59
N/A	1	12	Casualty reduction programme.	60
N/A	1	12	Improvement schemes costing less than £70,000 each.	61
N/A	1	12	Local Improvements Sub-programme	62
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	63
			 # Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2019/20 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
1	Office Accommodation Schemes	350	58	-	408	-	8
2	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
3	Community Buildings and Village Halls	-	-	125	125	-	-
4	CCBS Capital	328	-	-	328	-	7
5	Country Parks Transformation (Phase 2) - Staunton Country Park	386	64	-	450	-	9
6	Basingstoke Canal	215	35	-	250	-	5
	Corporate Services						
7	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	1,464	157	3,125	4,746	-	332

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	1
N/A	-	-	Continuing programme of replacing vehicles	2
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	3
N/A	1	12	Provision of minor works across the department including Library and Countryside services	4
Owned	1	12	To support a range of specific improvements at Staunton Country Park, including development of glasshouses and farm attractions, as well as improvements to catering facilities and toilets	5
Owned	1	12	Essential infrastructure works to ensure the Canal remains in good working order and the County Council meets its obligations as part owner of the Canal	6
N/A	-	-		7
			# controlled on an accrued expenditure basis	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2019/20 Schemes (continued)	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported by the Government						
	Schools Condition Allocation (SCA)						
8	Crestwood School, Eastleigh	800	132		932	-	19
9	Stoke Park Infant School, Eastleigh	800	132		932	-	19
10	Testbourne School, Whitchurch	2,500	413		2,913	-	58
11	Schools Condition Allocation (costing less than £250,000)	10,718	1,769	-	12,487	-	250
	Total Schemes Supported by the Government	14,819	2,445	-	17,264	-	346
	Total Excluding Land				22,010	-	678
	Advance and Advantageous Land Purchases				646	-	-
	Total Programme				22,656	-	678

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months	The following schemes all reflect the current Corporate Priorities	
Owned	2	9	Roof replacement	8
Owned	2	9	Roof replacement	9
Owned	2	9	SCOLA recladding and internal alterations	10
Owned	-	-	Major improvements to school buildings	11

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2020/21 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
12	Office Accommodation Schemes	350	58	-	408	-	8
13	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
14	Community Buildings and Village Halls	-	-	125	125	-	-
15	CCBS Capital	328	-	-	328	-	7
16	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	863	58	3,125	4,046	-	318
	Schemes Supported by the Government						
17	Schools Condition Allocation	14,819	2,445	-	17,264	-	345
	Total Schemes Supported by the Government	14,819	2,445	-	17,264	-	345
	Total Excluding Land				21,310		663
	Advance and Advantageous Land Purchases				646		
	Total Programme				21,956		663

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	12
N/A	-	-	Continuing programme of replacing vehicles	13
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	14
N/A	1	12	Provision of minor works across the department including Library and Countryside services	15
N/A	-	-		16
Owned	-	-	Major improvements to school buildings	17
			# controlled on an accrued expenditure basis	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2021/22 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
18	Office Accommodation Schemes	350	58	-	408	-	8
19	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
20	Community Buildings and Village Halls	-	-	125	125	-	-
21	CCBS Capital	328	-	-	328	-	7
22	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	863	58	3,125	4,046	-	318
	Schemes Supported by the Government						
23	Schools Condition Allocation	14,819	2,445	-	17,264	-	345
	Total Schemes Supported by the Government	14,819	2,445	-	17,264	-	345
	Total Excluding Land				21,310		663
	Advance and Advantageous Land Purchases				646		
	Total Programme				21,956		663

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	18
N/A	-	-	Continuing programme of replacing vehicles	19
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	20
N/A	1	12	Provision of minor works across the department including Library and Countryside services	21
N/A	-	-		22
Owned	-	-	Major improvements to school buildings	23
			# controlled on an accrued expenditure basis	

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	1 February 2019
Decision Maker:	County Council
Date:	14 February 2019
Title:	Revenue Budget and Precept 2019/20
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Carolyn Williamson

Tel: 01962 847400

Email: Carolyn.Williamson@hants.gov.uk

1. Recommendations

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

- 1.1. Notes the current position in respect of the financial resilience monitoring for the current financial year.
- 1.2. Approves the Revised Budget for 2018/19 contained in Appendix 1, including a transfer of £1.0m to the Investment Risk Reserve.
- 1.3. Gives approval to transfer any spare resources on the 2018/19 winter maintenance budget to the highways maintenance budget for 2019/20 and to apply this principle in future years.
- 1.4. Approves the updated cash limits for departments for 2019/20 as set out in Appendix 2.
- 1.5. Delegates authority to the Deputy Chief Executive and Director of Corporate Resources, following consultation with the Leader and the Chief Executive to make changes to the budget following Cabinet to take account of new issues, changes to figures notified by District Councils or any late changes in the final Local Government Finance Settlement.
- 1.6. **Recommends to County Council that:**
 - a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 6) be taken into account when the Council determines the budget and precept for 2019/20.

- b) The Revised Budget for 2018/19 set out in Appendix 1 be approved.
- c) The Revenue Budget for 2019/20 (as set out in Appendix 3 and Appendix 4) be approved.
- d) Funding for one off revenue priorities linked to the development of capital investment totalling £2.9m as set out in paragraphs 5.26 to 5.46 be approved.
- e) Funding for the future years cost of the Manydown development of up to £4.2m be approved to be met from general contingencies.
- f) Loan funding of up to £600,000 a year from 2018/19 to 2026/27 be made available to meet the running costs of the Manydown Garden Communities LLP to be met from general contingencies.
- g) The total **net budget requirement** for the general expenses of the County Council for the year beginning 1 April 2019, be £757,211,373.
- h) The **council tax requirement** for the County Council for the year beginning 1 April 2019, be £634,450,710.
- i) The County Council's band D council tax for the year beginning 1 April 2019 be £1,236.87, an increase of 2.99%.
- j) The County Council's council tax for the year beginning 1 April 2019 for properties in each tax band be:

	£
Band A	824.58
Band B	962.01
Band C	1,099.44
Band D	1,236.87
Band E	1,511.73
Band F	1,786.59
Band G	2,061.45
Band H	2,473.74

- k) Precepts be issued totalling £634,450,710 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

Basingstoke and Deane	65,768.80
East Hampshire	50,461.90
Eastleigh	44,805.97
Fareham	42,909.60
Gosport	26,941.34
Hart	40,704.11
Havant	40,708.00
New Forest	71,074.40
Rushmoor	31,300.99
Test Valley	48,966.00
Winchester	49,307.47

- l) The Capital & Investment Strategy for 2019/20 (and the remainder of 2018/19) as set out in Appendix 7 be approved.
- m) The Treasury Management Strategy for 2019/20 (and the remainder of 2018/19) as set out in Appendix 8 be approved.
- n) An increase to the allocation targeting higher yields from £200m to £235m (as set out in the Treasury Management Strategy in Appendix 8) to increase the overall rate of return and the income contributed to the revenue budget, based on the stability of the County Council's cash balances be approved.
- o) Authority is delegated to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

1.7. **RECOMMENDATIONS TO COUNTY COUNCIL**

This single report is used for both the Cabinet and County Council meetings, the recommendations below are the Cabinet recommendations to County Council and may therefore be changed following the actual Cabinet meeting.

County Council is recommended to approve:

- a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 6) and take this into account when determining the budget and precept for 2019/20.
- b) The Revised Budget for 2018/19 set out in Appendix 1.
- c) The Revenue Budget for 2019/20 (as set out in Appendix 3 and Appendix 4).
- d) Funding for one off revenue priorities linked to the development of capital investment totalling £2.9m as set out in paragraphs 5.26 to 5.46.

- e) Funding for the future years cost of the Manydown development of up to £4.2m to be met from general contingencies.
- f) Loan funding of up to £600,000 a year from 2018/19 to 2026/27 to meet the running costs of the Manydown Garden Communities LLP to be met from general contingencies.
- g) That the total **net budget requirement** for the general expenses of the County Council for the year beginning 1 April 2019, be £757,211,373.
- h) That the **council tax requirement** for the County Council for the year beginning 1 April 2019, be £634,450,710.
- i) That the County Council's band D council tax for the year beginning 1 April 2018 be £1,236.87, an increase of 2.99%.
- j) The County Council's council tax for the year beginning 1 April 2019 for properties in each tax band be:

	£
Band A	824.58
Band B	962.01
Band C	1,099.44
Band D	1,236.87
Band E	1,511.73
Band F	1,786.59
Band G	2,061.45
Band H	2,473.74

- k) Precepts be issued totalling £634,450,710 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

Basingstoke and Deane	65,768.80
East Hampshire	50,461.90
Eastleigh	44,805.97
Fareham	42,909.60
Gosport	26,941.34
Hart	40,704.11
Havant	40,708.00
New Forest	71,074.40
Rushmoor	31,300.99
Test Valley	48,966.00
Winchester	49,307.47

- l) The Capital & Investment Strategy for 2019/20 (and the remainder of 2018/19) as set out in Appendix 7.
- m) The Treasury Management Strategy for 2019/20 (and the remainder of 2018/19) as set out in Appendix 8.
- n) An increase to the allocation targeting higher yields from £200m to £235m (as set out in the Treasury Management Strategy in Appendix 8) to increase the overall rate of return and the income contributed to the revenue budget, based on the stability of the County Council's cash balances.
- o) The delegation of authority to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

2. Executive Summary

- 2.1. The purpose of this report is to set out the County Council's proposals for the revenue budget and precept for 2019/20. It also provides an update on the financial position for 2018/19.
- 2.2. The deliberate strategy that the County Council has followed to date for dealing with grant reductions and the removal of funding that was historically provided to cover inflation, coupled with continued demand pressures over the last decade is well documented. It involves planning ahead of time, through a two yearly cycle, releasing resources in advance of need and using those resources to help fund transformational change.
- 2.3. This strategy has served the County Council, and more particularly, its services and community well, as it has delivered transformation programmes on time and on budget with maximum planning and minimum disruption. Put simply, it is an approach that has ensured Hampshire County Council has continued to avoid the worst effects of funding reductions that have started to adversely affect other local authorities.

- 2.4. In line with this financial strategy savings targets for 2019/20 were approved as part of the 2017/18 budget setting process and detailed savings proposals were developed through the Transformation to 2019 (Tt2019) Programme and approved by Executive Members in September 2017 and then by Cabinet and County Council in October and November 2017. The impact of the agreed savings has been reflected in the detailed budgets approved by Executive Members and presented in this report.
- 2.5. During January individual Executive Members have been considering their revenue budget proposals with the Leader and Cabinet and Select Committees who provide overview and scrutiny. This report consolidates these proposals together with other items that make up the total revenue budget for the County Council in order to recommend a budget, precept and council tax to the meeting of full County Council on 14 February 2019.
- 2.6. This report also considers a number of revenue items that are linked to the development of capital investment priorities totalling £2.9m that are outlined for approval, together with other approvals associated with the Manydown development site.
- 2.7. Financial performance in the current year remains strong. Indications are that all departments will be able to manage the large-scale investment required to deliver their planned transformation activity and meet service pressures through the use of cost of change and other reserves, along with appropriate corporate funding. However, the cumulative impact of numerous savings programmes, coupled with a relentless business as usual agenda and rising demand and expectations from service users, means that pressures are being felt in all departments.
- 2.8. The demographic pressures within social care departments and the sustained pressure on social care spending means that these services continue to be the highest risk and most volatile area of the County Council's budget.
- 2.9. For Adults' Health and Care, a combination of a more stable service position and increased resources from government and the social care precept mean that short term pressures are under better control. However, the County Council is still having to deal with the fact that the population of over 75 year olds is expected to increase by 30% over the next seven years, equating to around an extra 5,500 people per year, many of which will already have or will develop some kind of social care need.
- 2.10. Growth in the numbers of Children Looked After (CLA) has had a profound impact on the Children's Services budget position over the last few years, with the numbers of children in care increasing by 372 (28.4%) in the last three and a half years alone. Growing attention nationally is now being focused on the pressures facing children's services and this is now the biggest pressure area that the County Council faces.
- 2.11. Both departments have action plans in place to contain this pressure in the current year and as in previous years further funding has been set aside within contingencies to manage this potential risk in 2019/20, alongside additional one off funding from government, announced in the Budget.

- 2.12. The Budget in the autumn included some welcome announcements in respect of one off additional funding for both adults' and children's social care and for highways and reflects extensive lobbying undertaken by the County Council in these areas. Although this funding falls far short of the amount required (we have received £12.8m against minimum recurring pressures of £23.5m for social care in 2019/20 alone) and is only one off, it does however signal that some of the pressures on local government are being recognised by the Treasury and the hope is that this will feed through to further changes within next years Comprehensive Spending Review (CSR).
- 2.13. The Medium Term Financial Strategy (MTFS) highlighted the fact that beyond 2021/22 if we are to remain financially sustainable there needs to be a significant change in the way in which growth in adults' and children's social care is funded, since it is not possible to continually cut some services to fund growth in others.
- 2.14. The provisional Local Government Finance Settlement was announced on 13 December 2018 and confirmed the grant figures for 2019/20 broadly in line with the four year settlement and there has been no change to the council tax thresholds, except for the police precept.
- 2.15. In line with the MTFS, this report recommends that council tax is increased by 2.99% in 2019/20, which is half the level of increase applied last year and reflects government policy. This will generate around £18m additional income and it is likely that Hampshire will remain the second lowest county level council tax in the country, without suffering from the same financial problems as some of the other low council tax county councils. The Adult Social Care precept is unchanged as the County Council has applied the maximum allowable 6% increase over two years rather than three; utilising the flexibility provided by government.
- 2.16. It should be noted that the figures in this report in respect of government grant levels and figures notified to the County Council by District Councils are provisional at this stage and will be subject to change. Revised figures will therefore be presented to full County Council and this report seeks delegated authority for the Deputy Chief Executive and Director of Corporate Resources in consultation with the Leader and Chief Executive to make these changes as appropriate.
- 2.17. The County Council's Reserves Strategy, which is set out in Appendix 5, is now well rehearsed and continues to be one of the key factors that underpins our ability not only to provide funding for transformation of services, but also to give the time for the changes to be successfully planned, developed and safely implemented.
- 2.18. The apparent lack of understanding of local authority reserves continues to be a national issue and in response some indicative work by the Local Government Association highlighted that for local government collectively, after earmarked or committed reserves had been excluded, the remaining uncommitted reserves only left enough money to run services for around 25 days. For the County Council the same exercise was repeated and

gave a figure of just over 27 days. This highlights once again that reserves offer no long term solution to the financial challenges we face. Correctly used however, they do provide the time and capacity to properly plan, manage and implement change programmes as the County Council has demonstrated for many years now.

- 2.19. In addition, this report includes both the County Councils Capital and Investment Strategy and the Treasury Management Strategy (TMS) for 2019/20 (and the remainder of 2018/19), set out in Appendices 7 and 8 respectively.
- 2.20. The Capital and Investment Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The TMS supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and investments, and the associated risks.

3. Contextual Information

- 3.1. The current financial strategy which the County Council operates works on the basis of a two year cycle of delivering departmental savings targets to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Grant Equalisation Reserve (GER) and with any early delivery of resources retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.
- 3.2. The County Council's strategy placed it in a very strong position to produce a 'steady state' budget for 2018/19 and safely implement the next phase of changes through the Transformation to 2019 (Tt2019) Programme to deliver savings totalling £140m.
- 3.3. The Tt2019 Programme is progressing well and to plan, but it is clear that bridging a further gap of £140m is extremely difficult and will take longer to achieve in order to avoid service disruption. The Chief Executive's report entitled [Transformation to 2019 – Report No.5](#) was presented to Cabinet in December 2018 and outlined the positive progress being made.
- 3.4. The anticipated delay in the delivery of some elements of programme has been factored into our medium term planning to ensure that enough one off funding exists both corporately and within departments to meet any potential gap over the period. Taking up to four years to safely deliver service changes rather than being driven to deliver within the two year financial target requires the careful use of reserves as part of our overall financial strategy and further emphasises the value of our Reserves Strategy.
- 3.5. The budget setting process for 2019/20 will therefore be different in that the majority of the decisions in respect of major changes to the budget were taken early. However other factors will still affect the budget, such as

council tax decisions and pressures as outlined later in this report, but these will not be as significant as the savings programme that has already been put in place.

- 3.6. The Medium Term Financial Strategy (MTFS) approved by the County Council in September 2018 flagged that the expectation was for minimal change to the provisional Local Government Finance Settlement for 2019/20, the final year of the Comprehensive Spending Review (CSR). However, it was acknowledged that the Budget in the autumn could potentially contain some additional information that could impact our planning assumptions.
- 3.7. In overall terms, the announcements in the Budget had very little impact on the revenue position reported in the MTFS, although there were some welcome announcements in respect of one off additional funding for both adults' and children's social care and for highways. Although this funding falls far short of the amount required (which is a minimum of £23.5m for social care in 2019/20 alone) and is only one off, it does however signal that some of the pressures on local government are being recognised by the Treasury and the hope is that this will feed through to further changes within next years CSR.
- 3.8. The provisional Local Government Settlement was announced on 13 December and more detail about the provisional settlement is set out in Section 6 of this report.
- 3.9. The final grant settlement for 2019/20 is not due out until this report has been dispatched, however it is not anticipated that there will be any major changes to the figures that were released in December 2018.
- 3.10. In December 2018 Cabinet received a budget update report that set provisional cash limit guidelines for departments, taking into account inflation, savings and base changes. This report confirms the cash limits that will be applied to departments next year and the individual reports approved by Executive Members during January all show that the proposed budgets are within the cash limit guidelines that have been set.

4. Third Quarter Budget Monitoring

- 4.1. Strong financial management has remained a key focus during the year and enhanced financial resilience monitoring, which looks not only at the regular financial reporting but also at potential pressures in the system and the early achievement of savings being delivered through transformation, has continued through regular reports to the Corporate Management Team (CMT) and to Cabinet.
- 4.2. The table overleaf summarises the latest forecast position for each department as at the end of December (Month 9) and indicates that all departments, with the exception of Children's Services, will be able to manage the large-scale investment required to deliver their planned transformation activity and meet service pressures through the use of cost of change and other reserves, along with currently agreed corporate funding:

	£'000
Investment / Cost of Change Used	46,578
Pressures	29,567
Tt2017 Late Delivery	654
Subtotal	76,799
<i>To Be Met From:</i>	
Tt2019 Early Delivery	(25,663)
Other Savings	(31,317)
Other Departmental Reserves	(1,678)
Unallocated Corporate Support	(30,348)
Contribution to Departmental Cost of Change	12,875
Total (Under) / Over Spend	668

- 4.3. Key issues across each of the departments are highlighted in the paragraphs below and whilst pressures within social care departments are well documented, the impact of successive savings programmes along with other service pressures means that all departments are facing financial pressures.

Adults' Health and Care

- 4.4. For 2018/19 it is forecast that the Department will deliver early Tt2019 savings of £10.1m which is a one off benefit. In addition, favourable forecast variances within adult social care service budgets of £0.2m are anticipated.
- 4.5. The main recurrent pressures in 2018/19 relate to the provision of care, both purchased and provided in house with pressures of £5.4m and £2.1m respectively. However, in year these have been offset by non-recurrent funding made available through the "Meeting Social Care Needs" workstream within the increased Improved Better Care Fund (IBCF) of £4.8m. In addition, there are various savings across the Department's non-care budgets, including departmental wide staffing budgets, that total £2.9m.
- 4.6. The overall forecast outturn position for 2018/19 will allow £10.3m to be transferred to the Cost of Change Reserve, bringing the reserve balance up to £31.6m by the end of 2018/19. This sum will be utilised in full, within the following two years, to fund planned delays in savings and to pay for one off project costs.
- 4.7. The Department has continued to experience growth pressures because of demographic increases in the numbers of people requiring care and rising costs due to the increased complexity of clients needs alongside the impact of the National Living Wage (NLW) which is forecast to add up to £45m extra to the costs of buying care from the private markets. Appropriate corporate support is available for these items and is built into the MTFS.

- 4.8. Looking further ahead, it is anticipated that further care provision pressures will arise from both increases in demand and complexity of clients and from care costs to ensure market stability. In addition, non-recurrent funding provided through both the IBCF, including recently announced support to meet winter pressures will cease over the same period. Together this provides a major budgetary challenge to the Department that will require close monitoring and corporate support in future years.
- 4.9. The budget for Public Health included extra spend of £2.0m that was to be drawn from the Public Health Reserve. The expected outturn forecast for 2018/19 is a saving of £0.7m against this position and will lead to a lower than originally expected draw on the Public Health Reserve. This has been achieved through planned work to deliver efficiencies and innovation within existing services in advance of future reductions in funding, including holding vacancies in the Public Health team and making reductions in contractual and non-contractual spend.
- 4.10. As at April 2018, the forecast closing balance of the Public Health Reserve by 31 March 2019, after budgeted use of £2.0m in year was anticipated to be £5.8m but in light of the early realisation of savings, it is now forecast that the balance at year end will be £6.5m.

Children's Services

- 4.11. Growth in the numbers of Children Looked After (CLA) has had a profound impact on the Children's Services budget position over the last few years and growing attention nationally is now being focused on the pressures facing children's services.
- 4.12. The numbers of children in care have increased by 372 (28.4%) over the last three and a half years, partly as a result of new Unaccompanied Asylum Seeking Children (UASC) being accepted into the county. The cost of care leavers also continues to rise as a result of the high numbers of UASC who do not have access to government funding and as a result of the requirement for local authorities to provide corporate parenting to all care leavers until the age of 25.
- 4.13. Local authorities are citing the pressure in children's social care as their greatest immediate financial concern (*Source – [LGIU/MJ State of Local Government Finance Survey 2018](#)*), with rising demand for support leading to over spends in an increasing number of authorities. The key reasons for the increasing numbers relate to:
- A much better awareness and identification of child abuse and neglect from a range of partners.
 - The better application of consistent thresholds to receive help as a result of government statutory guidance ('Working Together to Safeguard Children').
 - A growing professional aversion to risk from partners driven by national child care scandals.
 - The impact of economic and financial hardship on families.

- Greater awareness of abuse such as child sexual exploitation, child criminal exploitation and online abuse.
 - The creation of a number of new policy initiatives such as 'staying put' which allow teenagers to stay in their foster care placements.
 - Children remanded to custody being treated by law as children in care.
 - A range of new legal processes such as the 'public law outline' which drive local authorities to put far more case decisions before the family courts.
 - A drive by the courts for all application cases to conclude within 26 weeks.
 - Policy drivers such as the national redistribution of UASC.
- 4.14. Children's Services have action plans in place and are working hard to contain this pressure in the current year and as in previous years further funding has been set aside within contingencies to manage the potential risk in 2018/19. However, the Department is currently forecasting an overspend of approaching £0.7m at year end, by which point the Department's Cost of Change Reserve will be exhausted.
- 4.15. This position will be kept under close review and may improve in the final quarter of the year through a combination of continued positive management action in the pressure areas and underspends elsewhere in Children's Services. However, the current level of growth in the numbers of children in care indicates that a further draw on corporate contingencies may be required to achieve a break even position at the end of the financial year.

Economy, Transport and Environment (ETE)

- 4.16. This Department has two major demand led services which create pressures during the year, albeit these are effectively managed through corporate allocations, early delivery of savings and use of cost of change reserves.
- 4.17. Highways revenue maintenance, particularly in the area of reactive maintenance, is a constant pressure with the number of calls received by the service doubling in the last ten years to over 100,000 each year. The weather is obviously a key factor that impacts both on the condition of the roads and levels of activity around winter maintenance.
- 4.18. The highways maintenance budget in 2018/19 has benefitted from £6.0m of additional one off funding, half of which was provided by the Government. This included County Council resources from the 2017/18 winter maintenance budget, reinvestment of corporate savings and funding from the Corporate Policy Reserve to complement pothole grant funding from the Government. This allowed a programme of vital remedial work to the county's road network following the prolonged cold and wet period in the spring of 2018/19.

- 4.19. Third quarter forecasts indicate potential spare resources within the 2018/19 winter maintenance budget, although a change in the weather in the coming months could eliminate this sum. However, in the light of the current outturn forecast, approval is sought to again add any spare resources from the 2018/19 winter maintenance budget to the 2019/20 highways maintenance budget to continue to give this much needed flexibility.
- 4.20. This approach has been sensibly adopted each year since 2016/17 and given the pressures on highways maintenance approval is sought to apply this principle in future years; with the position reported to Cabinet and County Council each year as part of the End of Year Financial report.
- 4.21. Additional funding for potholes has been provided by the Government this year, which for Hampshire equates to £11.9m. Greater flexibility has been granted in respect of the use of this funding which is welcomed, as the County Council needs to concentrate on a longer term solution to the maintenance of our carriageways which requires spend in the order of £285m to bring them to an acceptable standard, not to mention the vast investment also required in footways and structures.
- 4.22. Waste volume growth (due to demographic growth) and issues with residual waste continue to represent a significant risk to the financial position of the Department. Addressing these challenges remains a key priority and the Department will actively engage with the proposals in the Government's new waste strategy that is currently being consulted on. The current pressures are effectively managed through corporate allocations.
- 4.23. Overall the outturn forecast for the Department for 2018/19 is a saving of £5.7m resulting from planned early achievement of Tt2019 savings as well as adopting a cautious approach to business as usual budget with tight control of vacancy management and non-pay budgets in the light both of delivery challenges around the Tt2019 Programme and the need for future savings.
- 4.24. Over the past months the Government has announced several initiatives in relation to waste disposal and recycling including a consultation on a Deposit Return Scheme and a Resources and Waste Strategy (published on 18 December 2018). The resulting uncertainty about the wider regulatory and financial environment in which the service will operate in the future has impacted on the County Council's progress with the Single Materials Recovery Facility project which underpins the planned Tt2019 saving for waste disposal. Some £3.1m of the Department's Tt2019 savings will be delayed so the County Council can better understand the Government's intentions and ensure appropriate facilities are constructed and this will be managed through use of the Department's Cost of Change Reserve.
- 4.25. Recognising that not all of the Department's required savings will be achieved in full by 2019/20 and that cash flow support needs to be built up in advance, the saving in 2018/19 will enable a contribution to the Department's Cost of Change Reserve at the end of the year. This has

been an effective strategy to date although the increased requirement for investment in assets and resources to generate the next phase of savings will place further pressure on the Department. The forecast saving is at least in part dependent on weather conditions in the final quarter of the year and a period of severe winter or wet weather would reduce this figure.

Culture, Communities and Business Services (CCBS)

- 4.26. CCBS delivers a wide range of services and the Department have been very successful to date in delivering major transformation programmes across Libraries, Outdoor Centres, Hillier Gardens and the Countryside Service which have produced savings in excess of the required targets and implemented them earlier than required.
- 4.27. For 2018/19 this has placed the Department in a strong position, enabling them to invest in the resources needed to develop the next phase of transformation and ensure there is provision within their cost of change reserves to fund future activity to deliver the required Tt2019 savings and cover a timing issue associated with the organisation's changing need for office accommodation.
- 4.28. Successive budget reductions also mean there is less scope to generate savings across the services and ever greater levels of investment and resources are required to generate further savings as is the case with other departments. However, CCBS is in a better position than some other departments to be able to encourage use of its services to generate external income, but this does increase the risk in the budget moving forward as the reliance on that income becomes ever greater.

Corporate Services

- 4.29. Since 2010, Corporate Services have been required to deal with increasing work pressures at a time when staffing resources and other budgets are reducing significantly. Furthermore, as savings become harder and more complex to deliver (linked for example to IT system changes) the cost and timeframes to deliver savings increase, placing additional strain on the resources available to deliver business as usual.
- 4.30. Corporate Services have also been using their cost of change reserves to fund additional capacity in their departmental transformation teams and the corporate Transformation Team. The longer timeframes for delivering the Tt2019 Programme together with planning for the successor programme, will also mean that these teams will be in place for longer, placing further pressure on available resources.
- 4.31. The forecast position for 2018/19 is that savings will still allow a contribution to cost of change balances even after substantial transformation costs have been met in year. Early delivery of savings in the current year will help as part of the overall strategy for delivering savings in the longer term, but the continued need for additional resources against a backdrop of reducing budgets should not be underestimated.

- 4.32. In addition, Corporate Services teams will continue to provide critical support to other departments during the implementation of their own transformation programmes and it will be important for the Department to manage this further pressure to service delivery.

Schools

- 4.33. Financial pressures on schools are increasing, both at an individual school level and within the overall schools' budget. The overall schools' budget is currently in deficit and this deficit will increase again in the current financial year, with the Schools' Forum agreeing for this to be carried forward into the budget for 2019/20. The pressure experienced in Hampshire is reflected across many other authorities and predominantly relates to demand led budgets funding pupils with high levels of additional need, in particular where there are increasing numbers of pupils with Education, Health and Care Plans (EHCP), and as a result of extending this support for young people up to the age of 25.
- 4.34. There are an increasing number of schools in, or at risk of falling into deficit, and nationally it has been reported that 30% of all local authority maintained secondary schools are in deficit. In Hampshire this figure is about the same but is expected to continue to grow over the next few years unless there is a change in the national funding position. Reasons for schools falling into deficit vary, and tailored support is being provided to individual schools facing financial difficulties along with appropriate challenge and intervention where required.
- 4.35. In September 2017, the Department for Education (DfE) announced the introduction of a National Funding Formula (NFF) for Schools, High Needs and the Central School Services blocks. The Government's intention remains that individual school budgets should ultimately be set on the basis of a single national formula (a 'hard' funding formula) however, no timescales have been set. The DfE have recently announced that the current arrangement, where funding for schools will be calculated on a national basis and then passed to the local authority for allocation, will continue for a further year to include 2020/21.
- 4.36. Further funding for high needs is due to be received through the NFF, an additional funding allocation was announced by the DfE in December and a transfer of funding of 0.5% (which equates to £3.7m) of the Schools Block has been agreed to help meet these pressures in 2019/20. Several options are also being considered to reduce this pressure going forward.
- 4.37. The next section outlines the expected general outturn position for the current year in more detail.

5. Revised Budget 2018/19

- 5.1. During the current financial year there have been a number of changes to the original budget that need to be taken into account, some of which have already been reported to Cabinet. In addition, it is also timely to review

some of the high-level numbers contained within the revenue budget to assess the likely impact on the outturn position for the end of this year.

- 5.2. Appendix 1 provides a summary of the original budget that was set for 2018/19 together with adjustments that have been made during the year. The proposed Revised Budget for 2018/19 is then set out for information. The variance between the adjusted and revised budget gives an indication of any one off resources that may be available at the end of the year that could be used to fund one off investment or provide additional contributions to the GER.
- 5.3. The paragraphs below explain the main adjustments that have been made to the budget during the year:

Adjusted Budget 2018/19

- 5.4. **Departmental Spending** – Budgeted departmental spending has increased by more than £43.7m and the reasons for this are highlighted in the table below:

	£M
Use of cost of change reserves	21.9
Net increase in grants	10.5
Impact of 2018/19 pay award	7.3
In Year Adults' social care draw from central contingency	0.6
In Year Children's Service's draw from central contingency	1.2
Approved funding for Strategic Land Development	0.7
Other Net Changes	1.5
Total	43.7

- 5.5. The increases in budgeted departmental spending are mainly because of increased government grants, the allocation of approved funding (for example from contingencies) or the one off use of cost of change reserves. The true value of recurring increases is £9.1m relating to the 2018/19 pay award and the allocation of funding to the social care departments, but all of these represent transfers from contingencies rather than new spend.
- 5.6. The paragraphs below outline changes to the other items that make up the overall revenue account.
- 5.7. **Capital Financing Costs** – The decrease is due to changes in the capital charges to Hampshire Transport Management for assets that have been purchased which have an impact as it is a Trading Unit.
- 5.8. **Revenue Contributions to Capital Outlay (RCCO)** – The decrease in RCCO reflects changes made to the Capital Programme and it's financing during the year but this is entirely offset by other funding changes in budgets or to earmarked reserves so that there is no bottom line impact in 2018/19.

- 5.9. **Contingencies** – The reduction in contingencies is mainly the result of transfers made to departmental budgets during the year, notably in relation to the 2018/19 pay award.
- 5.10. **Dedicated Schools Grant (DSG) and Specific Grants** – The decrease in DSG reflects amendments that have been made to the final grant during the year. The increase in specific grants is mainly due to the announcement in the Budget of additional funding for adults' social care, along with some changes in known grants; including the UASC Grant and the Teacher's Pay Grant.
- 5.11. **Other Levies** – The increase reflects the transfer of Chichester Harbour from the ETE cash limited budget to adopt a consistent approach to the treatment of all levies.
- 5.12. All of these changes have had no overall impact on the bottom line of the revenue account as they mainly represent transfers between different areas of the budget or represent matching changes to expenditure and income as is the case with specific grants.

Revised Budget 2018/19

- 5.13. The fourth column of figures shown in Appendix 1 outlines the proposals for the revised revenue budget for the County Council for 2018/19. At this stage the revised budget for departments matches the adjusted cash limits that they have been given for the year and therefore no variances are shown for the end of the year.
- 5.14. As set out in Section 4 it is anticipated that there will be savings in the majority of departmental budgets by the end of the year. However, in line with current policy this can be transferred to departmental earmarked reserves to be used to fund the cost of change in future years and will therefore have no impact on the bottom-line position of the revenue account.
- 5.15. For all departments the forecast position has been presented as break even against the revised cash limits reflecting this policy and the fact that departments are managing their bottom line positions to contain spending pressures and are using cost of change in the year as required, albeit that additional corporate support may be required by Children's Services.
- 5.16. **Interest on Balances** – The County Council adopts a very prudent approach to estimating for interest on balances given the number of different variables involved. For 2018/19 current forecasts anticipate that performance in the year will exceed this figure and an additional return of £5.0m is therefore assumed in the revised budget.
- 5.17. **Capital Financing Costs** – As in previous years, the estimates for this heading are prepared on the basis of taking out new planned borrowing during the year. However, since the County Council has sufficient cash reserves there is no need to actually take out this long term borrowing at this stage, particularly since this would attract a high 'cost of carry' when comparing short term to longer term interest rate levels.

- 5.18. The estimates for 2018/19 have therefore been revised taking this into account and show a saving of £2.0m in the overall capital financing costs for the year.
- 5.19. **Contingencies** – The key items within this budget relate to risk contingencies set aside to reflect the pressures in social care, the major change and savings programmes that were being implemented during the year, allowance for growth in waste disposal costs, together with some other centrally held contingencies in respect of pay and price increases.
- 5.20. In considering the revised budget position, it is timely to review these contingencies in light of the current financial position highlighted in monitoring reports.
- 5.21. Given the position outlined for the social care departments in the current year it is anticipated that the overall sums held for social care are sufficient, especially as Adults' Health and Care have benefited from additional funding to meet winter pressures as announced in the Budget, and therefore that some of the contingency held can be released. This still retains funding to cover potential adverse movement in the final quarter of the year given the recognised volatility of these areas, and to provide additional support to Children's Services should it be required.
- 5.22. At this stage of the year, it is also considered prudent to release contingency items in respect of pay and price inflation that have not been used, together with other sums set aside for income risk and the general risk contingency. In total, these items amount to £12.0m which can be declared as savings against the adjusted budget.
- 5.23. It is important to note that whilst these do represent significant available resources, they must be set in the context of the size and complexity of the County Council's gross budget and the efficiency and change programmes that have been implemented in recent years. Contingency sums are set aside for a variety of purposes and it is only now at this later stage in the year that these resources can be deployed for other purposes with greater certainty.
- 5.24. Taking this £12.0m, together with the £7.0m available from capital financing and interest on balances gives a grand total of £19.0m that can be used on a one off basis.
- 5.25. It is proposed that this total of £19.0m is used as follows:
- Provision of funding for a number of revenue purposes linked to the development of capital investment priorities (as described in more detail in paragraphs 5.26 to 5.46) which total £2.9m.
 - The addition of £1.0m to the Investment Risk Reserve as explained in paragraph 13.11.
 - The addition of the balance of £15.1m to the GER to begin to make provision for the period beyond 2020 to support the two year savings cycle and to provide cash flow support to the Transformation to 2021 (Tt2021) Programme.

Development of Capital Investment Priorities

- 5.26. The rules that govern capital expenditure within local government are well defined and in more recent years flexibilities that have previously been allowed within accounting definitions have been tightened. In particular this includes early feasibility or development works that do not necessarily lead to an identifiable new capital asset.
- 5.27. In recent years therefore, the County Council has changed its approach and has been setting aside provisions within the revenue budget that allow officers to take forward capital investment proposals that are in their early stages or require significant technical resources due to their complexity (for example Manydown and other strategic land schemes). Last year a revised approach for dealing with new school design and delivery was also approved which funds Property Services input from revenue where we pursue free schools or other funding from the Education Skills and Funding Agency.
- 5.28. Given the changing nature of these programmes funding for each year is considered as part of the budget setting process and the requests for 2019/20 for these areas is shown below:

	£'000
Strategic Land Development	2,800
New Schools Design & Delivery Strategy	100
Total	2,900

- 5.29. **Strategic Land Development** – The Strategic Land Programme (SLP) was set up in 2008 to maximise the financial returns on the County Council's land holdings that had the potential for sale and development in the future. By developing the plan and opportunities for a site, usually through to outline planning permission stage, this greatly increases the eventual financial return at the point the land is released for development. Since its inception the SLP has realised and delivered over £21m of capital receipts up to and including the 2017/18 financial year and based upon current local plan allocations, planning approvals and projects it is anticipated that it will generate over £250m of net receipts for the County Council in the period up to 2029/30.
- 5.30. To realise this, the County Council invests annually in the SLP to prepare and bring forward its land. Within the Programme Business Plan overall revenue expenditure is forecast at approximately 10% of total receipts, with a range of between 1% and 11% spend per project depending on the planning / disposal strategy of individual projects and their scale. The spend supports a dedicated team within Property Services and the procurement of specialist advice or consultancy depending on the nature of the site and its complexity.

- 5.31. Total funding of approaching £12.7m since 2008 has previously been approved to take forward a large number of sites (notably Manydown) and this funding was due to run out during the current financial year. A further sum of up to £1.25m was approved in December 2018 to complete the anticipated plan of works through to March 2019.
- 5.32. The phasing of the programme is difficult to predict and is influenced by many factors some of which are outside of the County Council's control. In some respects, higher spend on a site often means that progress has been accelerated and receipts will be achieved earlier. In addition, market interest in a site may bring forward work that was planned in the future.
- 5.33. Therefore, future allocations to the programme are currently being agreed in February each year as part of the budget setting process. For 2019/20 the latest forecast is that up to £2.8m will be required to continue the planned programme, which includes just over £1.4m for Manydown.
- 5.34. It is proposed to bring a more detailed report forward outlining the forward programme in respect of Strategic Land Development generally and a financial overview of the Manydown site, but some decisions are required now in order for the Manydown development and our involvement in the Joint Venture with Basingstoke and Deane Borough Council (B&DBC) and Urban and Civic to continue over the medium term
- 5.35. The financing arrangements for Manydown are complex and a fuller summary of the overall picture is set out in Appendix 9. However, key issues for this report are detailed in the paragraphs below.
- 5.36. **Manydown** - The planning and development costs of the Manydown site have been met equally by Hampshire County Council and B&DBC since the project's inception. The County Council element has been funded from the initial allocation of £12.7m provided for Strategic Land Development in 2008, although since 2018/19 new annual funding has been approved following the depletion of the original funding amount.
- 5.37. A request for a further £1.4m is included within this report to continue to the programme into 2019/20 to pay for project team costs and external advisors that have been used to assist with the complex land, governance and taxation elements of the programme. It should be noted however that these costs cover both the Phase 1 land allocation and the larger Phase 2 allocation which is expected to be released much further into the future.
- 5.38. Whilst budget allocations are currently agreed on an annual basis, it is expected that further costs of at least £4.2m will be incurred by the County Council up until 2022/23 at which point the project will be scaled down. Initial approval of this forward expenditure is therefore sought in this report, albeit that some of this expenditure can be recovered from other sources as explained in Appendix 9.
- 5.39. Separately to this, the County Council is joint owner of Manydown Garden Communities Limited Liability Partnership (MGC) with B&DBC (previously referred to as TopCo) as part of the overall Manydown governance structure. The costs of running MGC company will ultimately be met from

funds generated through the development of the site, but for the time being both councils are required to make loans to the company to keep it solvent.

- 5.40. This report therefore seeks approval to make loans to the company as necessary to fund its operations, up to a maximum of £600,000 a year. The loan for 2019/20 is expected to be around £450,000 and the total amount of borrowing over the period is expected to be repaid in 2027/28 from the initial sale proceeds from the Manydown site.
- 5.41. Whilst significant, all of these costs need to be viewed in the context that the overall SLP, of which Manydown is the biggest element, are expected to generate net receipts of around £250m to the County Council up to 2029/30.
- 5.42. **New Schools Design and Delivery Strategy** – Under current government policy, all new schools are required to be established as Academies. The County Council has chosen to take an active role to ensure they are set up on a firm footing and that sponsors are selected to provide a high standard of education and in July 2017 details of the strategy to design and deliver new schools were included in the [2016/17 – End of Year Financial Report](#).
- 5.43. At that point it was agreed that funding for the professional resources within Property Services required to take this forward would be approved on an annual basis as the programme of works and timing of delivery became clearer with indicative amounts for future years considered as part of the development of the MTFS.
- 5.44. The latest estimates of the revenue funding requirements for both strategic planning and feasibility costs are as follows:

Financial Year	Previous Estimate £'000	Updated Estimate £'000	
<i>2017/18 Actual</i>	780	780	
2018/19	1,480	930	
Approved Funding	2,260		
2019/20	1,630	650	
Cumulative		2,360	
2020/21	870	1,440	Indicative
2021/22		900	Indicative
2022/23		400	Indicative

- 5.45. Funding for the costs up to and including 2018/19 was approved in February 2018 and so, after taking into account the re-phased activity, additional funding of £100,000 is required for 2019/20.

- 5.46. This revenue funding will provide the necessary planning and feasibility resources in Property Services to shape, oversee and deliver the future major programme of new schools. The scale of the investment in Hampshire schools that can be secured from both government grant and developers' contributions is good evidence of the need to continue to maintain capacity and skills in this area.

6. Local Government Finance Settlement

- 6.1. As previously noted, the settlement published in 2016 covered four years from 2016/17 to 2019/20 and, following the acceptance by the then DCLG of the County Council's [Efficiency Plan](#) for the period, the expectation was for minimal change to the figures previously published and the implications of the four year settlement were incorporated into the MTFS in July 2016.
- 6.2. Although the offer of a four year settlement provided greater but not absolute funding certainty, the provisional Local Government Settlement announced on 13 December confirmed grant figures for 2019/20 broadly in line with the four year settlement and there has been no change to the council tax thresholds, except for the police precept. The other key elements of the provisional settlement were:
- The County Council's Revenue Support Grant (RSG) was reduced to zero in 2019/20 as part of the original four year settlement. On top of this a further £1.6m was lost as a result of 'negative RSG' which reduced the top up grant from business rates. The Government has announced that there will be no 'negative RSG' in 2019/20 and this therefore represents a benefit of £1.6m to the County Council next year.
 - A £180m surplus from the business rates levy account will be distributed pro rata to the Settlement Funding Assessment (SFA) - the County Council's allocation is £1.8m.
 - The continuation of 100% pilots in Devolution Deal Areas and fifteen 75% business rates retention pilots. Hampshire County Council's bid was not successful but Portsmouth, Southampton and the Isle of Wight have had their existing pilot extended, albeit at a lower retention level (2018/19 was 100% retention).
 - £20m has been added to the settlement to maintain the New Home Bonus (NHB) baseline at 0.4% (only growth in new homes above this baseline level attract the NHB). Hampshire will receive approaching £4.9m from the NHB and this is already factored into the MTFS for next year.
 - The provisional settlement confirmed the allocations of adult social care funding announced in the Budget but the Green Paper for adult social care which was originally due to be published in summer 2018 has been delayed further until next year.

- 6.3. It is proposed that the additional one off allocations, set out above, and totalling £3.4m, are added to the GER in line with the requirement to make provision for future years.
- 6.4. The final Local Government Finance Settlement for 2019/20 is still awaited at the time of the publication of this report, however, it is not anticipated that there will be any major changes to the figures that were released in December last year, which confirmed that the County Council will no longer receive any RSG from government - a further reduction in grant of £20.8m compared to 2018/19.

Council Tax

- 6.5. In 2016/17 the Government implemented a clear shift in council tax policy following five years of freezing council tax, supported by the allocation of council tax freeze grant. The Government ended this support and presumed that local authorities would put up their council tax by the maximum they are allowed each year in the period to 2020.
- 6.6. The MTFS approved by the County Council in September 2018 assumed that council tax will increase by the maximum permissible without a referendum in line with government policy. This will mean a council tax increase of 2.99% (subject to the final confirmation of the referendum limit by the Government), as recommended in this report, in line with the Government's policy and as set out in the County Council's MTFS.
- 6.7. The Adult Social Care precept is unchanged as the County Council has applied the maximum allowable 6% increase over two years rather than three; utilising the flexibility provided by government.
- 6.8. This proposed increase will see the council tax for a Band D property increase by £35.91 per annum (less than 70p per week) to £1,236.87.
- 6.9. This will generate around £18m of additional income but it is anticipated that Hampshire will have the second lowest council tax in 2019/20 of any county across the country and with this position continues to maintain strong performance both within its financial management and service provision. The average council tax across all counties in 2018/19 was just over £1,290, some £90 higher than Hampshire's level in that year. If the County Council set its council tax at this average amount, it would receive around £46m a year more income than current levels.
- 6.10. Total income from council tax in 2019/20 is expected to be just over £634m and represents 83.8% of the total funding of the County Council's net budget. This compares to 78.2% which was the position for 2010/11.

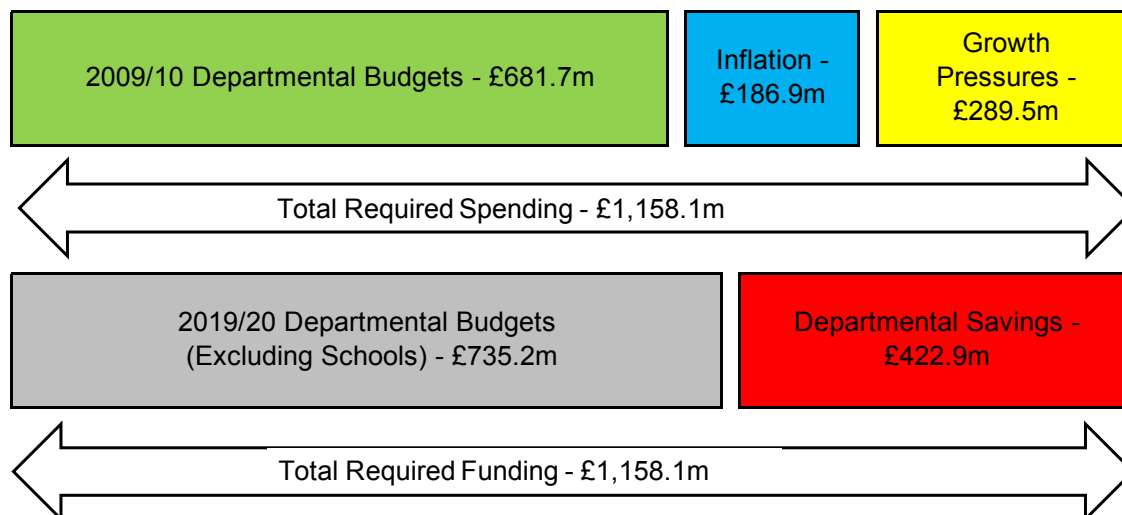
7. Service Cash Limits 2019/20

- 7.1. In December 2018 Cabinet considered a budget update report which set provisional cash limit guidelines for departments for 2019/20. It is worth re-iterating at this stage that cash limits have been cut significantly since the period of austerity began as demonstrated in the following table:

2012/13	2 year target	-16.0%
2013/14	efficiency target	-2.0%
2015/16	2 year target	-12.0%
2017/18	2 year target	-14.5%
2019/20	2 year target	-19.0%
		<u>-63.5%</u>

- 7.2. The above reductions have been applied on a straight line basis in accordance with the County Council's financial strategy as it maintains a strong corporate approach and discipline to delivering the required savings. There has always been a strong distinction made between savings targets and growth allocations which are made in recognition of growing demand and service pressures on a revenue or capital basis, for example social care, highways maintenance and waste disposal, and the County Council's gross expenditure remains in the region of £1.9 billion.
- 7.3. Over the period since 2010 net departmental budgets (excluding schools) have in fact grown by more than £50m as shown in the diagram below, with much of the additional funding allocated to Adults' Health and Care:

Net Departmental Budgets (Excluding Schools) - 2009/10 v 2019/20



- 7.4. The diagram highlights the fact that whilst the value of departmental budgets has not changed significantly over the last ten years, this masks the fact that without the need to make savings, net departmental budgets in 2019/20 would have been in excess of £1.15bn, an increase of £476m on the 2009/10 figure.
- 7.5. In December the cash limit guidelines agreed for 2019/20 did not include an allowance for the second year of the two year pay award covering the 2018/19 and 2019/20 financial years, provision for which had been made

within contingencies. However, the required allocations (including on costs) have now been finalised and have been added to departmental cash limit guidelines.

- 7.6. Appendix 2 sets out the cash limits agreed in December and provides information on adjustments that have been made subsequently, which are the result of changes to grants within the local government finance regime and the pay award - overall, cash limits have increased by £35.8m. The reasons for the increase are summarised in the following table and explained in more detail in Appendix 2:

	£M
Increase in Dedicated Schools Grant	20.5
Changes in other schools' grants	5.5
2019/20 Pay Award (plus on costs)	9.8
Total	35.8

- 7.7. The pay award for 2019/20 reflects the ongoing impact of the introduction of the NLW. As has been highlighted previously whilst there is an impact on pay for County Council staff, the major impact of the implementation of the NLW is contained within the additional cost of purchasing external social care provision, which has been factored into the budget for 2019/20 and future years as part of the MTFS.
- 7.8. In a similar way to the changes for 2018/19 the amendments summarised in the table above have not had a bottom-line impact on the revenue budget for 2019/20 as they are the result of changes in grants or the allocation of contingency amounts.

8. Savings Proposals

- 8.1. The County Council continues to implement the Tt2019 Programme, to deliver £140m of savings, which will bring the cumulative total to £480m over a 10 year period. Given the size of the task, the lead in time required and the transformational nature of some of the proposals, the detailed savings to meet this target were approved by Executive Members in September 2017 and then by Cabinet and County Council in October and November 2017.
- 8.2. In line with previous major cost reduction exercises, progress is being closely monitored and is subject to monthly review by CMT. This ensures that issues, concerns and risks are dynamically responded to and dealt with. It also means that benefits realisation and the timely delivery of savings is consistently in focus, which for this programme, given the cash flow support required, is ever more important. Furthermore, it is almost certain that there will be a continued squeeze on public sector funding into the next decade. This puts an added premium on Tt2019 being delivered in full, and in the most timely manner possible, to put the Council in the

best position possible at the commencement of the successor programme - Tt2021.

- 8.3. It is recognised that each successive savings programme is becoming harder to deliver and the challenges associated with the Tt2019 Programme have been made clear. Delivery will extend beyond two years and provision has been made to ensure one off funding is available both corporately and within departments to enable the programme to be safely delivered. Taking up to four years to safely deliver service changes, rather than being driven to deliver within the two year financial target, requires the careful use of reserves as part of our overall financial strategy to allow the time to deliver and to provide resources to invest in the transformation of services. This further emphasises the value of our Reserves Strategy.
- 8.4. The last report to Cabinet in December 2018 indicated that implementation progress of the Tt2019 Programme continues to be positive with some £86m of the £140m target secured or close to being secured by the end of September. This includes the full achievement of the £23.2m of corporate savings alongside delivery across the departmental programmes that is in line with the forecast profile.
- 8.5. Rigorous monitoring of the delivery of the programme will continue during 2019/20, to ensure that departments are able to stay within the cash limited budget as set out in this report.
- 8.6. The early action taken by the County Council in developing and implementing the savings programme for 2019/20 means that the Authority is in a strong position for setting a balanced budget in 2019/20 and the impact of the agreed savings has been reflected in the detailed budgets approved by Executive Members and presented in this report.

9. Service Budgets 2019/20

- 9.1. As explained in Section 7, departments have been set cash limit guidelines for 2019/20 which include allowances for inflation, pressures, approved savings and other agreed changes.
- 9.2. Appendix 3 provides a summary for each department of the main services under their control and shows the original budget for 2018/19, the revised budget for 2018/19 and the proposed budget for 2019/20. All departments are proposing budgets that are within their cash limits.

10. 2019/20 Overall Budget Proposals

- 10.1. Whilst service budgets make up the clear majority of the total budget there are several other items that need to be taken into account before the overall budget and council tax can be set for the year.
- 10.2. Appendix 4 sets out a summary of the overall revenue account starting with the cash limited expenditure for departments discussed above. The following paragraphs outline the other items that make up the overall revenue account and provide explanations for any significant variances compared to the 2018/19 budget.

- 10.3. **Interest on Balances and Capital Financing Costs** – The decrease of £2.0m in capital financing costs primarily reflects updated estimates for income on the County Council's investment portfolio in the light of anticipated returns and the forecast level of balances in 2019/20.
- 10.4. **Revenue Contributions to Capital Outlay (RCCO)** – Each year, revenue contributions are made to help fund the Capital Programme. The decrease of almost £2.2m is due to planned changes in contributions which are offset by amounts in other sections of the revenue account and therefore has no impact on the overall budget.
- 10.5. **Contingencies** – The budget for contingencies has increased by almost £35.0m compared to the 2018/19 original budget. This mainly reflects increases in contingency amounts held for CLA, capital related investment and notably corporate cash flow funding of up to £24.0m for the Tt2019 Programme in line with the approved MTFS.
- 10.6. Existing contingency provisions in respect of key risk items such as inflationary pressures and demand pressures (notably for social care) have been retained in the base budget. These provisions represent the recommendation by the Deputy Chief Executive and Director of Corporate Resources, as the Authority's Chief Financial Officer (CFO) of a prudent approach to budgeting given the potential pressures the County Council faces. In addition to these contingencies, the County Council has access to sufficient reserves as part of an on-going strategy for the management of the County Council's financial resources over the medium term.
- 10.7. **DSG** –The increase in the DSG reflects national formula changes. The National Funding Formula, introduced for the Schools, High Needs and Central School Services blocks in 2018/19, included some transitional elements. These have been unwound for 2019/20, which has resulted in additional funding being received in each of the blocks. The High Needs Block also includes an additional allocation of almost £3.0m, which has been provided by the Department for Education to provide support to children and young people with special educational needs and disabilities.
- 10.8. **Specific Grants** – This income budget has been updated following grant notifications for 2019/20 and the increase is largely due to the additional one off funding for social care announced in the Budget in November. In addition, it has been confirmed that the Teachers Pay Grant and Free School Meals Supplementary Grant will also continue for 2019/20
- 10.9. **Pension Costs** – Pension costs for past deficit payments are accounted for centrally and the increase of approaching £1.8m reflects the agreed recovery plan for the current actuarial valuation of the fund.
- 10.10. **Earmarked Reserves** – Changes to earmarked reserves mainly reflect changes to other budgets elsewhere in the revenue account. However, the reduction in the draw from earmarked reserves in 2019/20 is due to the fall out of the use of the GER to balance the budget in 2018/19, as explained briefly in the paragraphs below.
- 10.11. The current financial strategy that the County Council operates, works on the basis of a two-year cycle of delivering departmental savings to close

the anticipated budget gap, providing the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the GER. Hence the use of the GER is cyclical and helps the County Council to dampen the impact of funding reductions; allowing a planned approach to the delivery of savings.

- 10.12. However, in 2019/20 whilst the draw from the GER to meet the deficit in the intervening year will drop out, this will be partially offset by the requirement to provide corporate cash flow support for the Tt2019 Programme which will be drawn from the GER and held in contingencies.
- 10.13. The comprehensive Reserves Strategy, updated to include the figures at the end of March 2018, was presented to Council as part of the MTFS in September 2018 and is set out in Appendix 5.
- 10.14. The County Council holds reserves for many different reasons, but not all of these are available for general usage. Schools' balances are for schools' exclusive use and other reserves such as the Insurance Reserve are set aside as part of the Council's overall risk management strategy or are already planned to be used as is the case with the GER which will be drawn on in 2019/20.
- 10.15. The Reserves Strategy highlights the point that the majority of reserves are set aside for specific purposes and are not available in general terms to support the revenue budget or for other purposes. Only in the region of 18% of reserves are truly available to be used to support revenue spending and to help fund the cost of the change programmes across the County Council. In addition, the GER which comprises the majority of these 'Available Reserves', standing at £74.9m at the end of 2017/18, is in reality committed to cash flow the safe delivery of the Tt2019 Programme and to balance the budget in 2020/21.
- 10.16. **Use of General Balances** –The 2018/19 original budget assumed a draw from general balances of £1.0m to make a one off contribution to the GER in line with the MTFS. This amount has been amended for 2019/20 to reinstate the annual contribution of £0.9m in order to maintain general balances at circa 2.5% of the County Council's net budget requirement; in line with the CFO's recommended level.
- 10.17. Appendix 6 represents the CFO's view of the overall budget and the adequacy of reserves which must be reported on as part of the main budget proposals in accordance with Section 25 of the Local Government Act 2003. In particular, it considers risks within the budget and in the MTFS going forward (referencing the financial resilience of the Authority against the backdrop of CIFPA's Financial Resilience Index) and places this in the context of the recommended contingencies and balances set out in this report.

11. Budget and Council Tax Requirement 2019/20

- 11.1. The report recommends that council tax is increased by 2.99% in 2019/20, in line with the MTFS and with government policy which assumes that local authorities will put up their council tax by the maximum they are allowed.

- 11.2. In addition to the recommended increase for council tax, there are other changes within the council tax calculation that have an impact on the budget. The council tax base represents the estimated number of houses eligible to pay council tax and the latest forecasts provided by the Districts which take into account expected growth and any adjustments for the impact of their Council Tax Reduction Schemes result in additional income of £4.4m over and above that assumed previously, albeit that these forecasts may change before the budget is finally set.
- 11.3. The County Council is also notified by Hampshire Districts, of the estimated level of collection fund surpluses or deficits that need to be taken into account in setting the council tax for 2019/20. In addition to the figures for council tax, Districts are required to provide estimates of their surplus or deficit on the business rates collection fund, following the introduction of Business Rates Retention in April 2013.
- 11.4. For 2018/19 a net council tax collection fund surplus of just almost £3.8m is anticipated of which only £1.5m was assumed in the original forecast. This has mainly arisen due to general increases in the council tax base during the year.
- 11.5. The current prediction for business rate collection funds is a deficit of more than £0.4m across all Districts, although there are varying levels of surpluses and deficits that make this up. This reflects the fact that there remain risks around appeals and volatility and uncertainty continues such that this position could still be subject to change after this report has been dispatched.
- 11.6. Similarly, Districts have provided estimates of what business rate income they expect to receive for 2019/20 based on their experience during the current financial year. These estimates have yet to be finalised and, given continuing experience about the risk and volatility surrounding this income, at this stage have not been built into the budget position. We will await confirmation of final figures and any adjustment will be reported at County Council.
- 11.7. Taking account of all the budget changes outlined in this and previous sections of this report, the County Council can set a balanced 2019/20 budget as follows:

	£M
Removal of "Negative RSG"	1.6
Business Rates Account Levy Grant	1.8
One off Council Tax Collection Fund Surplus	2.3
One off Business Rates Collection Fund Deficit	(0.4)
Tax Base Growth	4.4
Contribution to GER	(9.7)
Balanced Budget	0.0

- 11.8. The table shows that in 2019/20, because of the changes, the County Council can make a contribution to the GER to begin to build the sum available for future years in line with the MTFS.
- 11.9. Local authorities are required to report a formal council tax requirement as part of the budget setting process and the recommendations to Council in this report show that the Council Tax Requirement for the year is £634,450,710.

12. Capital and Investment Strategy

- 12.1. Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Treasury Management Code of Practice. In England the Ministry of Housing, Communities & Local Government (MHCLG) published its revised Investment Guidance which came into effect from April 2018.
- 12.2. The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The MHCLG's guidance includes the requirement to produce an Investment Strategy. The County Council's Capital and Investment Strategy (Appendix 7) has been prepared for approval by full County Council.
- 12.3. The Treasury Management Strategy (TMS), as referenced in Section 13 and set out in Appendix 8, supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and treasury investments, and the associated risks.
- 12.4. The Capital and Investment Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 12.5. The County Council has previously reported these matters in separate reports relating to the Revenue Budget, the Capital Programme and the MTFS. In line with the latest statutory guidance, these inter-related issues are brought together in one Capital and Investment Strategy.
- 12.6. This Strategy covers:
- Governance arrangements for capital investment.
 - Capital expenditure forecasts and financing.
 - Prudential indicators relating to financial sustainability (see paragraphs 12.7 to 12.9).
 - Minimum Revenue Provision (MRP) for the repayment of debt.
 - Treasury Management definition and governance arrangements.
 - Investments for service purposes, linked to the County Council's commercial strategy.

- Knowledge and skills.
- Chief Financial Officer's conclusion on the affordability and risk associated with the Capital and Investment Strategy.
- Links to the statutory guidance and other information.

Prudential Indicators

- 12.7. The Prudential Code that applies to local authorities ensures that:
- Capital programmes are affordable in revenue terms.
 - External borrowing and other long-term liabilities are within prudent and sustainable levels.
 - Treasury management decisions are taken in line with professional good practice.
- 12.8. Some of the limits have been altered to reflect the revised TMS and Capital and Investment Strategy although this does not expose the County Council to any greater levels of risk.
- 12.9. Appendix 7 also contains the Prudential Indicators required by the Code for the County Council which will now be submitted for approval by the full County Council in setting the budget for 2019/20.

13. Treasury Management Strategy for 2019/20

- 13.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 (the CIPFA Code) requires authorities to determine their Treasury Management Strategy Statement (TMSS) before the start of each financial year.
- 13.2. The County Council's Treasury Management Strategy (including the Annual Investment Strategy) for 2019/20; and the remainder of 2018/19 is set out in Appendix 8 for approval and fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 13.3. The TMS has been reviewed in light of current and forecast economic indicators and it remains broadly unchanged from last year, albeit that it is now complemented by the Capital and Investment Strategy (Appendix 7), which is explained in Section 12.

Investments Targeting Higher Returns

- 13.4. Given the stability of the County Council's cash balances there was the opportunity during 2016/17 to increase the allocation for investments targeting higher returns, allowing further diversification, increasing the overall rate of return and the income contributed to the revenue budget. It was approved that the allocation targeting higher yields increase to £200m from £105m.

- 13.5. By the end of 2018/19 the County Council will have fully allocated the £200m targeted for higher yielding investments. As cash balances continue to rise it is proposed that for 2019/20 this limit is increased to £235m.
- 13.6. The County Council's higher yielding investment strategy continues to perform well and figures reported as at the end of Month 8 (November) are outlined in the table below:

	2018/19	2018/19
	Value	Return
	£M	%
Local Authorities – Fixed Deposits	20.0	3.96
Local Authorities – Fixed Bonds	10.0	3.78
Registered Providers	5.0	3.40
Pooled Property Funds	58.4	4.19
Pooled Equity Funds	43.4	5.80
Pooled Multi-Asset Funds	20.0	7.15
Higher Yielding Investments	156.8	4.93

- 13.7. There continues to be national debate about local authorities investing directly in commercial property and both CIPFA and the MHCLG have expressed concerns about the potential risks, resulting in the revision of guidance.
- 13.8. The County Council utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select the particular investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building. This generates high returns without the need to prudentially borrow, without the risk of owning individual properties and with the security of a much larger and diverse portfolio than could be achieved by the County Council on its own, even with our scale of investments.
- 13.9. For the County Council our strategy towards external investments was clearly set out in the MTFS and in the TMS and our current approach is still considered to be appropriate and prudent and continues to deliver good returns.
- 13.10. Higher yields can be accessed through long-term cash investments (although this is currently less the case as yields have declined) and investments in assets other than cash, such as pooled property, equities and bonds. Non-cash pooled investments must be viewed as long-term investments in order that monies are not withdrawn in the event of a fall in capital values to avoid crystallising a capital loss.

- 13.11. When the County Council began to specifically target higher returns from a proportion of its investments, it also established an Investment Risk Reserve to mitigate the risk of an irrecoverable fall in the value of these investments. It is recommended that a further £1.0m is added to this reserve in line with this strategy to further protect the County Council's funds. This is prudent given the additional amount to be targeted at higher yielding investments and will bring the total amount in the reserve to £3.0m.

14. Consultation

- 14.1. A consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, Tt2019, to inform the overall approach to balancing the budget by 2019/20 and making the anticipated £140m additional savings required by April 2019.
- 14.2. The '*Serving Hampshire – Balancing the Budget*' Consultation that was carried out between 3 July and 21 August 2017 sought to understand the extent to which residents and stakeholders support the County Council's financial strategy and also sought residents' and stakeholders' views on options for managing the anticipated budget shortfall.
- 14.3. The findings from the Consultation were provided to Executive Members and Directors during September 2017, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2017 on the MTFs and Tt2019 Savings Proposals. The results were also reported to Cabinet and County Council as part of the final decision making process and a summary is contained in Appendix 10.
- 14.4. Following the '*Serving Hampshire – Balancing the Budget*' Consultation a series of more detailed consultations have been undertaken, on some of the savings proposals included within the Tt2019 Programme. This second round of consultation helped to inform further detailed Executive decisions during 2018. Whilst technically all savings have been removed from the budget for 2019/20, where final consultations or further Executive Member decisions are still required, funding has been set aside within departmental cost of change reserves or corporate contingencies to continue to fund the service pending the results of the consultation and final Executive Member decision.
- 14.5. Specific statutory consultation was carried out with the business community on the budget proposals for 2019/20 and a summary of the key issues arising from this can also be found at Appendix 10 to this report.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes /No
People in Hampshire live safe, healthy and independent lives:	Yes /No
People in Hampshire enjoy a rich and diverse environment:	Yes /No
People in Hampshire enjoy being part of strong, inclusive communities:	Yes /No

Links to previous Member decisions:

<u>Title</u>	<u>Date</u>
Medium Term Financial Strategy Update and Transformation to 2019 Savings Proposals https://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments	Cabinet - 16 October 2017 County Council – 2 November 2017
Looking Ahead - Medium Term Financial Strategy https://democracy.hants.gov.uk/ielssueDetails.aspx?Ild=10915&PlanId=0&Opt=3#AI8687	Cabinet - 18 June 2018 County Council – 20 September 2018
Budget Setting and Provisional Cash Limits 2019/20 (Cabinet) http://democracy.hants.gov.uk/documents/s26900/Budget%20Report.pdf	10 December 2018

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

The budget setting process for 2019/20 does not contain any new proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2019 Programme were considered in detail as part of the approval process carried out in Cabinet and County Council during October and November 2017 and full details of the Equalities Impact Assessments (EIAs) relating to those changes can be found in Appendices 4 to 7 in the October Cabinet report linked below:

<http://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments>

In some cases, further Stage 2 consultations were required and this was reflected in the EIAs that were published at the time.

2. Impact on Crime and Disorder:

2.1 The proposals in this report are not considered to have any direct impact on the prevention of crime, but the County Council through the services that it provides through the revenue budget and capital programme ensures that prevention of crime and disorder is a key factor in shaping the delivery of a service / project.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

There are no specific proposals which impact on the County Council's carbon footprint or energy consumption.

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

There are no specific proposals which directly relate to climate change issues

REVENUE BUDGET – LIST OF APPENDICES

1. Revised Budget 2018/19
2. Final Cash Limit Calculation 2019/20
3. Proposed Departmental Service Budgets 2019/20
4. Proposed General Fund Revenue Budget 2019/20
5. Reserves Strategy
6. Section 25 Report from Chief Financial Officer
7. Capital and Investment Strategy 2019/20 to 2021/22
8. Treasury Management Strategy Statement 2019/20 to 2021/22
9. Manydown Summary
10. Consultation

Revised Budget 2018/19

	Original Budget 2018/19 £'000	Adjustment £'000	Adjusted Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Variance £'000
<u>Departmental Expenditure</u>					
Adults' Health and Care	398,955	30,127	429,082	429,082	0
Children's – Schools	806,885	(2,634)	804,251	804,251	0
Children's – Non Schools	167,041	6,964	174,005	174,005	0
Economy, Transport and Environment	112,506	2,496	115,002	115,002	0
Policy and Resources	91,521	6,724	98,245	98,245	0
	1,576,908	43,677	1,620,585	1,620,585	0
<u>Capital Financing Costs</u>					
Committee Capital Charges	135,041	5,994	141,035	141,035	0
Capital Charge Reversal	(136,329)	(6,985)	(143,314)	(143,314)	0
Interest on Balances	(7,595)		(7,595)	(12,595)	(5,000)
Capital Financing Costs	40,301		40,301	38,301	(2,000)
	31,418	(991)	30,427	23,427	(7,000)
<u>RCCO</u>					
Main Contribution	10,582	955	11,537	11,537	0
RCCO From Reserves		(1,706)	(1,706)	(1,706)	0
	10,582	(751)	9,831	9,831	0
<u>Other Revenue Costs</u>					
Contingency	58,413	(10,761)	47,652	35,652	(12,000)
Dedicated Schools Grant	(747,270)	4,166	(743,104)	(743,104)	0
Specific Grants	(173,314)	(7,139)	(180,453)	(180,453)	0
Pensions - Non Distributed Costs	20,291	(13)	20,278	20,278	0
Levies	1,998	243	2,241	2,241	0
Coroners	1,747	52	1,799	1,799	0
Business Units (Net Trading Position)	218	194	412	412	0
	(837,917)	(13,258)	(851,175)	(863,175)	(12,000)
Net Revenue Budget	780,991	28,677	809,668	790,668	(19,000)
<u>Contributions to / (from) Earmarked Reserves</u>					
Transfer to / (from) Earmarked Reserves	(28,213)	(29,552)	(57,765)	(38,765)	19,000
Trading Units Transfer to / (from) Reserves	(77)	(831)	(908)	(908)	0
RCCO from Reserves		1,706	1,706	1,706	0
	(28, 290)	(28,677)	(56,967)	(37,967)	19,000
Contribution to / (from) Balances	(1,000)		(1,000)	(1,000)	0
NET BUDGET REQUIREMENT	751,701	0	751,701	751,701	0

	Original Budget 2018/19 £'000	Adjustment £'000	Adjusted Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Variance £'000
NET BUDGET REQUIREMENT	751,701	0	751,701	751,701	0
Funded by:					
Business Rates and Government Grant	(138,551)		(138,551)	(138,551)	0
Business Rates Collection Fund Deficit / (Surplus)	(71)		(71)	(71)	0
Council Tax Collection Fund Deficit / (Surplus)	(4,627)		(4,627)	(4,627)	0
COUNCIL TAX REQUIREMENT	608,452	0	608,452	608,452	0

Final Cash Limit Calculation 2019/20

	December Cash Limit Guideline £'000	2019/20 Pay Award & On-Costs £'000	Grants £'000	Final Cash Limit 2018/19 £'000
Adults' Health and Care	382,229	3,226		385,455
Children's – Schools	802,108		25,978	828,086
Children's – Non Schools	156,592	2,169		158,761
Economy, Transport and Environment	102,023	833		102,856
Policy and Resources	84,540	3,623		88,163
	1,527,492	9,851	25,978	1,563,321

Notes:**Pay Award & On-Costs**

- The second year of the two year pay award covering the 2018/19 and 2019/20 financial years, provision for which had been made within contingencies. In addition, this includes on-costs and reflects the 1% increase in the pension contribution rate previously agreed.

Grants

- The increase for Children's - Schools is primarily due to an increase in DSG (£20.5m) as announced in the Schools' revenue funding settlement on 13 December 2018. The National Funding Formula, introduced for the Schools, High Needs and Central School Services blocks in 2018/19, included some transitional elements. These have been unwound for 2019/20, which has resulted in additional funding being received in each of the blocks.
- In addition, it has been confirmed that the Teachers Pay Grant (£4.7m) and Free School Meals Supplementary Grant (£1.1m) will also continue for financial year 2019/20 and these have been partially offset by a reduction in the anticipated Pupil Premium (£0.3m).

Adults' Health and Care Budget Summary 2019/20

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Director:			
Director	1,277	1,532	1,481
Strategic Commissioning and Business Support:			
Strategic Commissioning	18,061	18,095	15,172
Transformation			
Transformation	3,443	5,103	3,714
Older People and Physical Disabilities:			
Older People and Physical Disabilities Community Services	125,609	125,992	125,484
Learning Disabilities and Mental Health Services:			
Learning Disabilities Community Services	105,474	109,185	106,657
Mental Health Community Services	16,947	17,961	16,998
Contact Centre	665	1,330	1,248
Internal Provision:			
Internal Provision	36,696	39,831	42,173
Reablement	11,408	12,202	11,069
Governance, Safeguarding and Quality:			
Safeguarding	3,591	3,671	3,559
Centrally Held:			
Centrally Held	22,908	41,304	5,482
Total Adults' Services Budget	346,079	376,206	333,037
Public Health:			
Drugs and Alcohol	9,278	9,278	9,245
Central (*)	2,710	2,675	2,924
Children 5-19	4,036		
Children under 5 (*)	16,566		
Children and Young People (*)		23,990	23,800
Dental	180	180	180
Health Checks (*)	1,447	1,447	1,211
Health Protection (*)	29		

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Information and Intelligence	22	22	16
Infection Prevention and Control		29	5
Mental Health and Wellbeing		1,821	2,121
Misc. Health Improvements & Wellbeing (**)	5,697	108	108
Nutrition, Obesity and Physical Activity	959	508	515
Older People		866	866
Sexual Health (*)	9,843	9,843	9,218
Tobacco	2,109	2,109	2,209
Total Public Health Budget	52,876	52,876	52,418
Adults' Health and Care Cash Limited Budget	398,955	429,082	385,455

* Includes mandated services

** Specific services include

- Domestic abuse services
- Mental Health promotion
- Some Children's and Youth Public Health services

Children's Services Budget Summary 2019/20

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Early Years	80,115	76,586	78,076
Individual Schools Budgets	546,797	545,885	557,372
Schools De-delegated Items	2,102	2,098	2,171
Central Provision Funded Through Maintained Schools' Budget Share	2,250	2,246	2,998
Growth Fund	5,165	5,022	5,705
Schools Block	556,314	555,251	568,246
High Needs Block ISB	30,534	31,762	33,656
Central Provision Funded Through Maintained Schools' Budget Share	47	47	65
High Needs Top-Up Funding	63,461	62,828	67,129
SEN Support Services	4,808	4,729	5,095
High Needs Support for Inclusion	3,286	3,196	3,097
Hospital Education Service	589	589	589
High Needs	102,725	103,151	109,631
Central Block	8,116	8,116	8,275
Other Schools Grants	59,615	61,147	63,858
Total Schools Budget	806,885	804,251	828,086
Young Peoples Learning & Development	725	745	772
Adult & Community Learning	389	640	334
Asset Management	86	86	88
Central Support Services	(227)	(218)	(221)
Educational Psychology Service	1,565	1,574	1,712
Home to School Transport	32,180	31,631	31,684
Insurance	39	39	40
Monitoring of National Curriculum Assessment	51	46	46
Parent Partnership, Guidance and Information	203	218	214
Pension Costs (includes existing provisions)	2,600	2,480	2,465
School Improvement	1,634	1,779	1,744
SEN Administration, Assessment, Co-ordination & Monitoring	2,092	2,679	1,729

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Statutory/Regulatory Duties	709	730	663
Service Strategy & Other Ed Functions	40,932	41,044	40,164
Management & Support Services (Including facilities management and overheads)	2,318	2,462	1,955
Early Achievement of Savings	773	2,123	0
Other Education & Community	45,137	47,014	43,225
Services for Young Children	1,595	1,491	1,368
Adoption Services	3,682	3,631	3,777
Asylum Seekers	3,487	4,632	4,932
Education of Children Looked After	125	181	142
Fostering Services	28,034	27,268	22,394
Leaving Care Support Services	5,209	5,539	6,245
Other Children Looked After Services	2,740	3,125	4,623
Residential Care	26,896	26,681	22,151
Special Guardianship Support	2,206	4,133	4,220
Children Looked After	72,379	75,190	68,484
Other Children & Families Services	1,384	1,289	1,357
Direct Payments	1,625	1,856	1,906
Other Support for Disabled Children	241	241	244
Short Breaks (Respite) for Disabled Children	5,504	5,222	3,960
Targeted Family Support	4,539	4,743	3,742
Universal Family Support	42	39	38
Family Support Services	11,951	12,101	9,890
Youth Justice	1,577	1,437	737
Safeguarding & Young Peoples Services	19,564	19,904	23,024
Services for Young People	658	594	642
Management & Support Services (Including government grants and legal costs)	10,792	11,891	9,912
Early Achievement of Savings	1,882	2,972	0
Non-Distributed Costs	122	122	122
Children's Social Care	121,904	126,991	115,536
Total Non-Schools Budget	167,041	174,005	158,761
Children's Services Cash Limited Budget	973,926	978,256	986,847

ETE Budget Summary 2019/20

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Highways Maintenance	11,392	14,024	12,244
Street Lighting	9,969	9,969	10,125
Winter Maintenance	6,144	5,594	5,732
Concessionary Fares	13,118	13,118	13,222
Other Public Transport	5,297	5,441	3,249
Road Safety & Traffic Management	1,292	1,400	1,543
Other Highways, Traffic & Transport Services	(48)	(46)	(996)
Staffing & Operational Support	9,405	10,157	7,324
Highways, Traffic and Transport	56,569	59,657	52,443
Waste Disposal Contract	46,315	47,106	45,044
Environment & Other Waste Management	319	305	297
Strategic Planning	967	1,038	762
Chichester Harbour Conservancy	193		
Waste, Planning and Environment	47,794	48,449	46,103
Departmental and Corporate Support	3,546	3,704	3,494
Early Achievement of Savings	3,840	2,280	50
Total Environment and Transport Budget	111,749	114,090	102,090
Economic Development	757	912	766
Total Economic Development Budget	757	912	766
ETE Cash Limited Budget	112,506	115,002	102,856

Policy & Resources Budget Summary 2019/20

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Legal Services	2,495	2,798	2,683
Transformation & Strategic Procurement	1,012	1,543	1,164
Governance	2,463	3,170	2,760
Transformation and Governance	5,970	7,511	6,607
Finance	3,717	3,911	3,448
HR ¹	4,366	3,151	2,589
IT	21,341	22,470	20,460
Audit	661	695	633
Customer Business Services	2,404	7,303	6,948
Corporate Resources Transformation	854	870	1,022
Corporate Resources Management	183	98	21
Corporate Resources	33,526	38,498	35,121
Communication, Marketing & Advertising	565	730	634
Corporate Customer Services ²	2,824		
Web Team ³	563		
Insight & Engagement	722	867	640
Chief Executive's Office & Leadership Support	764	621	575
Customer Engagement Service	5,438	2,218	1,849
Corporate Services Budget	44,934	48,227	43,577
Corporate & Democratic Representation	66	66	66
Grants to Vol	227	227	232
Grants & Contributions to Voluntary Bodies	806	806	823
Southern Sea Fisheries	307	307	307
Members Devolved Budgets	390	624	390

¹ Recruitment (£1.6m) transferred to Customer Business Services

² Corporate Customer Services transferred to Customer Business Services

³ Web team transferred to IT

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Rural Affairs	200	137	200
Other Miscellaneous	221	261	441
P&R Non-Departmental Budget (Direct)	2,217	2,428	2,459
Members Support Costs	1,749	1,749	1,584
Repair & Maintenance	7,812	8,013	8,375
Strategic Asset Management	1,254	3,271	1,259
Other Miscellaneous	331	331	311
P&R Non-Departmental Budget (Central)	11,146	13,364	11,529
Other Policy and Resources Budget	13,363	15,792	13,988
Transformation	210	775	558
Business Development Team		578	532
Rural Broadband	250	253	262
CCBS IT Budget	76	98	78
Transformation and Business Management	536	1,704	1,430
Regulatory Services	1,076	1,257	1,163
Business Support	833	461	553
Scientific Services	49	129	25
Asbestos	(21)	(2)	(8)
Community and Regulatory Services	1,937	1,845	1,733
Risk, Health & Safety	199	53	27
Sir Harold Hillier Gardens	87	87	64
Culture & Heritage	286	140	91
Corporate Estate	(194)	(193)	(206)
County Farms	(497)	(497)	(497)
Development Account	(415)	(412)	(348)
Sites for Gypsies and Travellers	55	61	11
Property Services	1,687	2,091	2,787
Office Accommodation / Workstyle	4,591	5,088	3,439
Facilities Management	3,337	3,457	3,318

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Hampshire Printing Services	(136)	(125)	(80)
Caretaking & Cleaning Services	(11)	(6)	
Segensworth Unit Factories	(12)	(12)	(12)
Print Sign Workshop	9	10	10
Property Services and Facilities:	8,414	9,462	8,422
Net Contribution to / (from) Cost of Change	1,093	(97)	296
CCBS P&R Services	12,266	13,054	11,972
Library Service	10,996	12,334	11,013
Energise Me Grant (Sport)	141	141	133
Community	164	49	49
Community Services	11,301	12,524	11,195
Countryside – Country Parks, Countryside Sites, Nature Reserves	1,787	2,192	1,470
Arts and Museums (including HCT grant)	2,634	2,634	2,619
Archives	730	768	695
Outdoors Centres	195	366	299
Community Grants	977	753	813
Great Hall		5	18
Culture & Heritage Services	6,323	6,718	5,914
Net Contribution to / (from) Cost of Change	2,224	909	371
CCBS Recreation & Heritage Services	19,848	20,151	17,480
Countryside – Rights of Way	1,075	1,041	1,112
Net Contribution to / (from) Cost of Change	35	(20)	34
CCBS Countryside & Rural Affairs Services	1,110	1,021	1,146
Total CCBS Cash Limited Budget	33,224	34,226	30,598
Policy & Resources Cash Limited Budget	91,521	98,245	88,163

Revenue Budget 2019/20

	Original Budget 2018/19 £'000	Adjustment £'000	Proposed Budget 2019/20 £'000
<u>Departmental Expenditure</u>			
Adults' Health and Care	398,955	(13,500)	385,455
Children's - Schools	806,885	21,201	828,086
Children's - Non Schools	167,041	(8,280)	158,761
Economy, Transport and Environment	112,506	(9,650)	102,856
Policy and Resources	91,521	(3,358)	88,163
	1,576,908	(13,587)	1,563,321
<u>Capital Financing Costs</u>			
Committee Capital Charges	135,041	5,994	141,035
Capital Charge Reversal	(136,329)	(6,985)	(143,314)
Interest on Balances	(7,595)	(2,841)	(10,436)
Capital Financing Costs	40,301	1,800	42,101
	31,418	(2,032)	29,386
<u>RCCO</u>			
Main Contribution	10,582	(2,178)	8,404
	10,582	(2,178)	8,404
<u>Other Revenue Costs</u>			
Contingency	58,413	34,998	93,411
Dedicated Schools Grant	(747,270)	(16,958)	(764,228)
Specific Grants	(173,314)	(16,262)	(189,576)
Pensions – Non-Distributed Costs	20,291	1,772	22,063
Levies	1,998	293	2,291
Coroners	1,747	74	1,821
Business Units (Net Trading Position)	218	236	454
	(837,917)	4,153	(833,764)
Net Revenue Budget	780,991	(13,644)	767,347
<u>Contributions to / (from) Earmarked Reserves</u>			
Transfer to / (from) Earmarked Reserves	(28,213)	17,490	(10,723)
Trading Units Transfer to / (from) Reserves	(77)	(236)	(313)
	(28,290)	17,254	(11,036)
Contribution to / (from) General Balances	(1,000)	1,900	900
NET BUDGET REQUIREMENT	751,701	5,510	757,211

	Original Budget 2018/19 £'000	Adjustment £'000	Proposed Budget 2019/20 £'000
NET BUDGET REQUIREMENT	751,701	5,510	757,211
Funded by			
Business Rates and Government Grant	(138,551)	19,133	(119,418)
Business Rates Collection Fund Deficit / (Surplus)	(71)	492	421
Council Tax Collection Fund Deficit / (Surplus)	(4,627)	864	(3,763)
COUNCIL TAX REQUIREMENT	608,452	25,999	634,451

Reserves Strategy

1. Introduction

- 1.1 The level and use of local authority reserves continues to be a regular media topic often fuelled by comments from the Government that these reserves should be used to significantly lessen the impact of the funding reductions that have had a greater impact on local government than any other sector.
- 1.2 The County Council has continually explained that reserves are kept for many different purposes and that simply trying to bridge the requirement for long term recurring savings through the use of reserves only serves to use up those reserves very quickly (meaning that they are not available for any other purposes) and merely delays the point at which the recurring savings are required.
- 1.3 At the end of the 2017/18 financial year the County Council's earmarked reserves together with the General Fund Balance stood at more than £645.6m an increase of just under £121.5m on the previous year. The increase in reserves is largely due to capital grants unapplied received in advance of spend, for both the County Council and the Enterprise M3 Local Enterprise Partnership (EM3 LEP), with the latter being part of a deliberate strategy to ensure that major projects are approved based on the outcomes they will deliver rather than the speed at which funding provided by the Government can be spent.
- 1.4 In line with the Medium Term Financial Strategy (MTFS) it also reflects the continued approach of releasing resources early and then using those resources to fund the next phase of change delivery. This includes an increase in the Grant Equalisation Reserve (GER) ahead of a large planned draw in 2018/19, enabling the County Council to continue its financial strategy of allowing delivery of more complex changes over a longer period to ensure they are planned and implemented safely.
- 1.5 This Appendix sets out in more detail what those reserves are for and outlines the strategy that the County Council has adopted.

2. Reserves Position 31 March 2018

- 2.1 Current earmarked reserves together with the General Fund Balance totalled £645.6m at the end of the 2017/18 financial year. The table overleaf summarises by purpose the total level of reserves and balances that the County Council holds and compares this to the position reported at the end of 2016/17.
- 2.2 The narrative beneath the table explains in more detail the purpose for which the reserves are held and in particular why the majority of these reserves cannot be used for other reasons.

Balance	Balance	% of
31/03/2017	31/03/2018	Total
£'000	£'000	%

General Fund Balance	21,498	22,398	3.5
Fully Committed to Existing Spend Programmes			
Revenue Grants Unapplied	17,751	21,541	3.3
General Capital Reserve	126,075	139,645	21.6
Street Lighting Reserve	26,087	26,491	4.1
Public Health Reserve	7,412	7,837	1.2
Other Reserves	1,977	1,057	0.2
	179,302	196,571	30.4
Departmental / Trading Reserves			
Trading Accounts	12,753	10,970	1.7
Departmental Cost of Change Reserve	85,658	88,690	13.7
	98,411	99,660	15.4
Risk Reserves			
Insurance Reserve	20,571	25,571	4.0
Investment Risk Reserve	1,500	2,000	0.3
	22,071	27,571	4.3
Corporate Reserves			
Grant Equalisation Reserve	40,755	74,870	11.6
Invest to Save	31,100	32,109	5.0
Corporate Policy Reserve	4,632	5,889	0.9
Organisational Change Reserve	2,905	2,785	0.4
	79,392	115,653	17.9
HCC Earmarked Reserves			
	379,176	439,455	68.0
EM3 LEP Reserve	1,396	4,443	0.7
Schools' Reserves	46,679	37,252	5.8
	448,749	503,548	78.0
Total Revenue Reserves & Balances	448,749	503,548	78.0
Total Capital Reserves & Balances	75,415	142,069	22.0
Total Reserves and Balances	524,164	645,617	100.0

General Fund Balance

- 2.3 The General Fund Balance is the only reserve that is in effect not earmarked for a specific purpose. It is set at a level recommended by the Chief Financial Officer (CFO) at around 2.5% of the net budget requirement and it represents a working balance of resources that could be used at very short notice in the event of a major financial issue.
- 2.4 The current balance stands at £22.4m which was 3.0% of net expenditure at the beginning of 2018/19; as projected in the budget setting report approved in February 2018. The level of general fund balances has been reviewed as

part of the wider strategy to manage the budget in the medium term whilst the Transformation to 2019 (Tt2019) Programme is implemented and in 2018/19 a one off draw of £1m is planned. After this, general fund balances will be around 2.5% of net expenditure at the beginning of 2019/20, which is broadly in line with the current policy.

Fully Committed to Existing Spend Programmes

- 2.5 By far the biggest proportion of reserves are those that are fully committed to existing spend programmes and more than £139.6m of this funding is required to meet commitments in the Capital Programme. These reserves really represent the extent to which resources, in the form of government grants or revenue contributions to capital, are received or generated in advance of the actual spend on the project.
- 2.6 These reserves increased significantly in recent years following a change to International Financial Reporting Standards which required unapplied government grants to be shown as earmarked reserves and due to the fact that significant revenue contributions were made to fund future capital investment using the surplus funds generated from the early achievement in savings (a deliberate strategy that is explained in more detail later in this Appendix).
- 2.7 These reserves do not therefore represent 'spare' resources in any way and will be utilised as planned in the coming years.
- 2.8 Specifically, the Street Lighting Reserve represents the anticipated surplus generated by the financial model for this Public Finance Initiative scheme that is invested up front and then applied to the contract payments in future years and the Public Health reserve represents the balance of the ring-fenced government grant carried forward for future public health expenditure.

Departmental / Trading Reserves

- 2.9 Trading services within the County Council operate as semi-commercial organisations and as such they do not receive specific support from the County Council in respect of capital investment or annual pressures arising from spending or income fluctuations.
- 2.10 Given this position, any surpluses generated by the trading services are earmarked for their use to apply for example to equipment renewal, service expansion, service improvement, innovation and marketing. They are also used to smooth cash flows between years if deficits are made due to the loss of the customer base and to provide the time and flexibility to generate new revenues to balance the bottom line in future years.
- 2.11 Departmental reserves are generated through under spends in annual revenue expenditure and Council policy was changed in 2010 to allow departments to retain all of their under spends in order to provide resources to:
 - Meet potential over spends / pressures in future years without the need to call on corporate resources.
 - Manage cash flow funding issues between years where specific projects may have been started but not fully completed within one financial year.

- Meet the cost of significant change programmes.
 - Meet the cost of standard redundancy and pension payments arising from the down sizing of the work force.
 - Invest in new technology and other service improvements, for example the IT enabling activity associated with the Tt2019 Programme.
 - Undertake capital repairs or improvements to assets that are not funded through the existing Capital Programme where this is essential to maintain service provision or maximise income generation.
- 2.12 Utilising reserves in this way and allowing departments and trading areas to retain under spends or surpluses, encourages prudent financial management as managers are able to ensure that money can be re-invested in service provision without the need to look to the corporate centre to provide funding. This fosters strong financial management across the County Council and is evidenced by the strong financial position that the County Council has maintained to date.
- 2.13 All departments will be utilising their reserves to fund the activity to deliver the Tt2019 Programme and to fully cash flow the later delivery of savings if needed. The exception to this is Children's Services and to a lesser extent Adults' Health and Care who will require some additional corporate support based on the current forecast of savings delivery, provision for which is made within the MTFS.

Risk Reserves

- 2.14 The Council holds specific reserves to mitigate risks that it faces. The County Council self insures against certain types of risks and the level of the Insurance Reserve is based on an independent valuation of past claims experience and the level and nature of current outstanding claims.
- 2.15 The Investment Risk Reserve was established in 2014/15 to mitigate the slight additional risk associated with the revised approved investment strategy as a prudent response to targeting investments with higher returns.

Corporate Reserves

- 2.16 The above paragraphs have explained that most reserves are set aside for specific purposes and are not available in general terms to support the revenue budget or for other purposes.
- 2.17 This leaves other available earmarked reserves that are under the control of the County Council and total more than £115.6m at the end of last financial year. Whilst it is true to say that these reserves could be used to mitigate the loss of government grant, the County Council has decided to take a more sophisticated long term approach to the use of these reserves, that brings many different benefits both directly and indirectly to the County Council and the residents of Hampshire. These reserves are broken down into four main areas:
- 2.18 **Grant Equalisation Reserve (GER)** – This reserve was set up many years ago to deal with changes in government grant that often came about due to changes in distribution methodology that had an adverse impact on Hampshire compared to other parts of the country.

- 2.19 In 2010/11, the County Council recognised that significant reductions in local government spending were expected and built in contributions as part of the MTFS over the Comprehensive Spending Review (CSR) 2010 period from the GER to smooth the impact of the grant reductions.
- 2.20 It has become clear that the period of tight financial control will continue into the next decade and the County Council has taken the opportunity to increase the reserve to be able to continue the sensible policy of smoothing the impact of funding reductions without the need to make 'knee jerk' reactions to offset large decreases in grant.
- 2.21 The GER currently stands at approaching £74.9m, but this reflects the fact that a significant draw will be required in 2018/19 as part of the County Council's strategy of delivering changes over a two year cycle. Where possible, the County Council will continue to direct spare one off funding into this reserve as part of its overall longer term risk mitigation strategy, which has served it very well to date.
- 2.22 In the period to 2021/22, the unallocated amount remaining in the reserve will be £29.4m and in preparation for future draws beyond 2020 further additions will be required to the GER. The table below summarises the forecast position for the GER as set out in the MTFS. This is before any requirement to balance the budget in 2020/21 or to provide corporate funding to cash flow the next stage of transformation which is likely, given the experience of Tt2019, although the scale is unknown at this stage:

	GER £'000
Balance at 31/03/2018	74,870
2018/19 Draw as per February Budget Setting	(26,435)
<i>Further Budgeted Additions:</i>	
MRP "Holiday"	21,000
<i>Planned Use:</i>	
Cash Flow Tt2019	(40,000)
Unallocated Balance	<u>29,435</u>

- 2.23 **Invest to Save** – This reserve is earmarked to provide funding to help transform services to make further revenue savings in the future. Rather than just prop up the budget on a short term basis, the County Council feels it is a far more sensible policy to use available reserves to generate efficiencies and improve services over the longer term, by re-designing services and investing in technology and other solutions that make services more modern and efficient.
- 2.24 **Corporate Policy Reserve** – This small reserve is available to fund new budget initiatives that are agreed as part of the overall budget. It offers the opportunity to introduce specific service initiatives that might not have otherwise gained funding and are designed to have a high impact on service users or locations where they are applied.
- 2.25 **Organisational Change Reserve** – The County Council is one of the largest employers in Hampshire and inevitably large reductions in government

funding, leading to reduced budgets, means that there is a significant impact on the numbers of staff employed in the future.

- 2.26 The County Council, as a good employer, has attempted to manage the reduction in staff numbers as sensitively and openly as possible and introduced an enhanced voluntary redundancy scheme back in 2011. The scheme offered an enhanced redundancy rate for people who elected to take voluntary redundancy. This has been a highly successful way of managing the reductions in staff numbers, whilst maintaining morale within the rest of the workforce who are not required to go through the stress and uncertainty of facing compulsory redundancy.
- 2.27 In fact, since the scheme was introduced, voluntary redundancies account for around 98% of the total number of staff that have left the organisation because of specific restructures and service re-design.
- 2.28 A scheme is in place, albeit adapted since first introduced, to enable the continued reduction and transformation of the workforce required to deliver the significant savings needed in the medium term with the aim of minimising compulsory redundancies
- 2.29 Departments are still responsible for meeting the 'standard' element of any redundancy package, but the Organisational Change Reserve was put in place to meet the 'enhanced' element of the payment. The reserve has been reviewed in the context of the new scheme and the requirement for future organisational change and this will be revisited periodically in line with the implementation of the Authority's change programmes and the consequent requirement for future organisational change.
- 2.30 It should be highlighted that the total 'Corporate Reserves' outlined above account for approximately 17.9% of the total reserves and balances that the County Council holds, and these have largely been set aside as part of a longer term strategy for dealing with the significant financial challenges that have been imposed on the County Council. In addition, the GER which comprises the majority of these 'available' Corporate Reserves, standing at £74.9m at the end of 2017/18, is in reality fully committed to balance the budget in 2018/19 with the remainder planned to be utilised in the following years to cash flow the safe delivery of the Tt2019 Programme and the next phase of transformation.
- 2.31 The reserves detailed above represent the total revenue reserves of the County Council and amount to £503.5m as shown in the table on second page of this Appendix. In addition, the County Council is required to show other reserves as part of its accounts which are outlined below.

Enterprise M3 Local Enterprise Partnership (EM3 LEP) Reserve

- 2.32 The County Council is the accountable body for the funding of the EM3 LEP and has therefore included the EM3 LEP's income, expenditure, assets and liabilities, (including reserves) in its accounts. Prior to 2015/16 the County Council did not include transactions relating to the EM3 LEP in its accounts.
- 2.33 The County Council does not control the level or use of the EM3 LEP Reserve.

Schools' Reserves

- 2.34 Schools' reserves account for more than £37.2m or 5.8% of total reserves and balances. Schools are facing increasing financial pressure relating to high needs and early years, both at an individual school level and within the overall schools' budget. This is reflected in the fall in the value of schools' reserves in 2017/18.
- 2.35 These reserves must be reported as part of the County Council's accounts, but since funds are delegated to schools any surplus is retained by them for future use by the individual school concerned. Similarly, schools are responsible for any deficits in their budgets and they maintain reserves in a similar way to the County Council to smooth fluctuations in cash flow over several years.
- 2.36 The County Council has no control at all over the level or use of schools' reserves.

Capital Reserves

- 2.37 The Capital Grants Unapplied Reserve holds capital grants that have been received in advance of the matched spending being incurred. They are not available for revenue purposes.
- 2.38 A sum of approaching £142.1m is held within capital reserves and balances, although of this £36.5m relates to the EM3 LEP which is included in the annual accounts, as the Council is the Accountable Body. EM3 LEP capital grants unapplied have increased as part of a deliberate strategy to ensure that major projects are approved based on the outcomes they will deliver rather than the speed at which funding provided by the Government can be spent.

3. Reserves Strategy

- 3.1 The County Council's approach to reserves has been applauded in the past by the Government and the External Auditors as a sensible, prudent approach as part of a wider MTFS. This has enabled the County Council to make savings and changes in service delivery in a planned and controlled way rather than having to make urgent unplanned decisions in order to reduce expenditure.
- 3.2 This approach is well recognised across local government and an article in the Municipal Journal by the Director of Local Government at the Chartered Institute of Public Finance and Accountancy stated
"What reserves do allow authorities to do is to take a more medium term view of savings and expenditure and make decisions that give the best value for money. This is better than having to make unnecessary cost reductions in the short term because they do not have the money or funding cushion to allow for real transformation in the way they provide services."
- 3.3 We are in an extended period of tight financial control which will last longer than anyone had previously predicted, and the medium term view highlights a continued need for reserves to smooth the impact of reductions in funding and enable time for the planning and implementation of change to safely deliver savings.
- 3.4 The County Council's strategy for reserves is well established and operates effectively based on a cyclical pattern as follows:

- Planning ahead of time and implementing efficiencies and changes in advance of need.
 - Generating surplus funds in the early part of transformation programmes.
 - Using these resources to fund investment and transformation in order to achieve the next phase of change.
- 3.5 This cycle has been clearly evident during the last six financial years, with surplus funds generated in advance of need as part of budget setting and then supplemented by further resources released in the year. Achievement in advance of need within departments and efficiencies in contingency amounts due to the successful implementation of change has meant that the Council has been able to provide material funding including the following:
- Departmental reserves to pay for the cost of change associated with their own transformation programmes.
 - Funding within the Invest to Save Reserve to help support the Tt2019 Programme and Digital 2 that will deliver the next phase of transformation.
 - Additional funds for the GER to help smooth the impact of grant reductions and safely manage the implementation of change, giving the County Council maximum flexibility in future budget setting processes.
- 3.6 It is recognised that each successive change programme is becoming harder to deliver and the challenges associated with the Tt2019 Programme are well known. The MTFS has made clear that delivery will extend beyond two years and provision has been made to ensure one off funding is available both corporately and within departments to enable the programme to be safely delivered. Taking up to four years to deliver service changes, rather than being driven to deliver within the two year financial target, requires the careful use of reserves as part of our overall financial strategy to allow the time to deliver and also to provide resources to invest in the transformation of services. This further emphasises the value of our Reserves Strategy.
- 3.7 Beyond 2020 the financial landscape will be significantly different, and the County Council will no doubt face the biggest ever challenge to its overall financial sustainability which will be impacted one way or another by government policy on fair funding, business rate retention and the future for adults' social care and the growing pressure nationally on children's services.
- 3.8 This increases the potential necessity to use reserves to alleviate the ongoing financial pressures in the coming years and we will continue to review all reserves on an ongoing basis to ensure that there is sufficient financial capacity to cope with the challenges ahead.

Section 25 Report from Chief Financial Officer

Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (the Deputy Chief Executive and Director of Corporate Resources) to report to the County Council when setting its council tax on:

- the robustness of the estimates included in the budget, and
- the adequacy of the financial reserves in the budget.

The County Council is required to have regard to this report in approving the budget and council tax. It is appropriate for this report to go first to Cabinet and then be made available to the County Council in making its final decision.

Section 25 concentrates primarily on the risk, uncertainty and robustness of the budget for the next financial year rather than the greater uncertainties in future years. Given the significance of the funding reductions announced to the end of the decade and the uncertainty surrounding the outcome of the next Comprehensive Spending Review (CSR), this report considers not only the short term position but also the position beyond 2020 in the context of the County Council's current Medium Term Financial Strategy (MTFS).

Robustness of Estimates in the Budget

The budget setting process within the County Council has been operating effectively for many years and is based on setting cash limits for departments each year allowing for pay and price inflation and other marginal base changes in levels of service whether these be the increasing cost of social care or the requirement to make savings to balance the budget.

Individual departments are then required to produce detailed estimates for services that come within the cash limits that have been set. More recently, the requirement to make savings has dominated the budget setting process and major transformation programmes have been put in place to effectively and corporately manage the delivery of savings within the required timescales, or as is more recently the case, to provide cash flow funding to support a longer delivery timescale for the more complex elements of the programme

Appropriate provisions for pay and price inflation are assessed centrally with departmental input and are allocated to departmental cash limits. Specific inflationary pressures within the financial year are expected to be managed within a department's bottom line budget but contingencies are still held centrally in the event that inflationary pressures have a severe impact in any one area (e.g. energy costs).

Separate work is also undertaken to assess the demand led areas of service provision, which mainly relate to:

- Adults' Social Care.
- Children's Social Care.
- Waste Disposal.

Any requirement to increase budgets in these areas is considered corporately and may require additional savings to be made across the board to meet the increased

demand. This is seen as a more effective way of managing cost pressures and enables strategic decisions to be made about resource allocation and the impact on service provision, rather than these decisions potentially being made in isolation by each department.

Budget management within the County Council remains strong as demonstrated by the outturn position each year since funding reductions began and as reflected in the annual opinion of the External Auditors who have given an unqualified opinion on the annual accounts and in securing value for money / financial resilience.

A further £98m of savings were removed from the budget in 2017/18 and the outturn for that year was positive in all areas apart from the cost of Children Looked After (CLA) which showed an over spend of £7.2m at the end of the year, despite a £9.5m cash injection at the beginning of the year. However, this over spend related to the rate of increase in CLA numbers together with escalating placement costs rather than non-delivery of savings proposals.

Budget 2019/20

The budget for 2019/20 has been produced in line with the process outlined in the section above and therefore I am content that a robust, Council wide process has been properly followed and driven through our Finance Business Partners working with the Operational Finance Team. Further oversight is then provided by the Head of Finance and myself in presenting the final budget and council tax setting report to Cabinet and County Council.

As part of the budget setting process this year a further £140m has been removed from detailed budgets and this is reflected in the departmental summaries contained in Appendix 3. However, it has repeatedly been reported to Cabinet and County Council as part of the MTFS and updates on the Transformation to 2019 (Tt2019) Programme that delivery of these savings in some areas will extend beyond this financial year and in some cases on to 2021/22 before the full value of savings can be achieved.

This reflects the complexity of the savings programmes in the social care services in particular and the fact that some of the changes will take time to implement and fully bed in and will not start to have a major impact until new cohorts of clients come into the service. Funding to meet the later delivery of these savings must first come from departmental cost of change reserves, but a corporate contingency over 2020/21 and 2021/22 of £40m was also provided as part of the 2018/19 budget setting process to support this position.

Once again, the robustness of the budget is underpinned by adequate contingencies for volatile areas such as social care as well as by the existence of departmental cost of change reserves, which can be used to meet unforeseen costs during the year as well as providing funding for investment to achieve transformational savings.

Risks in the Budget 2019/20

In some respects, the significant changes to local government finance since 2010 have changed the profile of risk faced by most authorities. In reality, the biggest financial risks now relate purely to reductions in government funding, changes in

government policy and social care demand and cost pressures. These items together with other traditional risks are outlined below:

- a) **Government Funding and Policy** – The MTFS includes the announced reductions in government grant over the current CSR period and plans are in place to deliver a balanced budget by 2019/20 based on the Tt2019 Programme. The four year settlement announced at the end of 2015 had a massive impact on those projections, but these have been incorporated in the MTFS and the Tt2019 Programme takes this into account.

Following acceptance by the then Department for Communities and Local Government (DCLG) of the County Council's Efficiency Plan for the period to 2019/20, the expectation was for minimal change for 2019/20 when the Provisional Local Government Finance Settlement was announced in December; which was the case for general grant income. However, there were a number of one off funding announcements for adults' and children's social care which provides an additional £12.8m of resources in 2019/20.

The funding for adults' social care (£4.7m) will be included within the Improved Better Care Fund (IBCF). The remainder will be allocated to Children's Services, given the current financial pressures the Department is facing, and this one off amount will be held in contingencies. These additional resources will be used in the first instance to meet the cost pressures already identified in these areas, minimising the use of corporate allocations that will be retained within contingencies to provide greater financial resilience in the budget for the year.

Other significant changes to funding or policy during the year would have to be covered by contingencies or general balances, but generally once grant levels have been set in the final settlement due in January they do not change, although there have been in year changes implemented previously, for example reductions to the Public Health grant.

- b) **Social Care Demand Pressures** – By far the biggest impact in recent years has been the accelerating increase in the number and cost of CLA. A base budget increase of £9.5m was added to the budget for 2017/18 but this was over spent by £7.2m at the end of the year.

Following this increase a major piece of work was undertaken to track the increases in placements and costs across the different care groups from 2016/17 to 2017/18 and use this as a basis for forecasting over the MTFS period. This required a base budget change of £13.5m in 2019/20, followed by further annual increases of £8.6m in 2020/21 and £10.3m in 2021/22. This was in addition to the significant provisions that had already been made for growth in this area and have been built into the forecasts of the budget deficit for the Transformation to 2021 (Tt2021) Programme.

Current trend analysis in 2018/19 shows that the rate of growth is above these levels which would have a further impact on the provision in the 2019/20 budget but given the extra £8.1m funding that was granted by the Government in the provisional settlement, I am content that there is sufficient funding available in the year to meet any further increased costs. Potential increases beyond 2019/20 are dealt with in the later section of this Appendix.

Regular monthly meetings continue to be held with the Director of Children's Services to consider the progress on delivery of savings, pressures and overall

financial planning for the Department and this group will continue to look in detail at the CLA position as the year progresses.

Adults' social care is traditionally a far more volatile picture given the large numbers involved and the significant ongoing changes to the client base. A major piece of work was undertaken as part of the 2016/17 budget setting process using detailed activity data to predict future activity and average costs. A long term strategy for managing social care finances alongside the delivery of savings and changes to the operating model was also approved at this time.

Additional funding has been made available to Adults' Health and Care to reflect the increasing costs of care and adequate contingency provision has been provided centrally to cope with unexpected fluctuations in demand during the year. However, experience has shown that the Department have been effective in managing demand against budget to achieve a balanced position by year end and enhanced monitoring in this area will continue to inform that process and highlight any early warning signs that may then need to be corrected.

The strengths based approach to social care activity that has been implemented across the Department continues to deliver savings and reduce demand and whilst the expected timescales for delivery of the full Tt2019 Programme savings has been extended to 2021/22, this is supported by the Departments own reserves and the centrally held contingency set aside for this purpose.

Due to the nature of adults' social care in particular, it is not always possible to distinguish whether or not cost pressures arise due to further increased demand or the potential failure to have delivered a savings proposals and therefore it is necessary to manage the total budget against total activity and demand within the system, which is already in place and should highlight issues irrespective of how they have arisen. Monitoring in this area has been strong in recent years with no year end surprises coming to light, which gives me confidence that this area is in as stable a position as it can be given the inherent volatility within the client base and the services provided.

- c) **Council Tax** – The Government have granted additional flexibilities in relation to council tax that allow local authorities with responsibility for adult social care to raise the social care precept by up to 3% on top of the 3% general increase in 2018/19 and 2019/20 (increased from 2%) without the need to hold a referendum. The County Council has already used all of its flexibility for the adult social care precept in previous years and this report therefore recommends that an increase of 2.99% is applied in 2019/20 in line with the assumptions in the MTFS.
- d) **Pay and Price Risk** – The MTFS contained provision for the second year of the two year pay award covering the 2018/19 and 2019 financial years and this is now reflected in the detailed budgets set out in this report. Increases in employer pension rates are also a factor that can impact on the budget and the results of the 2016 pension fund valuation and the increases have been built into the financial forecasts moving forward.

Similarly, the impact of price inflation has been considered in setting the budget and it would take a major departure from the Council's assumptions to create a financial problem that we could not deal with.

- e) **Treasury Risk** – The County Council has limited exposure to interest rate risk as most long term borrowing is undertaken on a fixed rate. At the present time we

are not undertaking any new or replacement long term borrowing due to the significant 'cost of carry' involved and our ability to internally borrow given our high level of reserves and cash balances. However, we do need to be mindful of the fact that we do not want to store up a large value of external borrowing that needs to be taken out in less favourable circumstances as our reserves reduce. Given current predictions on base rate levels and the fact that long term borrowing rates are based on the price of gilts rather than the underlying base rate, this is still considered low risk at this stage.

On the investments side, the absolute value of estimated income for 2019/20 is circa £10.4m per annum, which is minimal against the County Council's overall budget, however, the change in investment strategy which moved part of the portfolio to medium term investments has increased the risk in the portfolio overall. This has been mitigated by the creation of an Investment Risk Reserve which will deal with any changes in valuations of investment and provide a buffer against any significant drop in returns. Contributions to this reserve are regularly reviewed to ensure adequate provision is made.

The Adequacy of Reserves

The County Council's policy on general balances is to hold a minimum prudent level which based on the previous risk assessment is around 2.5% of net expenditure. The projected level of general fund balances will be 2.7% of net expenditure at the beginning of 2019/20. This in part reflects the declining level of spend, rather than an increase in the level of balances held.

Overall the level of earmarked reserves and balances that the County Council holds stood at £645.6m (including schools and the Enterprise M3 LEP reserve) at the end of March 2018 and these reserves, the majority of which are held for specific purposes as set out in the Reserves Strategy in Appendix 5, underpin the overall MTFS and the Capital Programme.

Those reserves that are available to support the revenue position are used sensibly to manage change and provide the time and capacity to properly implement savings plans that seek to minimise the impact on service users.

The unallocated level of the GER is forecast to be £29.4m as outlined in Appendix 5 and this provides sufficient funding to meet the draw required for the interim year in 2020/21. Whilst this is a positive position, further significant contributions will need to be made to support the later delivery of the Tt2021 Programme, since inevitably this will have a similar profile to that of the Tt2019 Programme, especially in Adults' Health and Care whose target is over 50% of the total £80m that is required.

CIPFA Financial Resilience Index

Following the events in Northamptonshire and a heightened national focus on the finances of local government more generally, the Chartered Institute of Public Finance and Accountancy (CIPFA) produced a Financial Resilience Index (FRI) which they consulted on last year. The index uses a range of financial information and other factors to generate a series of measures against which all authorities are 'stress tested'.

The original proposal was to produce a single consolidated score for each authority using the measures and to make this information publicly available. However, the consultation feedback (which Hampshire participated in) raised concerns that this may lead to the publication of a league table and have unintended consequences across the sector if used in a negative way. CIPFA responded to this feedback and have removed the consolidated score and have suggested that for the first year the information will only be provided to CFOs to assist them in carrying out their role.

The County Council also responded to say that the FRI should not be viewed as the only source of information for each authority and that the most appropriate measure of financial resilience should be the Section 25 report that must be published by the CFO. To that end, I have added this extra section to the Section 25 report to cover the results of the index, albeit I am not able to publish the full suite of indicators at this stage.

Lower Risk Areas:

- The County Council scored well on most indicators relating to reserves, in fact Hampshire has the highest level of reserves of any County Council.
- The rate of use of its reserves and the reserves depletion time also came out as low risk.
- The County Council has a relatively low grant to expenditure ratio, indicating that it is less reliant on government funding for financial sustainability.
- The council tax requirement as a proportion of total funding was also positive meaning that a high proportion of resources was generated locally and was therefore low risk as a continued income source.
- Hampshire has a good children's social care Ofsted judgement and an unqualified External Auditors value for money assessment.

Higher Risk Areas:

- The level of unallocated reserves was flagged as slightly higher risk, which reflects the commentary in the Reserves Strategy in Appendix 5 that the majority of our reserves are set aside for a specific purpose. We are fully aware of this fact and the MTFS already provides for future funding that is essential to maintain our financial sustainability.
- Our ratio of adult social care spend to total expenditure is high. Again, this is not a surprise to us and reflects the demography of the County. Growth in adults' social care spend is reflected in the MTFS and alongside children's social care remains one of the biggest risk areas in the budget, which is monitored closely and is the subject of monthly meetings between the CFO and Director of Adults' Health and Care.
- Our ratio of retained business rates to total expenditure is relatively low. In some respects, this is partly a consequence of the way the current system works in that County Councils only receive 9% of locally retained business rates. It is also the counter position to the council tax measure highlighted above, since you would expect these two elements to be at different ends of the risk scale, which is borne out by the results of all other County Councils.

I am content that the results of the FRI, reflect what we already know about the financial sustainability of the County Council and that two of the higher risk areas are simply a matter of demographics and local government finance methodology.

Budget 2019/20 – Conclusion

Given the details outlined above, provided that the County Council considers the above factors and accepts the budget recommendations, including the level of earmarked reserves and balances, a positive opinion can be given under Section 25 on the robustness of the estimates and level of reserves for 2019/20.

The Position Beyond 2020

The latest MTFS was approved by County Council in September last year and extended the planning horizon to 2021/22. The next CSR is due to take place this year and will set the framework for public spending over the next four years.

Local government finances will be impacted over this period not only as a result of the total amount of funding that will be made available but also as a result of the Fair Funding Review and the extension of Business Rate Retention, on which consultation papers were published in December last year as part of the provisional settlement.

In keeping with its previous planning cycle, a forecast Tt2021 Programme target of £80m has already been set for departments and officers have already begun preparing options for potential savings for consideration later in the year with a view to carrying out a public consultation over the summer.

The period beyond 2019/20 represents perhaps the highest risk period that has ever been faced and meeting a further £80m of savings on top of the £480m removed from the budget to date will be extremely challenging and is likely to be delivered once again over an extended period, placing further pressure on corporate funding to support this.

The MTFS highlighted the fact that beyond 2021/22 without a significant change in the way in which growth in adults' and children's social care is funded, the County Council is unlikely to be financially sustainable since it is not possible to continually cut some services to fund growth in others.

At this stage however, in the absence of the outcome of the CSR and other changes to the local government finance regime, the County Council must focus on delivery of the remaining Tt2019 Programme savings and I believe it is well placed to do that underpinned by departmental reserves and the corporate funding that is already in place.

Carolyn Williamson

Deputy Chief Executive and Director of Corporate Resources

17 January 2019

Capital and Investment Strategy 2019/20 to 2021/22

1. Introduction

- 1.1 This Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 1.2 The County Council has previously reported these matters in separate reports relating to the Revenue Budget, the Capital Programme and the Medium Term Financial Strategy (MTFS). In line with the latest statutory guidance, these inter-related issues are brought together in this one Capital and Investment Strategy.
- 1.3 This Strategy covers:
 - Governance arrangements for capital investment.
 - Capital expenditure forecasts and financing.
 - Prudential indicators relating to financial sustainability.
 - Minimum Revenue Provision (MRP) for the repayment of debt.
 - Treasury Management definition and governance arrangements.
 - Investments for service purposes, linked to the County Council's commercial strategy.
 - Knowledge and skills.
 - Chief Financial Officer's conclusion on the affordability and risk associated with the Capital and Investment Strategy.
 - Links to the statutory guidance and other information.

2. Governance

- 2.1 The County Council's MTFS ensures that we continue to invest wisely in our existing assets and deliver a programme of new ones in line with overall priorities and need. This is kept under review by the Corporate Infrastructure Group (CIG) which is chaired by the Director of Economy, Transport and Environment and includes representatives from his Department, together with Officers from Children's Services, Adults' Health and Care and Property Services. The aim of the group is to ensure a co-ordinated approach to capital investment and major developments across the County Council.
- 2.2 In accordance with the MTFS, in December each year, the Cabinet sets cash limit guidelines for a capital programme funded by local resources. Executive Members propose capital programmes within these cash limits together with schemes funded by government grants and other external sources. The proposed programmes are scrutinised by the relevant Select Committee. The final Capital Programme is then presented to Cabinet and to County Council in February each year.

3. Capital Expenditure and Financing

- 3.1 Capital expenditure is spending by the County Council on assets, such as land, property, the highway network or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets.
- 3.2 The estimated level of capital expenditure (or 'payment') flows each year, together with forecasts of financing resources, are two of the factors considered in determining the size of the cash limit guidelines for the Capital Programme.
- 3.3 Capital expenditure may be funded directly from revenue however the general pressures on the Council's revenue budget and council tax levels limit the extent to which this may be exercised as a source of capital funding. Prudential borrowing does provide an option for funding additional capital development but one which then results in costs that have to be funded each year from within the revenue budget or from generating additional ongoing income streams.
- 3.4 Given the pressure on the Council's revenue budget in future years, prudent use has been made of this discretion to progress schemes in cases where there was a clear financial benefit. Such schemes focus on clear priorities, and those that generate revenue benefits in future financial years, in the form of clear and measurable revenue savings or longer term income generation either directly or through council tax or business rate yield.
- 3.5 Expenditure flows in 2018/19 and the following three years will result from works in progress (schemes started in 2018/19 and earlier years) plus those arising from the proposed programme for 2019/20 to 2021/22, as Table 1 below shows:

Table 1: Forecast Capital Expenditure Flows

	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Works in Progress at 31 March 2018 and Schemes starting in 2018/19	203,376	166,499	97,678	34,815
Programmes starting in 2019/20, 2020/21 and 2021/22		113,937	122,895	132,638
Land Acquisition	9,405	1,846	2,396	646
Total Expenditure Flows	212,781	282,282	222,969	168,099

- 3.6 In practice, expenditure flows in the years after 2018/19 may vary from those shown in Table 1 if further developer and other external contributions become available to fund additional capital schemes, or if the levels of government support differ from those currently assumed in the Capital Programme, which is presented in a separate report elsewhere on this Agenda.

Table 2 - Resources to Fund Capital Expenditure

	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Prudential borrowing	49,255	48,873	38,642	16,322
Less repayments from capital	(3,165)	(13,489)	(16,578)	(10,025)
Capital grants	86,579	160,259	143,892	139,172
Contributions from other bodies including developers	20,682	46,843	42,094	25,523
Capital receipts	3,129	2,750		
Revenue contributions to capital	11,537	8,404	7,771	6,743
New Resources in the Year	168,017	253,640	215,821	177,735
Draw From / (Contribution to) the Capital Reserve:	44,764	28,642	7,148	(9,636)
Total Resources Available	212,781	282,282	222,969	168,099

4. Prudential Indicators

- 4.1 The framework for the use of prudential borrowing, as updated by Cabinet in February 2006, includes:
- Borrowing for which loan charges are financed by virement from the Executive Member's revenue budget, including invest-to-save schemes that will generate revenue savings or additional revenue income.
 - 'Bridging' finance that will be repaid by eventual capital receipts, capital grants or contributions, provided that the cost of interest and the statutory minimum revenue provision is met by services in the years that such costs are incurred.
 - Capital investment by business units, to be funded by business unit reserves.
 - Temporary borrowing to accommodate shortfalls in general capital resources.
- 4.2 As the loan repayments and interest charges must be financed by the County Council from its own resources, it is important that the use of prudential borrowing is very closely controlled and monitored.
- 4.3 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). In order to ensure that over the medium term debt will only be for a capital purpose, the County Council should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This is a key indicator of prudence.

Table 3: Ensuring Borrowing is Only for Capital Purposes

	31/03/19 Revised £M	31/03/20 Estimate £M	31/03/21 Estimate £M	31/03/22 Estimate £M
CFR	794	817	816	796
Debt				
Borrowing	277	268	258	249
PFI Liabilities	157	150	142	133
Total Debt	434	418	400	382

4.4 Total debt is expected to remain below the CFR during the forecast period.

Affordable borrowing limit

4.5 The County Council is legally obliged to set an Authorised Limit for the maximum affordable amount of external debt. In line with statutory guidance, a lower 'Operational Boundary' is also set as a warning level should debt approach the limit. The Operational Boundary is based on the County Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the County Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

Table 4: Affordable Borrowing Limits

	2018/19 Revised £M	2019/20 Estimate £M	2020/21 Estimate £M	2021/22 Estimate £M
<i>Authorised Limit:</i>				
Borrowing	700	730	760	770
PFI and Leases	210	200	190	180
Authorised Limit	910	930	950	950
<i>Operational boundary:</i>				
Borrowing	650	690	710	720
PFI and Leases	170	160	150	150
Operational Boundary	820	850	860	870

Ratio of Financing Costs to Net Revenue Stream

4.6 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Table 5: Ratio of Financing Costs to Net Revenue Stream

	2018/19 Revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Ratio	1.19%	1.12%	1.38%	2.13%

- 4.7 A low proportion is forecast demonstrating that the cost of financing is minimised and the proportion of revenue budget available for delivering services is maximised.

Incremental Impact of Capital Investment Decisions

- 4.8 This is an indicator of affordability that shows the impact of capital investment decisions on council tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved Capital Programme and the revenue budget requirement arising from the Capital Programme proposed for the next three years.

Table 6: Incremental Impact of Capital Investment Decisions

	2019/20 Estimate £	2020/21 Estimate £	2021/22 Estimate £
General Fund - increase in Annual Band D Council Tax	2.79	4.73	4.16

5. Minimum Revenue Provision (MRP) for Debt Repayment

- 5.1 Where the County Council finances capital expenditure by debt, statutory guidance requires it to put aside revenue resources to repay that debt in later years, known as MRP. The Guidance requires the County Council to approve an Annual MRP Statement each year, and whilst it provides a range of options for the calculation of MRP the Guidance also notes that other options are permissible provided that they are fully consistent with the statutory duty to make prudent revenue provision.

MRP in 2019/20

- 5.2 Prior to 2015/16 the County Council calculated MRP for supported borrowing⁴ on a 4% reducing balance basis. It was agreed by Cabinet in December 2015 that the calculation of MRP from 2015/16 onwards would change to a 50 year straight line basis. To be more prudent the 50 years has been started from 2008 and the actual calculation is 1/43's. Had the County Council been

⁴ Borrowing or use other forms of credit to finance capital expenditure, for which central government previously provided a revenue stream to support repayment of principal and interest.

applying the new policy of a 50 year straight line calculation starting in 2008 it would have made £67m less in MRP payments by 31 March 2016.

- 5.3 As agreed in 2016/17 the County Council has paused in making MRP payments on supported borrowing until it has realigned the total amount of MRP payments with the new policy, which will be during 2021/22. This policy continues the County Council's prudent approach of repaying expenditure financed by borrowing sooner, on a straight line basis.
- 5.4 The County Council will continue to apply the Asset Life or Depreciation Method (which are Options 3 and 4 from the range provided by the Guidance) in respect of unsupported capital expenditure funded from borrowing. Where the borrowing is in effect a bridging loan from a guaranteed future income source, such as Section 106 Developers Contributions, MRP will not be applied.
- 5.5 MRP in respect of leases and Private Finance Initiative (PFI) schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.
- 5.6 Capital expenditure incurred during 2019/20 will not be subject to an MRP charge until 2020/21.
- 5.7 Based on the Authority's latest estimate of its CFR on 31 March 2019, the budget for MRP has been set as follows:

Table 7: MRP Budget

	31/03/2018 Estimated CFR £M	2018/19 Estimated MRP £M
Supported Capital Expenditure	454	
Unsupported Capital Expenditure After 31/03/2008	117	8,019
Finance Leases and PFI	164	7,168
Transferred Debt	28	569
Total General Fund	763	15,756

6. Treasury Management

- 6.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

- 6.2 The County Council has potentially large exposures to financial risks through its investment and borrowing activity, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy (TMS).
- 6.3 The County Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the County Council's long-term plans change is a secondary objective.
- 6.4 The County Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. It therefore invests its funds prudently and has regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.
- 6.5 The County Council's TMS, included as Appendix 8, to this report is scrutinised by the Audit Committee and approved by the County Council each year. Actual performance is reviewed by the Audit Committee and reported to Cabinet and County Council.

7. Investments for Service Purposes

- 7.1 The County Council's commercial strategy was set out in detail in the update of the MTFs presented to Cabinet and County Council in October and November 2017. A summary of the strategy is outlined below.
- 7.2 There are four main areas where the County Council has sought to generate additional income to help close the budget deficit:
- Charging users for the direct provision of services.
 - Investing money or using assets to generate a return.
 - Expanding traded services to other organisations.
 - Developing Joint Ventures (JVs) that yield additional income or generate a return.
- 7.3 The second and fourth approaches listed above directly relate to this Capital and Investment Strategy, although it is the first and third approaches that contribute the most income on an annual basis to support the County Council's financial position. This is a deliberate outcome of the overall strategy and has been achieved through the pursuit of a range of initiatives targeting increased income generation but without over exposing the Council to excessive risk or considering radical changes that take the County Council into areas that are not its core business or indeed pursuing more niche opportunities that simply do not offer with any confidence anything like the scale of income to merit the effort and upfront investment.

Pooled Funds

- 7.4 Faced with a historically low interest rate environment, the County Council decided, as part of the 2014/15 strategy, to earmark £90m of its cash balances for investments appropriately targeting a higher yield. In 2017, the County Council agreed to increase this amount to £200m and a further increase to £235m is proposed in the TMS (Appendix 8) and included as a recommendation in this report. This is in addition to £15m of long term investments that had been made for the Street Lighting PFI scheme. Higher yields can be accessed through investments in assets other than cash, such as equities, bonds and property. The County Council has made investments in property, equities and government bonds, as well as long term investments with other Local Authorities.
- 7.5 The principle mitigation for risk is ensuring that investments in non-cash assets are held as long-term investments. This will enable the initial costs of any investment and any periods of falling capital values to be overcome. In order to be managed as long term investments the amounts invested need to be taken from the County Council's most stable cash balances. The allocation of £235m has been based on half of the Council's forecast future minimum balance.
- 7.6 The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the County Council's treasury management advisor, who recommend that the County Council diversifies its investments targeting a higher return between asset classes. This is to mitigate the loss of capital value, so that there is no over exposure to an event that impacts the value of investments in a particular asset class, such as a fall in property prices.
- 7.7 The County Council utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select the particular investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

Utilising Property Assets

- 7.8 The County Council utilises its own property to make a return. In areas where we already own buildings we are working with partners to utilise this space more effectively from a joint service provision point of view and at the same time making a return on the space we have provided. Further work is being undertaken to maximise the usage of space in existing buildings with a view to potentially offering whole buildings on the commercial market for lease. This approach enables the County Council to use existing assets to generate income with minimal risk, compared to buying additional property using prudential borrowing purely to try to make a financial return.

Developing Joint Ventures

- 7.9 The County Council is pursuing a number of opportunities either through its land holdings or through the relationships it has with partners or contractors

that look at new and innovative ways of generating a financial return. To date the County Council has been helpful in responding to Borough Council Local Planning Authority requests for the potential use of its public land holdings for potential residential development. This will continue the stream of substantial capital receipts the County Council has benefitted from over recent decades to enable it to reinvest in existing services and ongoing transformation initiatives.

- 7.10 In addition, an alternative avenue that the County Council is currently actively pursuing in two cases is to become even more active and influential in the market of delivering homes across the county on some of its key sites. This will have the benefit of not only giving greater influence and certainty in the types and rates of homes, neighbourhoods and infrastructure and facilities being developed on its land but also the potential for greater certainty in the programming of development and receipts through economic cycles. Furthermore, it will also offer the County Council the advantage of considering whether it wishes to benefit from capital or revenue receipts from development and residential assets or combinations of the two depending on individual sites and its own circumstances.
- 7.11 Another area that the County Council can look to exploit is the relationships it has with its partners and contractors. There is already a long standing relationship with our waste disposal contractors Veolia that includes innovative ways of generating income for both parties. The long term contract allows the use of surplus capacity at our waste facilities for commercial purposes for which the County Council receives an income share. Similarly, provisions are in place for working with our new highways maintenance contractor Skanska to develop joint ventures linked to the existing contract that will yield additional income for both parties. A third example is the superfast broadband contract with BT Openreach that includes mechanisms that provide a rebate to the County Council when take up is greater than the original estimates in Openreach's commercial bid. To date, rebates and savings have added a further £7.8m of delivery to the programme without requiring additional capital funding from the County Council and further rebates are expected in the next few years.
- 7.12 With the primary aim of improving economic prosperity and related infrastructure within Hampshire, the County Council may consider granting loans to other organisations. To date, loans totalling £9.5m at market rates of interest have been approved to the Enterprise M3 Local Enterprise Partnership (EM3 LEP) and Farnborough International Ltd.
- 7.13 The development of all these opportunities is reported to Cabinet and, if additional capital schemes are proposed, County Council approval is sought to add them to the Capital Programme.

8. Knowledge and skills

- 8.1 The County Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions in accordance with the approved strategies. Performance against targets and learning and development needs are

assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

- 8.2 Staff attend training courses, seminars and conferences provided by the Chartered Institute of Public Finance and Accountancy (CIPFA), Arlingclose and other providers. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.
- 8.3 CIPFA's Code of Practice requires that the County Council ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. All members were invited to a workshop presented by Arlingclose in November 2018, which gave an update of treasury matters. A further Arlingclose workshop has been planned for November 2019.

Investment Advisers

- 8.4 The County Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Deputy Chief Executive and Director of Corporate Resources, her staff and Arlingclose.

9. Chief Financial Officers Conclusion on the Affordability and Risk Associated with the Capital and Investment Strategy

- 10.1 This Capital and Investment Strategy has been developed alongside the TMS (Appendix 8) and the Reserves Strategy (Appendix 5). Together, they form an integrated approach adopted by the County Council to balance the need for capital investment to support service priorities with consideration of affordability and the consequent impact on the revenue budget whilst recognising and managing risk to an acceptable level.
- 10.2 The forward planning of capital funding, including being in a position to maximise the use of external grants, contributions and capital receipts, together with the process of regular monitoring of actual income, expenditure, and project progress, provides assurance to the Deputy Chief Executive and Director of Corporate Resources that the proposed Capital Programme is prudent, affordable and sustainable.

10. Links to Statutory Guidance and Other Information

- 10.1 The Local Government Act 2003, Section 15(1) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] require Local Authorities to have regard to the following guidance:
 - Ministry of Housing, Communities & Local Government (MHCLG) - Local Government Investment* [MHCLG Investment](#).
 - CIPFA's Prudential Code 2017
 - CIPFA's Treasury Management Code 2017

(*Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code and a TMS in line with the requirements of the Treasury Management Code, the Investment Strategy can be published in those documents instead of as a separate document).

- 10.2 The County Council includes its non-treasury management Investment Strategy within this Capital Strategy. The TMS is a separate document reported to Cabinet and County Council, (Appendix 8).
- 10.3 The proposed Capital Programme is a separate document presented to Cabinet and County Council in a separate report elsewhere on this Agenda.

Treasury Management Strategy Statement 2018/19 to 2020/21

1. Summary

- 1.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 (the CIPFA Code) requires authorities to determine their Treasury Management Strategy Statement (TMSS) before the start of each financial year.
- 1.2. This Strategy fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.3. The purpose of this TMSS is, therefore, to present for approval the Treasury Management Strategy (including the Annual Investment Strategy) for 2019/20; and the remainder of 2018/19.

2. Introduction

- 2.1 Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (Prudential Code) and the Treasury Management Code of Practice. In England the Ministry of Housing, Communities & Local Government (MHCLG) published its revised Investment Guidance which came into effect from April 2018.
- 2.2 The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full council covering capital expenditure and financing, treasury management and non-treasury investments. The MHCLG's guidance includes the requirement to produce an Investment Strategy. The County Council's Capital and Investment Strategy (Appendix 8) has been prepared for approval by full County Council.
- 2.3 This Treasury Management Strategy (TMS) supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and investments, and the associated risks.
- 2.4 Treasury management in the context of this Strategy is defined as:
"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 2.5 The County Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the County Council's prudent financial management.
- 2.6 Treasury risk management at the County Council is conducted within the framework of the CIPFA Code which requires the County Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This Strategy fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

- 2.7 Investments held for service purposes or for commercial profit are considered in the Capital and Investment Strategy (Appendix 8).

3. External Context

- 3.1 The following paragraphs explain the economic and financial background against which the TMS is being set.

Economic background

- 3.2 The UK's progress negotiating its exit from the European Union (EU), together with its future trading arrangements, will continue to be a major influence on the County Council's TMS for 2019/20.
- 3.3 UK Consumer Price Inflation (CPI) for October was up 2.4% year-on-year, slightly below the consensus forecast and broadly in line with the Bank of England's (BoE) November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, means real wages grew by 1.0%, a level still likely to have little effect on consumer spending.
- 3.4 The rise in quarterly Gross Domestic Product (GDP) growth to 0.6% in Quarter 3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Quarter 1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.
- 3.5 Following the BoE's decision to increase the Bank Rate to 0.75% in August 2018, no changes to monetary policy has been made since. However, the BoE expects that should the economy continue to evolve in line with its November forecast, further increases in the Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee (MPC) continues to reiterate that any further increases will be at a gradual pace and limited in extent.

Credit Outlook

- 3.6 The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

- 3.7 European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest Rate Forecast

- 3.8 Following the increase in the Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose is forecasting two more 0.25% rises during 2019 to take official UK interest rates to 1.25%. The BoE's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that a higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.
- 3.9 The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the EU and Eurozone growth softens. While assumptions are that a Brexit deal is struck, and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity (at the time of writing this commentary in mid-December). As such, the risks to the interest rate forecast are considered firmly to the downside.
- 3.10 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

4. Balance Sheet Summary and Forecast

- 4.1 On 30 November 2018, the County Council held £278m of borrowing and £598m of investments. This is set out in further detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 overleaf:

Table 1: Balance Sheet Summary and Forecast

	31/03/18 Actual £M	31/03/19 Revised £M	31/03/20 Estimate £M	31/03/21 Estimate £M	31/03/22 Estimate £M
Capital Financing Requirement	764	794	813	816	796
Less: Other long-term liabilities					
- Street Lighting PFI	(56)	(53)	(50)	(46)	(42)
- Waste Management Contract	(108)	(104)	(100)	(96)	(91)
Borrowing CFR	600	637	663	674	663
Less: External borrowing					
- Public Works Loan Board	(236)	(227)	(217)	(217)	(208)
- Market Loans (incl. LOBOs)	(41)	(41)	(41)	(41)	(41)
Internal (Over) Borrowing	323	369	405	416	414
Less: Reserves and balances	(646)	(629)	(612)	(619)	(623)
Less: Allowance for working capital	(184)	(184)	(184)	(184)	(184)
Resources for Investment	(830)	(813)	(796)	(803)	(807)
New Borrowing or (Investments)	(507)	(444)	(391)	(387)	(393)

- 4.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The County Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 4.3 It is forecast that the County Council will take advantage of internal borrowing over the period forecast in Table 1, whilst paying off Public Works Loan Board (PWLb) debt as maturities arise. Reserves and balances are due to reduce over the forecast period due to the anticipated funding of the Capital Programme, repayment of external debt, and use of the Grant Equalisation Reserve as part of the County Council's financial strategy. These factors result in a reducing investment balance year on year over the forecast period, as shown in Table 1.
- 4.4 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the County Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the County Council expects to comply with this recommendation during 2019/20.

5. Borrowing Strategy

- 5.1 The County Council currently holds £278m of loans, a decrease of £16m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the County Council does not expect to need to borrow in 2019/20. The County Council

may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £930m.

Objectives

- 5.2 The County Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the County Council's long-term plans change is a secondary objective.

Strategy

- 5.3 Given the significant cuts to public expenditure and in particular to local government funding, the County Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, if the County Council does need to borrow, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 5.4 By internally borrowing, the County Council would be able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. If borrowing is required, the benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the County Council with this 'cost of carry' and breakeven analysis.
- 5.5 Alternatively, the County Council may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 5.6 In addition, the County Council may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

Sources

- 5.7 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body.
 - Any institution approved for investments (see below).
 - Any other bank or building society authorised to operate in the UK.
 - Any other UK public sector body.
 - UK public and private sector pension funds (except Hampshire Pension Fund).
 - Capital market bond investors.
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

Other Sources of Debt Finance

- 5.8 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- Leasing.
 - Hire purchase.
 - Private Finance Initiative (PFI).
 - Sale and leaseback.
- 5.9 The County Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

LOBOs

- 5.10 The County Council holds £20m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. All of these loans have options during 2019/20, and although the County Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The County Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to the current level of £20m.

Short-term and Variable Rate loans

- 5.11 These loans leave the County Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators at Section 7 of this Strategy.

Debt Rescheduling

- 5.12 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The County Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

6. Investment Strategy

- 6.1 The County Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the County Council's investment balance has ranged between £550m and £665m, and lower levels are expected in the forthcoming year, as shown in Table 1.

Objectives

- 6.2 The CIPFA Code requires the County Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The County Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Negative Interest Rates

- 6.3 If the UK enters into a recession in 2019/20, there is a small chance that the BoE could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

- 6.4 Given the increasing risk and very low returns from short-term unsecured bank investments, the County Council aims to further diversify into more secure and / or higher yielding asset classes during 2019/20. This is especially the case for the estimated £410m that is available for longer-term investment. Approximately 86% of the County Council's surplus cash is invested so that it is not subject to bail-in risk, as it is invested in local authorities, registered providers, pooled property, equity and multi-asset funds, and secured bank bonds.
- 6.5 Whilst of the remaining cash subject to bail-in risk, 6% is held in short-term notice accounts which are maturing before the end of the financial year, 80% is held in overnight money market funds and cash plus funds which are subject to a reduced risk of bail-in and 14% is held in certificates of deposit which can be sold on the secondary market. This diversification is a continuation of the strategy adopted in 2015/16. Further detail is provided at Annex B.

Investments Targeting Higher Returns

- 6.6 Given the stability of the County Council's cash balances there was the opportunity during 2016/17 to increase the allocation for investments targeting higher returns, allowing further diversification, increasing the overall rate of return and the income contributed to the revenue budget. It was approved that the allocation targeting higher yields increase to £200m from £105m.
- 6.7 By the end of 2018/19 the County Council will have fully allocated the £200m targeted for higher yielding investments. As cash balances continue to rise it is proposed that for 2019/20 this limit is increased to £235m.
- 6.8 Higher yields can be accessed through long-term cash investments (although this is currently less the case as yields have declined) and investments in assets other than cash, such as pooled property, equities and bonds. Non-cash pooled investments must be viewed as long-term investments in order

that monies are not withdrawn in the event of a fall in capital values to avoid crystallising a capital loss.

- 6.9 When the County Council began to specifically target higher returns from a proportion of its investments, it also established an Investment Risk Reserve in order to mitigate the risk of an irrecoverable fall in the value of these investments. It is recommended that a further £1.0m is added to this reserve in line with this strategy to further protect the County Council's funds. This is prudent given the additional amount to be targeted for higher yielding investments and will bring the total amount in the reserve to £3.0m.
- 6.10 As shown in Annex B the County Council has invested £156.8m of the £200m allocation as at 30 November 2018. In addition, the County Council has committed a further £43.2m to investments in pooled funds, which once invested will complete the allocation targeting higher yields. Without this allocation the weighted average return of the Council's cash investments would have been 1.21%; the allocation to higher yielding investments has added 0.98% (£5.9m based on the cash balance at 30 November 2018) to the average interest rate earned by the remainder of the portfolio.
- 6.11 Although money can be redeemed from the pooled funds at short notice, the County Council's intention is to hold them for at least the medium-term. Their performance and suitability in meeting the County Council's investment objectives are monitored regularly and discussed with Arlingclose.

Table 2: Pooled Fund Investments Capital Value at 30 November 2018

Pooled fund investments	Principal Invested £M	Market Value 30/11/18 £M	Capital Yield (per annum) %
Pooled property	58.4	60.4	2.29
Pooled equity	43.4	44.8	(0.86)
Pooled multi-asset	20.0	19.5	(2.58)
Total	121.8	124.6	0.36

Investment Limits

- 6.12 The maximum that will be lent to any one organisation (other than the UK Government) will be £70m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, and investments in pooled funds, as they would not count against a limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£70m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£70m per group
Any group of pooled funds under the same management	£70m per manager
Registered Providers and Registered Social Landlords	£70m in total
Money Market Funds	50% in total
Real Estate Investment Trusts	£70m in total

Approved Counterparties

- 6.13 The County Council may invest its surplus funds with any of the counterparty types in Table 4 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 4: Approved Investment Counterparties and Limits

Credit Rating	Banks		Government	Corporates	Registered Providers	
	Unsecured	Secured			Unsecured	Secured
UK Govt	N/A	N/A	£ Unlimited 30 years	N/A	N/A	N/A
AAA	£35m 5 years	£70m 20 years	£70m 30 years	£35m 20 years	£35m 20 years	£35m 20 years
AA+	£35m 5 years	£70m 10 years	£70m 25 years	£35m 10 years	£35m 10 years	£35m 10 years
AA	£35m 4 years	£70m 5 years	£70m 15 years	£35m 5 years	£35m 10 years	£35m 10 years
AA-	£35m 3 years	£70m 4 years	£70m 10 years	£35m 4 years	£35m 10 years	£35m 10 years
A+	£35m 2 years	£70m 3 years	£35m 5 years	£35m 3 years	£35m 5 years	£35m 5 years
A	£35m 13 months	£70m 2 years	£35m 5 years	£35m 2 years	£35m 5 years	£35m 5 years
A-	£35m 6 months	£70m 13 months	£35m 5 years	£35m 13 months	£35m 5 years	£35m 5 years
None	£35m 6 months	N/A	£70m 25 years	N/A ^(*)	£35m 5 years	£35m 25 years
Pooled Funds & Real Estate Investment Trusts	£70m per fund					

*See paragraph 6.18

This table must be read in conjunction with the notes below

Credit Rating

- 6.14 Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured

- 6.15 Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks Secured

- 6.16 Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

- 6.17 Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 30 years.

Corporates

- 6.18 Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.
- 6.19 The County Council will not invest in an un-rated corporation except where it owns a controlling interest in the corporation, in which case a limit of £35m will for an investment of up to 20 years will apply.

Registered Providers Secured and Unsecured

- 6.20 Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing and Registered Social Landlords. These bodies are tightly regulated by the Regulator of Social Housing (in

England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds

- 6.21 Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and / or have a notice period will be used for longer investment periods.
- 6.22 Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the County Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Depending on the type of pooled fund invested in, it may have to be classified as capital expenditure. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the County Council's investment objectives will be monitored regularly.

Real Estate Investment Trusts (REITs)

- 6.23 Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational Bank Accounts

- 6.24 The County Council may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB - and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept low. The County Council's operational bank account is with National Westminster and aims to keep the overnight balances held in current accounts as positive, and as close to zero as possible. The BoE has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk Assessment and Credit Ratings

- 6.25 Credit ratings are obtained and monitored by the County Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 6.26 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

- 6.27 The County Council understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis from the County Council’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 6.28 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the County Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.
- 6.29 The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the County Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Liquidity Management

- 6.30 The County Council has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the County Council’s medium term financial position (summarised in Table 1) and forecast short-term balances.

7. Treasury Management Indicators

- 7.1 The County Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures

- 7.2 The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates:

Table 5: Interest Rate Risk Indicator

	30 November 2018	Impact of +/- 1% Interest Rate Change
Sums Subject to Variable Interest Rates		
Investment	£373.1m	+ / - £3.7m
Borrowing	(£20.0m)	+ / - £0.2m

Maturity Structure of Borrowing

- 7.3 This indicator is set to control the County Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 6: Refinancing Rate Risk Indicator

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	75%	0%
20 years and within 30 years	75%	0%
30 years and above	100%	0%

- 7.4 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal Sums Invested for Periods Longer than a Year

- 7.5 The purpose of this indicator is to control the County Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 7: Price Risk Indicator

	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£410m	£350m	£350m

8. Related Matters

- 8.1 The CIPFA Code requires the County Council to include the following in its TMSS.

Financial Derivatives

- 8.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 8.3 The County Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the County Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 8.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit. The use of financial derivatives is not planned as part of the implementation of the TMSS and any changes to this would be reported to members in the first instance.

Investment Advisers

- 8.5 The County Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Deputy Chief Executive and Director of Corporate Resources, her staff and Arlingclose.

Markets in Financial Instruments Directive

- 8.6 The County Council has opted up to professional client status with its providers of financial services, including advisers, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the County Council's treasury management

activities, the Section 151 Officer believes this to be the most appropriate status.

Annex A - Arlingclose Economic & Interest Rate Forecast October 2018

Underlying assumptions:

- The Monetary Policy Committee (MPC) left the Bank Rate unchanged at the September meeting, after voting unanimously to increase Bank Rate to 0.75% in August.
- Our projected outlook for the UK economy means we maintain the significant downside risks to our interest rate forecast. The UK economic environment is relatively soft, despite seemingly strong labour market data. Gross Domestic Product (GDP) growth recovered somewhat in Quarter 2 2018, but the annual growth rate of 1.2% remains well below the long term average. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union (EU) and Eurozone economic growth softens.
- Cost pressures were projected to ease but have risen more recently and are forecast to remain above the Bank's 2% target through most of the forecast period. The rising price of oil and tight labour market means inflation may remain above target for longer than expected. This means that strong real income growth is unlikely in the near future.
- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider both that: 1) ultra-low interest rates result in other economic problems, and 2) higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise, and cuts are required.
- The global economy appears to be slowing, particularly the Eurozone and China, where the effects of the trade war has been keenly felt. Despite slower growth, the European Central Bank (ECB) is adopting a more strident tone in conditioning markets for the end of Quantitative Easing, the timing of the first rate hike (2019) and their path thereafter. Meanwhile, European political issues, mostly lately with Italy, continue.
- The US economy is expanding more rapidly. The Federal Reserve has tightened monetary policy by raising interest rates to the current 2% - 2.25% range; further rate hikes are likely, which will start to slow economic growth. Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon. Our central case is for the Bank Rate is to rise twice in 2019. The risks are weighted to the downside.
- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our interest rate projections, the strength of the US economy and the ECB's forward guidance on higher rates. However,

volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.17
Arlingclose Central Case	0.75	1.00	1.00	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.17
Downside risk	0.00	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.65
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.17
Arlingclose Central Case	0.80	1.00	1.10	1.20	1.30	1.30	1.25	1.20	1.20	1.20	1.20	1.20	1.20	1.17
Downside risk	0.20	0.50	0.60	0.70	0.80	0.80	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.68
1-yr. money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.33
Arlingclose Central Case	1.05	1.25	1.35	1.40	1.50	1.45	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.37
Downside risk	0.35	0.50	0.60	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.69
5-yr. gilt yield														
Upside risk	0.15	0.20	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.15	1.20	1.25	1.35	1.40	1.40	1.35	1.35	1.30	1.30	1.30	1.30	1.30	1.30
Downside risk	0.30	0.35	0.45	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.54
10-yr. gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.60	1.65	1.65	1.70	1.75	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70
Downside risk	0.30	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.55
20-yr. gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.90	1.95	1.95	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.98
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43
50-yr. gilt yield														
Upside risk	0.20	0.25	0.25	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.32
Arlingclose Central Case	1.80	1.85	1.85	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.90	1.88
Downside risk	0.30	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.43
PWL B Certainty Rate (Maturity Loans) = Gilt yield + 0.80%														
PWL B Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%														

Annex B - Existing Investment & Debt Portfolio Position at 30 November 2018

<u>Investments</u>	Balance 31/09/2018 £M	Movement £M	Balance 30/11/2018 £M	Rate 30/11/2018 %	WAM (*) 30/11/2018 Years
<i>Short Term Investments</i>					
- Banks and Building Societies:					
- Unsecured	20.5	(3.6)	16.9	0.72	0.31
- Secured	52.4		52.4	1.14	0.22
- Money Market Funds	21.1	23.4	44.5	0.73	0.01
- Cash Plus Funds	20.0		20.0	0.59	N/A
- Local Authorities	122.0	16.5	138.5	1.34	0.47
- Registered Provider	20.0		20.0	2.30	0.16
	256.0	36.3	292.3	1.22	0.32
<i>Long Term Investments</i>					
- Banks and Building Societies:					
- Secured	78.3		78.3	1.06	2.40
- Local Authorities	81.0	(10.0)	71.0	1.33	2.45
	159.3	(10.0)	149.3	1.20	2.42
<i>Long Term Investments – high yielding strategy</i>					
- Local Authorities					
- Fixed deposits	20.0		20.0	3.96	15.30
- Fixed bonds	10.0		10.0	3.78	15.11
- Pooled Funds					
- Pooled property**	55.0	3.4	58.4	4.19	N/A
- Pooled equity**	40.0	3.4	43.4	5.80	N/A
- Pooled multi-asset**	20.0		20.0	7.15	N/A
- Registered Provider	5.0		5.0	3.40	0.41
	150.0	6.8	156.8	4.93	13.12
Total Investments	565.3	33.1	598.4	2.20	1.99

* WAM - Weighted Average Maturity

** The rates provided for pooled fund investments are reflective of the average of the most recent dividend return as at 30 November 2018.

	£M	%
<i>External Borrowing</i>		
PWLB Fixed Rate	(237.2)	(4.69)
LOBO Loans	(20.0)	(4.76)
Other Market Loans	(21.0)	(4.01)
Total External Borrowing	(278.2)	(4.64)
<i>Other Long-Term Liabilities:</i>		
Street Lighting PFI	(107.9)	
Waste Management Contract	(56.3)	
Total Other Long-Term Liabilities	(164.2)	
Total Gross External Debt	(442.4)	
Investments	598.4	2.20
Net (Debt) / Investments	156.0	

Manydown Summary

Introduction

The County Council together with Basingstoke and Deane Borough Council (BDBC) jointly own a leasehold interest with the option to purchase in land at Manydown in Basingstoke. The land itself is owned by the Manydown Company. The two councils have entered into a joint venture arrangement with a private sector company called Urban and Civic (U&C) with a view to purchasing and developing part of the Manydown site to provide 3,520 homes and associated infrastructure, representing Phase 1 of the overall programme.

A company structure has been established as a means of providing the financing and delivery arm for the development. The County Council together with BDBC have jointly established a company – Manydown Garden Communities (MGC) LLP, which in turn will own a 50% share of a company with the councils' private sector partner U&C.

The financial, land ownership and overall governance and company structure for Manydown is extremely complicated and these items have been reported in detail to the Executive Member for Policy and Resources over many years. A strategic business case was approved that included high level cost estimates and potential return from the development option that was chosen, but this has not been reported more generally as part of financial updates to Cabinet. Given the stage of the project and the future commitment that the County Council is now entering into it is important that the overall cost position is fully outlined, and approvals put in place for the forward expenditure that the County Council must meet.

The purpose of this appendix is to outline the different financial elements of the Manydown arrangements and to consider the future funding arrangements that need to be put in place.

Financial Context

There are four separate financial elements to the Manydown development and wider governance arrangements, namely

- The County Council in its role as a developer and land owner.
- The County Council in its role as part owner of the Manydown Garden Communities Limited Liability Partnership (MGC) – formerly referred to as TopCo.
- The County Council as an investor, which gives us the right under the contract to provide part of the loan funding to DevCo to fund the initial infrastructure costs (referred to as Loan Note B).
- The County Council as an investor, which gives us the right to provide part of the loan funding to DevCo for the housing development (the senior debt) instead of borrowing from the financial markets. This debt would be secured against the value of the land.

Taking each of the items in turn:

The County Council in its Role as a Developer and Land Owner

Since 2000 the County Council and BDBC have been paying for the costs associated with bringing the Manydown land forward for development together with the significant, legal, technical and procurement costs of appointing a private sector partner and putting in place the MGC and DevCo arrangements.

For Hampshire these costs have previously been met from the provision of £12.7m granted for the Strategic Land Programme (SLP) that was agreed in 2008. In 2018/19 this funding was depleted and now annual requests for funding for the SLP are made as part of the budget setting process. A request for £2.8m is included in the Budget Report, together with an initial approval just for Manydown for a further £4.2m to cover anticipated costs up to 2022/23.

Under the terms of the lease some of these costs can be deducted from the cost of the councils acquiring the freehold and under their contract, the cost of the procurement to appoint U&C will be reimbursed by DevCo. The SLP costs also include early work for Phase 2 at Manydown but given the long time scales for these costs, they are being accounted for now, albeit they will be partly reimbursed in the future in the same way as Phase 1.

The County Council will need to fund the purchase of the freehold with BDBC under the terms of the lease, which will then be sold to MGC. The payment for the land from MGC to the councils will be half in cash and half in loan notes (referred to as Loan Notes C) on which interest will be charged.

As sales of the finished housing start to complete, the County Council will benefit from the repayment of its C Loan Notes and finally dividends paid out by MGC. Both the interest on the loan and dividend will be paid as revenue rather than as a capital receipt. It is expected that MGC will be in a position to pay dividends to the councils from around 2028/29 onwards, albeit that this is dependent on a large number of factors.

The costs associated with planning, developing and delivering infrastructure and housing on the Manydown site are significant and as highlighted above require the County Council to fund some of this in advance. The overall financial arrangements for Manydown are commercially confidential and it is not therefore possible to provide detailed figures at this stage. It should be noted however that even with the costs outlined in this report, the Strategic Land Programme of which Manydown is a part is expected to generate net receipts of £250m for the County Council up until 2029/30.

The County Council as Part Owner of MGC

Some of the costs incurred by both Councils can be charged to MGC as they relate to activity that they have responsibility for. In addition, the company itself will have some day to day running costs that need to be funded.

At this stage of the development, there are no external income sources that can be used to fund this expenditure and therefore as owners of the company, both councils are required to make loans to MGC to fund this expenditure.

All of the loan costs will be reimbursed back to both councils at the point the first tranche of proceeds are received. In the meantime, interest is payable to the councils,

which can be accrued for but will be rolled up and paid as part of the overall repayment of the loan.

The Budget Report includes recommendations to authorise loans of up to £600,000 a year to TopCo from 2018/19 up until 2026/27 to provide future flexibility, but at this stage annual amounts of around £450,000 are anticipated. Over an eight year period interest in the order of £800,000 is expected to be earned.

The County Council as an Investor – Loan Note B

The requirement for infrastructure works to service the development site are significant and are included within the overall cost model and financing. Under the terms of the contract let by the councils, it is U&C's responsibility to provide this funding although it will attract a high rate of interest because of the unsecured nature of this finance.

Both councils have the right under the contractual arrangements to provide half of this investment funding between them and this would attract interest from the development at the same rate as U&C would earn.

The County Council has previously agreed a change to the Annual Investment Strategy that would allow investments in joint venture arrangements where it has some level of controlling interest and a provisional sum of £35m was allocated as a potential investment in the Manydown site.

This is purely a treasury management decision albeit that it is complicated by the County Council's involvement in the wider land development. Final decisions on whether to invest any of this allocation into Loan Note B can be made annually as part of the approval of an annual business plan for DevCo.

The County Council as an Investor – Senior Debt

Under their contract it is U&C's responsibility to source senior debt for DevCo, which they could provide directly, jointly with a funding partner or from the financial markets. Senior debt would be to help fund the ongoing project, including the construction of homes, once the initial infrastructure is in place, senior debt would be secured against the land as an asset and is therefore much lower risk, attracting a lower interest rate than Loan Note B.

Once again under the contractual terms, both councils have the right to provide some of this investment funding themselves.

Whilst the £35m allocation or any part of it could be invested in Loan Note B or the senior debt, the County Council is not obliged to do so or could loan greater amounts if it chose. For these two financing items both councils are not required to invest equally as is the case for most of the other elements of Manydown.

Final decisions on whether to invest in the senior debt and at what levels will be taken as part of the approval of DevCo's business plan, starting in 2019/20.

Conclusion

This Appendix seeks to set out more clearly the County Council's financial involvement in Manydown and outline the financial commitments that the County Council is entering into over the coming years.

The substantial gains that will be made as a result of pursuing the Manydown development in this way is testament to the County Council's innovative approach to its land holdings in this area and to the long term approach it takes in respect of its wider SLP.

Consultation

The County Council has been planning for the next round of budget savings for some time and during 2017 developed a range of savings options that were designed to balance the estimated £140m deficit in the 2019/20 budget. These proposals were consulted on during the summer of 2017.

The Medium Term Financial Strategy (MTFS) report was presented to Cabinet on 16 October 2017 and contained a summary of the headline findings from the '*Serving Hampshire – Balancing the Budget*' Consultation that was carried out by the County Council, between 3 July and 21 August 2017.

The Consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, Transformation to 2019 (Tt2019) in order to inform the overall approach to balancing the budget by 2019/20 and making the anticipated £140m additional savings required by April 2019.

The Consultation sought to understand the extent to which residents and stakeholders support the County Council's financial strategy and also sought residents' and stakeholders' views on options for managing the anticipated budget shortfall. The options necessarily extended beyond cost reduction and income raising possibilities to areas such as council tax increases, possible legislative changes and the organisation (structure) of local government in Hampshire.

These additional options could help to inform the approach the County Council takes to delivering savings beyond 2019/20. With the squeeze on public finances anticipated to extend into the next decade and the general uncertainties that surround Brexit, it is almost certain that further savings, beyond those required for Tt2019, will be needed in the future.

The County Council carried out an open consultation designed to give residents and wider stakeholders the opportunity to have their say about ways to balance the County Council's budget.

Responses could be submitted through an online Response Form, or by a paper version, which was made available from all Hampshire libraries, or on request. Alternative formats, such as Easy Read, were also made available on request. Unstructured responses sent through other means, such as email or as written letters, and received by the consultation's close were also accepted. An Information Pack was produced alongside the consultation, providing information about each of the options presented.

3,764 members of the public and stakeholder organisations or groups completed the consultation questionnaire and 11 responses were submitted through channels outside of the consultation questionnaire.

Overall there was clear support for the County Council's current financial strategy with 65% of respondents supporting the approach to dealing with reductions in government grant.

Headline findings from the consultation are set out below and the full findings [report](#) is also available:

- Responses were relatively evenly split between those who tended to support changes to local services and those who did not (50% agreed, 45% disagreed and 5% had no view either way). Of all the options, this was respondents' least preferred.
- Two thirds of respondents (67%) agreed that the County Council should raise existing charges or introduce new charges to help cover the costs of running some local services.
- Over half of respondents (57%) agreed that the County Council should lobby the Government to vary the way some services are provided and enable charging where the County Council cannot levy a fee due to statutory restrictions.
- Of all the options presented, generating additional income was the most preferred option.
- On balance, the majority of respondents (56%) agreed that the County Council should retain its current position not to use reserves to plug the budget gap. Of all the options, this was respondents' second least preferred.
- Respondents would prefer the County Council to continue with its plans to raise council tax in line with Government policy (50% ranked this as their preferred approach to increasing council tax). Of all the options, increasing council tax was respondents' second most preferred.
- More than half of those who responded (64%) agreed that the County Council should explore further the possibility of changing local government structures in Hampshire.

An important element of the consultation was seeking residents and stakeholders' views on the strategy for closing the County Council's budget deficit to 2019/20. The consultation outlined seven options for making anticipated savings and asked respondents to rank these in order of preference. Based on how many times each option was chosen by a respondent as one of their top three preferred options, the options were ranked as follows:

- 1 Generating additional income (73%)
- 2 Increasing council tax (47%)
- 3 Introducing and increasing charges for some services (45%)
- 4 Lobbying central government for legislative change (44%)
- 5 Changing local government arrangements in Hampshire (43%)
- 6 Using the County Council's reserves (28%)
- 7 Reducing and changing services (22%)

The findings from the Consultation were provided to Executive Members and Directors during September 2017, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2017 on the [MTFS and Transformation to 2019 \(Tt2019\) Saving Proposals](#).

In some cases, further Stage 2 consultations were required, and this was reflected in the Equality Impact Assessments that were published at the time.

Business Consultation

A presentation was given to the Business Engagement Forum on 21 November 2018 on the County Council's budget proposals for 2019/20, with a focus on issues of significance to the business community.

The presentation acknowledged the status of the 2019/20 budget in that key decisions in respect of savings proposals had already been taken as part of the 2018/19 budget setting process and were agreed by Cabinet and Full Council during November 2017, in order to provide the time and capacity for the savings to be implemented as part of the Tt2019 Programme.

Within the County Council's Strategic Plan, Outcome 1 is that 'Hampshire maintains strong and sustainable economic growth and prosperity' and the presentation also set out the resources allocated by the County Council to economic development and the activity undertaken which is critical to the ongoing success of the economy in Hampshire.

The response on the day was generally supportive of the County Council's approach to tackling the budget deficits over the pro-longed period of funding reductions but participants expressed concern about the potential impact on residents of further reductions particularly in the area of social care services.

Questions were raised about the ability of the County Council to raise council tax in 2019/20 to a level that would be able to support major infrastructure repairs that were vital to the regional economy and in particular to the port of Southampton. It was explained that at the present time, the County Council cannot raise council tax above 3% without undertaking a referendum, the cost of which would be around £1.5m and as yet there had been no positive council tax referendum vote anywhere in the country.

An update on any separate feedback / responses received will be provided at the meeting.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	1 February 2019
Decision Maker:	County Council
Date:	14 February 2019
Title:	Capital Programme 2019/20 to 2021/22
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Rob Carr

Tel: 01962 847508

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1. Recommendation(s)

The following decisions are sought, based on the recommendations of the Leader and Cabinet to the County Council, for the capital programme for 2019/20 to 2021/22 and the revised capital programme for 2018/19.

1.1. It be a recommendation by Cabinet to Council that:

- a) the capital programme for 2019/20 and the provisional programmes for 2020/21 and 2021/22 as set out in Appendix 1 be approved.
- b) the increase in value of the M27 J10 scheme (design and development phase) from £1.5 million to £4 million be approved

1.2. Council is recommended to:

- a) approve the capital programme for 2019/20 and the provisional programmes for 2020/21 and 2021/22 as set out in Appendix 1.
- b) Approve the increase in value of the M27 J10 scheme (design and development phase) from £1.5million to £4million

2. Executive Summary

- 2.1. This report sets out for approval the proposed capital programme for 2019/20 to 2021/22 of £491.6 million. It also includes the schemes for the current year giving a total programme of some £820m, one of the largest anywhere in the country.
- 2.2. Overall, the proposals in this report are in line with the medium term financial strategy which ensures that we continue to invest wisely in our existing assets and deliver a programme of new ones in line with overall priorities and need. The County Council's Capital and Investment Strategy is included as Appendix 8 of the revenue budget report and meets the requirements of statutory guidance, revised in 2017 by the Minister for Housing, Communities and Local Government (MHCLG) and the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.3. The report collates the service capital programmes prepared by Executive Members based on the existing cash limit guidelines for the locally resourced programme, together with schemes funded by Government grants and other external sources.
- 2.4. The programme delivers schemes totalling £491.6 million over the three years from 2019/20 to 2021/22. This follows a revised programme of £328.4 million for 2018/19, providing a total capital programme of £820 million over the four years, providing a big boost for the local economy through jobs and construction materials. This is a very significant investment in infrastructure of Hampshire. It will provide:
 - £160 million of investment in new and extended school buildings in Hampshire in the period 2019/20 to 2021/22 to ensure there is a school place for every child in Hampshire
 - £122 million for structural maintenance and improvement of roads and bridges in Hampshire over the next three years
 - £72 million for integrated transport schemes including £9 million specifically focused on walking and cycling improvements
 - £94 million for major improvement of school and other County Council buildings over the next three years.
- 2.5. The detailed capital programmes are included in Appendix 1. A summary of the programme is shown in the table below.

Table 1 - Proposed capital programme

	Revised 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Adult Social Care & Health	43,241	13,422	481	481	57,625
Children's Services	48,633	105,145	29,251	81,980	265,009
Environment & Transport	197,285	97,593	51,765	44,917	391,560
Policy & Resources	39,226	22,656	21,956	21,956	105,794
Total	328,385	238,816	103,453	149,334	819,988
		491,603			

- 2.6. The report shows that the projected payments arising from the capital programme can be financed within the resources available to the County Council including the planned use of prudential borrowing.
- 2.7. The proposals take account of the County Council's Capital and Investment Strategy and the Prudential Code for Capital Finance in Local Authorities including the capital financing position, the level of debt outstanding and the consequences for the revenue budget and council tax. The prudential indicators are included in the Capital and Investment Strategy, Appendix 8 of the report on this Agenda on the Revenue Budget.
- 2.8. The capital programme is supported by Government grants for schools, highways, transport and disabled facilities. The Secretary of State has yet to announce details of individual local authority basic need capital allocations for the year 2021/22 and School Condition Allocation (SCA) for the year 2019/20. However, indications are that the 2019/20 SCA allocation will be equal to 2018/19. Devolved Formula Capital (DFC) has yet to be confirmed for 2019/20 but again, expectations are that it will be at a similar level to the 2018/19 allocation. The Chancellor of the Exchequer announced an additional £400m for schools in the budget. This will be paid as an additional DFC grant during 2018/19 and is to be spent on schools' own priorities such as building improvements, equipment and ICT.
- 2.9. The Department for Transport (DfT) has confirmed the Integrated Transport and Structural Maintenance allocations for 2019/20 and 2020/21. In addition, the DfT has confirmed that Band 3 (highest band) recipients of its Incentive Fund such as the County Council will be awarded £4.531 million (the maximum available) each year until 2020/21. Further, it is assumed that the County Council will receive £2.123 million more from the Government's Pothole Action Fund in 2019/20 and 2020/21. For planning purposes, the same level of funding from all these sources is assumed for 2021/22. In

addition, the County Council has had a great deal of success in securing Highways England funding and Local Growth Funding (LGF) from both the EM3 and Solent Local Enterprise Partnerships (LEPs).

- 2.10. However, there still remain major highways schemes that are key to the region but have not been successful in attracting any external funding. An example of this is the Redbridge Flyover which needs works in the order of £25 million and is regionally important in both transport and economic terms.
- 2.11. From 2016/17, the Government has discontinued the Social Care capital grant and increased the Disabled Facilities Grant. The Secretary of State has not yet announced details of individual local authority capital allocations for 2019/20. For planning purposes, the 2019/20 programme assumes £11.64 million in line with the 2018/19 allocation.
- 2.12. The other main technical points of this report are:
 - the capital programmes proposed by Executive Members are in line with the guidelines for the locally resourced capital programme
 - prudential borrowing will total £320 million by 2022/23. The repayment of the 'bridging loans' (pending capital receipts) included in this total will depend in part on the continued recovery of the property market. The current assumptions are that the bridging loans will be fully repaid by 2022/23.
 - the prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance
 - the capital receipts assumed for this report are primarily for the sale of sites already earmarked to rationalisation schemes or to repay previously approved prudential borrowing,

3. Contextual information

- 3.1. The cash limit guidelines for the new capital programme for 2019/20 to 2021/22 have been set at the same level as the current capital programme.
- 3.2. Executive members have now prepared proposals for:
 - a locally resourced capital programme for the three-year period from 2019/20 to 2021/22 within the guidelines set and other resources available to services
 - a programme of schemes supported by Government capital grants.
- 3.3. 'Locally resourced' schemes are those financed from the County Council's own resources such as capital receipts, contributions from the revenue budget, prudential borrowing, reserves and other funds. They do not include schemes supported by capital grant from the Government.

- 3.4. In general, the programmes proposed by Executive Members have been developed in accordance with the priorities and timescales of the capital strategy as reviewed by the corporate infrastructure group.

4. Guideline cash limits for the capital programme

- 4.1. The guidelines for the locally resourced programme were set by Cabinet in December 2018 based on existing levels with no uplift for inflation. The guidelines and use of reserves proposed by Executive Members and other adjustments are shown in table 2.

Table 2 Guidelines for locally resourced capital programme

	2019/20 £'000	2020/21 £'000	2021/22 £'000	Total £'000
Adult Social Care and Health				
Original guideline	481	481	481	1,443
Contribution from reserves	1,300	-	-	1,300
Adults Social Care and Health total	1,781	481	481	2,743
Children's Services				
Original guideline	100	100	100	300
Developers' and other contributions	30,232	5,500	37,567	73,299
Carry forward from previous years	22,510	4,070	41,000	67,580
Children's Services total	52,842	9,670	78,667	141,179
Environment and Transport				
Original guideline	11,929	11,929	11,929	35,787
Prudential borrowing	6,000	-	-	6,000
Developers' and other contributions	16,331	7,948	2,600	26,879
Carry forward from previous years	2,277			2,277
Environment and Transport total	36,537	19,877	14,529	70,943
Policy and Resources				
Original guideline	4,692	4,692	4,692	14,076
Contribution from reserves	700	-	-	700
Policy and Resources total	5,392	4,692	4,692	14,776
Overall total	96,552	34,287	98,369	229,641

5. Government supported programme

- 5.1. The Government has issued all its support for local authorities' capital expenditure in the form of capital grants and not as borrowing allocations. It is expected to continue that arrangement for 2019/20 onwards.
- 5.2. For schools, the Secretary of State has previously announced details of individual local authority Basic Need allocations for 2019/20 and 2020/21. Hampshire received a zero Basic Need allocation for 2019/20, and a favourable Basic Need allocation for 2020/21 of £14.7m. There is the potential for a zero or low capital allocation in 2021/22 as the DfE assess the impact of the free school places they directly fund. At this stage, it is considered prudent to assume a zero allocation in 2021/22.
- 5.3. Allocations to date for School Condition Allocation (SCA) and the formula allocation for Devolved Formula Capital (DFC) only cover 2018/19. For planning purposes, SCA is assumed to continue at the current level of £17.3m and expectations are that DFC will be at a similar level to the 2018/19 allocation of £3.3m. The additional £400m for schools nationally announced by the Chancellor of the Exchequer in the Autumn budget, will be paid as an additional DFC grant during 2018/19. In addition, the proposed capital programme uses the balance of funding announced by the DfE last year to support special educational needs and disability (SEND) projects at existing schools.
- 5.4. The Department for Transport (DfT) has confirmed the Integrated Transport and Structural Maintenance allocations for 2019/20 and 2020/21 at £21.584 million and for planning purposes, these grants are assumed to continue at a similar level in 2021/22. In addition, the DfT has confirmed that Band 3 (highest band) recipients of its Incentive Fund will be awarded £4.531 million (the maximum available) each year until 2020/21. It is assumed in this report that HCC retains its Band 3 status and that funding remains at this level in 2021/22.
- 5.5. In 2015 Government allocated £250 million for all local authorities over a five year period until 2020/21 through its Pothole Action Fund. An additional £100 million was added to this fund in the 2016 Autumn statement. It is assumed that HCC will receive £2.123 million more each year in 2019/20 and 2020/21 from this fund and that funding remains at this level in 2021/22.
- 5.6. Additional funding for potholes has been provided by the Government this year, which for Hampshire equates to £11.9m. Greater flexibility has been granted in respect of the use of this funding which is welcomed, as the County Council needs to concentrate on a longer term solution to the maintenance of our carriageways which requires spend in the order of £285m to bring them to an acceptable standard, not to mention the vast investment also required in footways and structures.
- 5.7. Together with Local Growth Funding (LGF), the Government's Joint Air Quality Unit and safer roads funding, the proposed programme is based on £124 million Government grant for highways and transport over the three years.

- 5.8. From 2016/17, the Government has discontinued the Social Care capital grant and increased the Disabled Facilities Grant. The anticipated funding for 2019/20 is £11.64m and is allocated as part of the Better Care Fund – Pooled budget which is overseen by the Hampshire Health and Wellbeing Board. However, grant conditions prevent the use of this funding for anything other than awarding grants for changes to a person's home.

6. The programmes submitted

- 6.1. The total starts value of the three-year programme submitted by Executive Members is £491.6 million, as shown in Table 3. It includes £262 million of schemes supported by Government grants.

Table 3 - Starts programmes proposed 2019/20 to 2021/22

	Land	Works etc		Total	Total
		Locally Resourced	Supported by Govt Allocations		
	£'000	£'000	£'000	£'000	£'000
2019/20	646	95,906	142,264	238,170	238,816
2020/21	646	34,074	68,733	102,807	103,453
2021/22	646	97,723	50,965	148,688	149,334
Total	1,938	227,703	261,962	489,665	491,603

- 6.2. The proposed programmes are in line with the cash limit guidelines for the capital programme. The programmes themselves are set out in detail in Appendix 1, with key themes outlined below.

7. Adult Services

- 7.1. Following investment of £45 million in Extra-Care Housing as part of the capital review in 2014, the proposed programme for Adults Services now returns to a level of £0.481 million per year. This will be used for priority works on residential and nursing care premises to meet the needs of residents and service users and satisfy the requirements of regulators including the Care Quality Commission, the Fire Service and the Health and Safety Executive. In 2019/20, a contribution from reserves will fund the replacement of the existing Nursecall systems in the remaining 11 In House units where recent replacement has not already occurred.
- 7.2. In September 2018 the County Council approved an initial £200m for the Bed Based Programme. Work is currently being undertaken to assess what bed based provision will be needed in the future so that we can invest in the right facilities in the right locations. Options for the existing estate are being assessed against the current and predicted future demand for in-house

provision over the medium to longer term and an overall Outline Business Case and individual Full Business Cases will be presented in due course, and the capital programme will be updated accordingly.

- 7.3. Projects within the revised capital programme for 2018/19 will continue to support the transformation of the Adult Learning Disability Service and also the housing programme for Adults with a disability which aims to transition around 600 service users with a learning and/or physical disability from an existing care home setting to a shared house or individual groups of flats.
- 7.4. The locally resourced capital programme is supported by Government funding for the Disabled Facilities Grant. The Secretary of State has not yet announced details of individual local authority capital allocations for 2019/20. For planning purposes, the 2019/20 programme assumes £11.64m in line with the 2018/19 allocation. The funding is passed to Housing Authorities to award grants for changes to a person's home in accordance with the grant conditions.

8. Children's Services

- 8.1. The proposed three year programme provides sufficient school places to meet the forecast demand. During the period 2013 to 2018 the County Council will have delivered 12,691 new school places with projects contained within the 2019/20 to 2021/22 programme totalling a further 5,870 giving a total of 18,561 new school places by September 2021.
- 8.2. The current presumption (by the DfE) is that every new school will be an academy/free school. Hampshire's first free school, to meet the demand for additional school places, is Boorley Park Primary Academy scheduled to open in September 2019. A further nine schools are on the planning horizon to September 2022, however, the pace of development will be largely dictated by completion of new housing developments.
- 8.3. The overall increase in pupil numbers also impacts on the need for SEND places with 3.4% of our school population having a SEND Education Health and Care Plan. This, alongside advances in medical technology is giving rise to some schools having very specific accommodation needs to meet the specialist and often complex requirements of individual pupils. For these reasons, there are a number of significant suitability issues within special schools across the county that will be reviewed as part of a SEND School Places Sufficiency Strategy in 2019. The County Council has been successful in accessing Government SEND funding including a successful bid to the DfE for a 125 place 4-16 ASD special free school on the former Chineham Park Primary school site, Basingstoke.
- 8.4. The focus of capital investment in recent years has been on Basic Need and Capital Maintenance. However, it is recognised that some buildings are now in need of significant suitability investment that is beyond individual school budgets. The proposed programme allocates £5m (including fees) of County Council resources to start a programme of investment to ensure facilities are fit for purpose and continue to provide good quality learning environments.

- 8.5. The proposed programme includes other improvement and modernisation projects relating to access to schools, SEN improvements, health and safety, adaptations to properties of foster carers and disabled children and schools' devolved formula capital totalling £56 million over three years.
- 8.6. To manage the demand for schemes and the resources available, the Executive Lead Member for Children's Services proposes to carry forward resources between the years of the capital programme. In most cases the need for school places is driven by the speed of housing delivery on certain major sites, something which is clearly outside of the County Councils control and therefore requires flexibility in the way that the capital programme is delivered.
- 8.7. In contrast to the majority of local authorities across the country, the Children's Services capital programme maintains a balanced position between income and expenditure over the proposed three year period of the programme. However, the ongoing primary pressure and secondary impact indicates a deficit of resources over a five year period beyond the scope of this report. A deficit was identified in the Medium Term Financial Strategy and Transformation report to Cabinet on 16 October 2017. Further work is being undertaken with potential funders, including the Government, Local Planning Authorities, Developers and Local Enterprise Partnerships (LEPs) to maximise contributions from sources other than the County Council. The aim being to keep calls on the County Council's resources to a minimum.

9. Environment and Transport

- 9.1. Proposals of the Executive Member for Environment and Transport amount to just under £195 million over the next three years. The programme includes £122 million of new investment in structural maintenance, £72 million in the Integrated Transport programme and £0.3 million in flood and coastal defence projects.
- 9.2. Government grants make up the bulk of the funding, with formula settlements and project specific grants, e.g. Local Growth Funding (LGF) through the Local Enterprise Partnerships (LEPs) (£124 million). The remainder is funded from a mix of local resources, (£44 million), developer contributions (£26 million), and other local authority contributions (£0.5 million).
- 9.3. The proposed integrated transport programme includes 6 major infrastructure schemes expected to start in 2019/20, totalling over £42 million. In addition, it is expected that the 2019/20 programme will increase significantly early in the next financial year assuming the full values of the other major schemes such as the M27 Junction 10 scheme are approved and reflected in the programme. Further, the County Council is developing additional schemes, which are expected to be added to 2020/21 and 2021/22 capital programme years once further developed.
- 9.4. The Flood Risk and Coastal Defence programme includes a number of major infrastructure projects of which schemes at Buckskin in Basingstoke, and at Romsey are the most significant with projected cost respectively

£6.24 million and £6.68 million. Hampshire County Council's investment of £3.54 million across the two schemes has unlocked national funding including Flood Defence Grant in Aid and Local Levy of approximately £8.8 million with districts partners contributing in excess of £0.5 million. Further schemes from the Flood Risk and Coastal Defence programme are being developed and delivered including at Lower Farringdon, Winchester and Farnborough. Other locations will be brought forward for delivery over the next 2 – 3 years as detailed designs and business cases are approved. Future iterations of the capital programme will therefore be developed to reflect the additional anticipated spend for these, and subsequent, years.

- 9.5. Early business case modelling has been undertaken regarding the development of a new material recycling facility (MRF). After a temporary pause in 2018 due to a series of Government policy initiatives and announcements on waste and recycling, work is expected to resume in early 2019 to reflect emerging Government policy and to clarify the type of MRF required, revise and refine the initial capital expenditure proposal and refine the model assumptions regarding the financial implication of a new MRF on the existing waste contract payment mechanism. Subject to completion of a full business case that illustrates a positive outcome in terms of delivery of MRF infrastructure there will be a requirement for borrowing on an invest to save basis of capital up to £42million to fund the project, the level required will be confirmed by Q2 of 2019/20.
- 9.6. The revised 2018/19 programme includes the initial phase of the M27 J10 scheme at £1.5 million to enable design and development work to progress. The development of the scheme has progressed well since the award of the initial funding. However, in order to develop a full business case, additional external funding of up to £2.5 million is being sought. To minimise any delay to this work, the Executive Member for Environment and Transport is exceptionally recommending that the scheme value be increased to £4 million in anticipation of sufficient additional external funding being secured. In the event that not enough additional external funding is forthcoming, work will be suspended once existing funding is fully spent.

10. Policy and Resources

- 10.1. The proposed capital programme for Policy and Resources totalling £66.6 million, is largely based on the priorities for capital investment established in previous years, relating to the County Council's built estate (including schools), vehicles, country sites and community buildings and village halls. In 2019/20, contributions from reserves will fund essential infrastructure works on the Basingstoke Canal and support the next phase of the Country Parks Transformation Programme.
- 10.2. The School Condition Allocation from Government is included in the Policy and Resources programme to allow the funding to be managed flexibly between school condition and suitability works. Officers from Children's Services and Property Services continue to work closely together to identify the highest priority strategic building condition issues along with the need for modernisation improvements. Priorities for 2019/20 include two 2 storey

timber framed schools in Hampshire that need replacing with an estimated total cost of £15.6m. Given the size of the projects, it is proposed to add the schemes to the Children's Services capital programme and transfer the corresponding SCA funding from Policy and Resources.

11. Capital Financing

- 11.1. The size of the capital programme takes account of forecast financing resources and the forecast level of capital expenditure (or 'payment') flows to be financed each year.
- 11.2. The sources of finance to support the capital programme are:
 - Government capital grants – since 2011/12, the Government has issued all its support for local authorities' capital expenditure in the form of capital grants and not as borrowing allocations
 - prudential borrowing – loans that the County Council may decide to raise in the knowledge that it will have to meet the principal repayment and interest charges from its own resources without any additional support from the Government. The County Council would need to consider the impact of such loans on the revenue budget and prudential indicators
 - contributions from other bodies, which can include developers, the health service, other local authorities and the national lottery
 - capital receipts from the sale of land, buildings and other assets
 - contributions from the revenue budget including those held in the capital reserve and departmental reserves.
- 11.3. The planned sources of funding to meet the forecast capital payments in each year are set out in the table below. The forecasts are likely to change as schemes within the programme progress and the position will be reassessed at the next review of the capital programme.

Table 4 - Resources to fund capital expenditure

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Prudential borrowing	49,255	48,873	38,642	16,322
less repayments from capital	-3,165	-13,489	-16,578	-10,025
Capital grants	86,579	160,259	143,892	139,172
Contributions from other bodies including developers	20,682	46,843	42,094	25,523
Capital receipts	3,129	2,750	0	0
Revenue contributions to capital	11,537	8,404	7,771	6,743
New resources in the year	168,017	253,640	215,821	177,735
Use of the capital reserve: added to the reserve (-) or taken from the reserve (+)	44,764	28,642	7,148	-9,636
Total resources available	212,781	282,282	222,969	168,099
Forecast capital payments	212,781	282,282	222,969	168,099

- 11.4. Most of the capital receipts forecast in Table 4 are required to repay prudential borrowing for school and other rationalisation schemes started in advance of the site disposals
- 11.5. Progress during the remainder of 2018/19 and throughout 2019/20 on all capital payments and resources will be closely monitored and reported to the Leader during the year. Executive members will also review progress on their capital programmes at regular intervals during the year.

12. Prudential borrowing

- 12.1. Prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance and is set out in the Capital and Investment Strategy (Appendix 8 of the Revenue Budget report elsewhere on this agenda).
- 12.2. The planned prudential borrowing will total £320 million, after deducting repayments to 31 March 2018. The schemes funded by these advances are summarised in Table 5.

Table 5 – Summary of outstanding and planned prudential borrowing advances £000

Financed from savings in the revenue budget	184,498
'Bridging' loans on specific projects to be repaid from capital receipts and developer contributions	100,229
Capital investment to be financed from future charges to services	35,066
Total	<u>319,793</u>

13. Capital reserve

- 13.1. The capital reserve shown in Table 6 holds the approved local resources until they are required to fund actual capital payments as schemes progress. The County Council's approach is to apply grants and other contributions before using its own resources.

Table 6 – Capital reserve

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Opening balance	139,645	94,881	66,239	59,091	68,727
Used in year	-44,764	-28,642	-7,148		-47,613
Added in year				9,636	
Closing balance	<u>94,881</u>	<u>66,239</u>	<u>59,091</u>	<u>68,727</u>	<u>21,114</u>

14. Revenue implications

- 14.1. The revenue implications of the new programme are shown in the following table.

Table 7 – Revenue effects

	Running costs £000	Capital charges £000	Total £000
2019/20 starts	784	7,106	7,890
2020/21 starts	162	3,927	4,089
2021/22 starts	67	3,719	3,786
Total	<u>1,013</u>	<u>14,752</u>	<u>15,765</u>

- 14.2. The capital charges represent depreciation over the estimated life of the asset for most schemes. The capital charges do not impact the County Council's overall budget requirement as the charges to services will be counter-balanced by a corresponding credit to the centrally managed capital adjustment account.
- 14.3. However, the budget requirement is increased by the capital financing costs on the loans raised to finance the programme. The full year revenue impact of the additional prudential borrowing over the proposed three-year programme will be £4.1 million.

15. Conclusions

- 15.1. Executive Members have proposed capital programmes for the next three years in line with the Corporate Strategy and County Council priorities. The locally resourced guidelines set by Cabinet in December 2018 have been supplemented with contributions from reserves and developers and adjusted by transfers between programme years and supplemented by Government grants of £262 million, giving a total programme for the next three years of £491.6 million.
- 15.2. Regular monitoring will take place during the year on the implementation of the programme, including the progress of major projects, the level of capital expenditure and resources in 2019/20 and the progress on obtaining the capital receipts necessary to finance the capital programme.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> http://democracy.hants.gov.uk/documents/s26900/Budget%20Report.pdf	<u>Date</u> 10 December 2018
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1 The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2 Equalities Impact Assessment:

Equalities impact assessments will be considered when individual project appraisals are developed.

2. Impact on Crime and Disorder:

2.1 Crime prevention issues will be considered when individual project appraisals are developed.

Climate Change:

- How does what is being proposed impact on our carbon footprint / energy consumption?

All relevant developments within the capital programme are subject to specific, detailed assessments. Energy conservation, and where applicable enhancing biodiversity, are priorities for all major building schemes.

- How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Where appropriate capital schemes are planned with adaptation to climate change in mind, such as the inclusion of passive cooling, solar shading, sustainable urban drainage and rainwater harvesting systems in building projects where technically feasible and deliverable within budget constraint

Adult Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2019/20 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
1	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
2	Disabled Facilities Grants	-	-	11,641	11,641	-	-
3	Nursecall	-	-	1,300	1,300	-	130
	Total Programme	241	40	13,141	13,422	-	156

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months	All schemes support the Corporate Priority of maximising wellbeing	
N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	1
N/A	1	12	Grant paid to district councils to fund adaptations to people's homes	2
N/A	1	12	Upgrade Nursecall system within In House, residential and nursing establishments	3
			+ Projects to be partly funded from external contributions.	

Adult Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2020/21 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
4	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
	Total Programme	241	40	200	481	-	26

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>	All schemes support the Corporate Priority of maximising wellbeing	
N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	4
			+ Projects to be partly funded from external contributions.	

Adult Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2021/22 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
5	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
	Total Programme	241	40	200	481	-	26

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>	All schemes support the Corporate Priority of maximising wellbeing	
N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	5
			+ Projects to be partly funded from external contributions.	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes						
	Children's Social Care						
1	Foster Carers	86	14	-	100	-	-
2	Adaptation Equipment	-	-	250	250	-	25
	Primary School Improvements						
3	Ashley Junior, New Milton	296	49	-	345	-	7
4	Colden Common Primary, Winchester	1,545	255	-	1,800	-	36
5	Fair Oak Infant & Junior, Eastleigh	1,545	255	-	1,800	-	36
6	Fryern Junior, Chandlers Ford	6,560	1,082	-	7,642	-	153
7	Grange Junior, Gosport	6,802	1,122	-	7,924	-	158
8	Kings Furlong Nursery, Basingstoke	1,073	177	-	1,250	-	25
	New Primary School Provision						
9	Barton Farm Primary, Winchester	8,955	1,478	-	10,433	-	-
10	Cornerstone CE (Aided) Primary Whiteley	10,987	1,813	-	12,800	-	-
11	Stoneham Park Academy, Eastleigh	5,322	878	-	6,200	-	-
	Secondary School Improvements						
12	Wyvern Secondary, Fair Oak	1,888	312	-	2,200	-	-
	New Secondary School Provision						
13	Deer Park School, Hedge End	18,438	3,042	-	21,480	-	-

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
N/A	Various	Various	Improvements to foster carers' homes where necessary	1
N/A	Various	Various	Access improvement equipment for homes	2
Owned	2	12	School Improvements	3
Owned	2	12	expansion to two form entry	4
Owned	2	12	Site Improvements	5
Owned	2	12	Major Refurbishment	6
Owned	2	12	Major Refurbishment	7
Owned	2	12	New Nursery Provision	8
Owned	2	12	New 2fe primary school to meet housing demand	9
Owned	2	12	New 3fe primary school to meet housing demand	10
Owned	2	12	New 1.5fe primary school to meet housing demand	11
Owned	2	12	STP & classroom re-modelling	12
Owned	2	24	New 7fe secondary school	13

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2019/20 Schemes (continued)	£'000	£'000	£'000	£'000	£'000	£'000
14	Special School Improvements	1,516	250	-	1,766	-	35
15	Norman Gate School, Andover	515	85	-	600	-	12
16	Prospect School, Havant	687	113	-	800	-	16
17	St Francis Special School, Fareham	3,772	622	-	4,394	-	88
	New Special School provision						
18	Austen Academy, Basingstoke	8,609	1,421	-	10,030	-	-
19	Other Improvement Projects	2,575	425	-	3,000	-	60
20	Purchase of modular classrooms	1,852	148	-	2,000	-	67
21	Health and Safety	343	57	-	400	-	8
22	Schools Devolved Capital	3,313	-	-	3,313	-	66
23	Access improvements in schools #	429	71	-	500	-	10
24	Furniture and Equipment #	-	-	250	250	-	25
25	Contingency	3,320	548	-	3,868	-	77
	Total Programme	90,428	14,217	500	105,145	-	904

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
Owned	Various	Various	Rebuild and refurbishment of special schools	14
Neg.	2	12	Classroom remodelling	15
Neg.	2	12	3 Classroom extension	16
Neg.	2	12	Significant re-modelling	17
Owned	2	24	New 125 place special school	18
Owned	Various	Various	Various projects to meet identified needs	19
N/A	Various	Various	Various projects to be identified	20
Owned	Various	Various	Improvements to address health and safety issues	21
N/A	Various	Various	Allocations to schools through devolved formula capital	22
N/A	Various	Various	Improvements to school's buildings to improve accessibility	23
N/A	Various	Various	Provision of furniture and equipment for capital schemes	24
N/A	Various	Various		25
			# controlled on an accrued expenditure basis	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2020/21 Schemes						
	Children's Social Care						
26	Foster Carers	86	14	-	100	-	-
27	Adaptation Equipment	-	-	250	250	-	25
	Primary School Improvements						
28	Four Marks CE Primary, Alton	1,846	305	-	2,151	-	43
29	Whitchurch CE Primary, Basingstoke	1,846	305	-	2,151	-	43
	Secondary School Improvements						
30	Calthorpe Park, Fleet	7,880	1,300	-	9,180	-	184
31	Special School Improvements	2,194	362	-	2,556	-	51
32	Other Improvement Projects	3,433	567	-	4,000	-	80
33	Purchase of modular classrooms	1,852	148	-	2,000	-	67
34	Health and Safety	343	57	-	400	-	8
35	Schools Devolved Capital	3,313	-	-	3,313	-	66
36	Access Improvements in Schools #	429	71	-	500	-	10
37	Furniture and Equipment #	-	-	250	250	-	25
38	Contingency	2,060	340	-	2,400	-	48
	Total Programme	25,283	3,468	500	29,251	-	650

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
N/A	Various	Various	Improvements to foster carers' homes where necessary.	26
N/A	Various	Various	Access improvement equipment for homes.	27
Owned	2	12	Expansion to 2fe	28
Owned	2	6	Expansion to 2.5fe	29
Owned	2	12	Expansion to 12fe	30
Owned	Various	Various	Rebuild and refurbishment of special schools.	31
Owned	Various	Various	Various projects to meet identified needs.	32
N/A	Various	Various	Various projects to be identified.	33
Owned	Various	Various	Improvements to address health and safety issues.	34
N/A	Various	Various	Allocations to schools through devolved formula capital.	35
N/A	Various	Various	Improvements to school buildings to improve accessibility	36
N/A	Various	Various	Provision of furniture and equipment for capital schemes.	37
N/A	Various	Various		38
			# controlled on an accrued expenditure basis	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2021/22 Schemes						
	Children's Social Care						
39	Foster Carers	86	14	-	100	-	-
40	Adaptation Equipment	-	-	250	250	-	25
41	Early Years/Childcare sufficiency	4,292	708	-	5,000	-	100
	Primary School Improvements						
42	Bordon Infant & Junior, East Hants	2,936	485	-	3,421	-	68
43	Fareham Primary Places	4,618	762	-	5,380	-	108
44	Morelands Primary, Havant	1,761	290	-	2,051	-	41
	New Primary School Provision						
45	Hartland Park Primary, Fleet	7,442	1,228	-	8,670	-	-
46	Hazelton Farm/Land east of Horndean	4,155	685	-	4,840	-	-
47	Manydown Primary, Basingstoke	7,442	1,228	-	8,670	-	-
48	Welborne Primary, Fareham	7,442	1,228	-	8,670	-	-
49	Special School Improvements	5,150	850	-	6,000	-	120
	New Special School Provision						
50	South Hampshire	12,876	2,124	-	15,000	-	-
51	Other Improvement Projects	3,433	567	-	4,000	-	80
52	Purchase of modular classrooms	1,852	148	-	2,000	-	67
53	Health and Safety	343	57	-	400	-	8
54	Schools Devolved Capital	3,313	-	-	3,313	-	66
55	Access Improvements in Schools #	429	71	-	500	-	10

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
N/A	Various	Various	Improvements to foster carers' homes where necessary	39
N/A	Various	Various	Access improvement equipment for homes	40
N/A	Various	Various	Improvements to early years facilities	41
Owned	2	12	expansion to 3fe	42
Owned	2	12	Expansion by 1fe	43
Owned	2	12	Expansion to 2fe	44
Owned	2	12	New 2fe primary school to meet housing demand	45
Owned	2	12	New 1fe primary school to meet housing demand	46
Owned	2	12	New 2fe primary school to meet housing demand	47
Owned	2	12	New 2fe primary school to meet housing demand	48
Owned	Various	Various	Rebuild and refurbishment of special schools	49
Owned	2	12	80 Place co-educational SEMH school	50
Owned	Various	Various	Various projects to meet identified needs	51
N/A	Various	Various	Various projects to be identified	52
Owned	Various	Various	Improvements to address health and safety issues	53
N/A	Various	Various	Allocations to schools through devolved formula capital	54
N/A	Various	Various	Improvements to school's buildings to improve accessibility	55
			# controlled on an accrued expenditure basis	

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2021/22 Schemes (continued)						
56	Furniture and Equipment #	-	-	250	250	-	25
57	Contingency	2,974	491	-	3,465	-	69
	Total Programme	70,544	10,936	500	81,980		787

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>	<p>All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan</p>	
N/A	Various	Various	Provision of furniture and equipment for capital schemes	56
N/A	Various	Various		57
			# controlled on an accrued expenditure basis	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes						
	Schemes Supported from Local Resources						
1	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
2	Structural Maintenance - A31 Near Alton	900	100	-	1,000	-	50
3	Structural Maintenance - A33 North of Basingstoke	675	75	-	750	-	38
4	Flood and Coastal Defence Management	88	18	-	106	-	2
	Total Programme Supported by Local Resources	12,304	1,375	-	13,679	-	681
	Schemes Supported by the Government and Other External Bodies						
5	Whitehill Bordon, A325 Integration +	2,454	816	-	3,270	-	164
6	Whitehill Bordon, Budds Lane *	2,565	855	-	3,420	-	171
7	Botley Bypass Phase1	4,500	1,500	-	6,000	-	300
8	A30 Corridor Brighton Hill Improvements, Basingstoke +	14,119	4,709	-	18,828	-	941
9	Redbridge Lane Roundabout (Bakers Drove), Nursling *	1,875	625	-	2,500	-	125
10	Farnborough Corridor - Lynchford Road Improvements *	6,150	2,050	-	8,200	-	410
11	Farnborough Corridor - Invincible Road Improvements *	375	125	-	500	-	25
12	High Street, West End Accessibilty Improvements *	188	62	-	250	-	13
13	A3090 Winchester Road/ Halterworth Lane, Romsey *	431	143	-	574	-	29

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	1	12	Structural maintenance to improve road conditions.	1
	4	6	Structural maintenance to improve road conditions.	2
	4	6	Structural maintenance to improve road conditions.	3
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies.	4
N/A	2	18	Integration of new relief road with current A325	5
N/A	1	5	Pedestrian and cycle improvements	6
N/A	1 / (2021)	24	New road construction	7
N/A	1 / (2021)	24	Road improvements	8
N/A	1	7	Road improvements	9
N/A	4	18	Junction and capacity improvements	10
N/A	4	6	Junction and capacity improvements	11
N/A	2	4	Pedestrian accessibility improvements	12
N/A	1	7	Junction Improvements	13
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes (continued)						
14	Hambledon Rd, Waterloooville - Toucan and Cycling Imps, Waterloooville*	188	62	-	250	-	13
15	Over Wallop Village - Traffic Management, Phase 2 *	249	83	-	332	-	17
16	Romsey Road/Clifton Terrace, Winchester - Pedestrian Crossing *	361	120	-	481	-	24
17	Bishops Waltham Village Access Improvements *	203	68	-	271	-	14
18	Whitchurch Access & Traffic Management *	291	97	-	388	-	19
19	Hook to Dilly Lane, Hartley Wintney Cycle Route *	334	111	-	445	-	22
20	Town Mill, Andover - Access to Car Park Improvements*	248	82	-	330	-	17
21	Town Mill, Andover - Riverside/Pocket Park Improvements+	390	130	-	520	-	26
22	Hayling Island (South Side) Accessibility Improvements *	176	59	-	235	-	12
23	Andover Railway Station *	244	81	-	325	-	16
24	Roman Way/Viking Way/Smanell Road Traffic Calming, Andover *	225	75	-	300	-	15
25	Jermyns Lane to Braishfield, Romsey*	263	87	-	350	-	18
26	Kings School, Winchester *	225	75	-	300	-	15
27	AQS programme - Rushmoor A331 NO ₂ Speed Reduction*	284	94	-	378	-	19
28	AQS programme - Basingstoke A339 NO ₂ Speed Reduction*	284	94	-	378	-	19
29	AQS programme - Fareham, NO ₂ Bus Stop RTI*	266	88	-	354	-	18
30	AQS programme - Fareham, NO ₂ Cycle Infrastructure*	420	140	-	560	-	28

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	2	3	Pedestrian and cycling improvements	14
N/A	1	4	Traffic calming on Wallop Rd and reclassification of the B3084	15
N/A	1	3	New puffin crossing with associated improvements and junction work	16
N/A	2	3	Access improvements for pedestrians and cyclists to village centre	17
N/A	2	3	Cycle and Accessibility improvements and A34 Off-Slip TM	18
N/A	4	4	Cycle route	19
N/A	1	4	New access to Town Mill car park for vehicles from A3057 ring road	20
N/A	3	4	Environmental enhancements at Riverside area and Pocket Park	21
N/A	1	4	Pedestrian improvements	22
N/A	1	4	Improvements to promote sustainable travel.	23
N/A	3	4	Traffic calming & safety imp's for pedestrians travelling to/from school	24
N/A	1	4	Construction of footway	25
N/A	1	1	Pedestrian/cyclist safety and accessibility improvements.	26
N/A	3	3	Scheme to support air quality enhancements	27
N/A	3	3	Scheme to support air quality enhancements	28
N/A	3	4	RTI installation	29
N/A	3	3	Cycling improvements	30
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes (continued)						
31	AQS programme - Rushmoor Bradfords Roundabout NO ₂ Scheme*	329	110	-	439	-	21
32	A32/Wych Lane lane Junction Improvements, Gosport*	1,187	394	-	1,581	-	79
33	A27 Portchester Precinct*	450	150	-	600	-	30
34	Schemes Costing Less than £250,000	1,176	391	-	1,567	-	78
35	Safety Schemes #	750	250	-	1,000	-	50
36	Minor Improvements (part #) +	563	187	-	750	-	38
37	Structural Maintenance of Roads and Bridges #	25,415	2,823	-	28,238	-	1,412
	Total Programme Supported by the Government and other bodies	67,178	16,736	-	83,914	779	4,198
	Total Programme				97,593	779	4,879

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	4	5	Scheme to support air quality enhancements	31
N/A	1	4	Junction improvements	32
N/A	2	6	Safety improvements	33
N/A	1	12	Local Improvements Sub-programme	34
N/A	1	12	Casualty reduction programme.	35
N/A	1	12	Improvement schemes costing less than £70,000 each.	36
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	37
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2020/21 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
38	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
39	Flood and Coastal Defence Management	88	18	-	106	-	2
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593
	Schemes Supported by the Government and Other External Bodies						
40	Hartford Bridge Flats Junction Imps Phase 2 - Fourth Arm+	825	275	-	1,100	-	55
41	Blackwater Valley Gold Grid*	1,125	375	-	1,500	-	75
42	A340 Safety and Accessibility Improvements, Basingstoke*	225	75	-	300	-	15
43	Chapel Hill Cycle & Accessibility Improvements, Basingstoke*	188	62	-	250	-	13
44	A33 Additional Junctions, Basingstoke*	488	163	-	651	-	33
45	A339/B3349 Junction Improvements, Alton*	727	243	-	970	-	49
46	Anstey Road/Anstey Lane, Alton Junction Improvements*	225	75	-	300	-	15
47	Horndean Access Improvements*	338	112	-	450	-	23
48	A27 Barnes Lane Junction Improvements*	488	162	-	650	-	33
49	Walworth RAB/A3093/A3057, Andover*	637	213	-	850	-	43
50	Sustainable Eastern Access, Andover*	525	175	-	700	-	35
51	London Road/Eastern Avenue, Andover*	229	77	-	306	-	15

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	1	12	Structural maintenance to improve road conditions.	38
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	39
N/A	4	6	Addition of fourth arm on roundabout	40
N/A	3	12	Bus route improvements	41
N/A	2	4	Cycleway and upgraded road surface to improve safety	42
N/A	4	4	Improve general access to and from development	43
N/A	4	6	Provision of right turn lane on A33	44
N/A	4	9	Junction improvements (enhance capacity)	45
N/A	1	3	Junction improvements for peds/cyclists and enhanced capacity	46
N/A	1	4	Pedestrian and cycle accessibility imp's and traffic management	47
N/A	3	6	Capacity improvements	48
N/A	1	8	Signalisation of rbt and improvements to ped/cycle infrastructure	49
N/A	1	7	Improvements to sustainable access	50
N/A	1	3	Junction imp's at Eastern Ave/London Street	51
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2020/21 Schemes (continued)						
52	London Road/The Middleway, Andover	241	80	-	321	-	16
53	Schemes Costing Less than £250,000	1,125	375	-	1,500	-	75
54	Safety Schemes #	750	250	-	1,000	-	50
55	Minor Improvements (part #) +	563	187	-	750	-	38
56	Structural Maintenance of Roads and Bridges #	25,414	2,824	-	28,238	-	1,412
	Total Programme Supported by the Government and other bodies	34,113	5,723	-	39,836	162	1,995
	Total Programme				51,765	162	2,588

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	1	3	Road safety improvements	52
N/A	1	12	Local Improvements Sub-programme	53
N/A	1	12	Casualty reduction programme.	54
N/A	1	12	Improvement schemes costing less than £70,000 each.	55
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	56
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2021/22 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
57	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
58	Flood and Coastal Defence Management	88	18	-	106	-	2
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593
	Schemes Supported by the Government and Other External Bodies						
59	Whitehill Bordon - A325/B3004 - Sleaford Lights Junction*	750	250	-	1,000	-	50
60	Safety Schemes #	1,125	375	-	1,500	-	75
61	Minor Improvements (part #) +	563	187	-	750	-	38
62	Schemes Costing Less than £250,000	1,125	375	-	1,500	-	75
63	Structural Maintenance of Roads and Bridges (part #)	25,415	2,823	-	28,238	-	1,412
	Total Programme Supported by the Government and other bodies	28,978	4,010	-	32,988	67	1,650
	Total Programme				44,917	67	2,243

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>		
			The following schemes all reflect the Corporate Priorities	
N/A	1	12	Structural maintenance to improve road conditions.	57
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	58
N/A	1	10	Junction improvements	59
N/A	1	12	Casualty reduction programme.	60
N/A	1	12	Improvement schemes costing less than £70,000 each.	61
N/A	1	12	Local Improvements Sub-programme	62
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	63
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2019/20 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
1	Office Accommodation Schemes	350	58	-	408	-	8
2	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
3	Community Buildings and Village Halls	-	-	125	125	-	-
4	CCBS Capital	328	-	-	328	-	7
5	Country Parks Transformation (Phase 2) - Staunton Country Park	386	64	-	450	-	9
6	Basingstoke Canal	215	35	-	250	-	5
	Corporate Services						
7	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	1,464	157	3,125	4,746	-	332

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	1
N/A	-	-	Continuing programme of replacing vehicles	2
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	3
N/A	1	12	Provision of minor works across the department including Library and Countryside services	4
Owned	1	12	To support a range of specific improvements at Staunton Country Park, including development of glasshouses and farm attractions, as well as improvements to catering facilities and toilets	5
Owned	1	12	Essential infrastructure works to ensure the Canal remains in good working order and the County Council meets its obligations as part owner of the Canal	6
N/A	-	-		7
			# controlled on an accrued expenditure basis	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2019/20 Schemes (continued)	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported by the Government						
	Schools Condition Allocation (SCA)						
8	Crestwood School, Eastleigh	800	132		932	-	19
9	Stoke Park Infant School, Eastleigh	800	132		932	-	19
10	Testbourne School, Whitechurch	2,500	413		2,913	-	58
11	Schools Condition Allocation (costing less than £250,000)	10,718	1,769	-	12,487	-	250
	Total Schemes Supported by the Government	14,819	2,445	-	17,264	-	346
	Total Excluding Land				22,010	-	678
	Advance and Advantageous Land Purchases				646	-	-
	Total Programme				22,656	-	678

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
Owned	2	9	Roof replacement	8
Owned	2	9	Roof replacement	9
Owned	2	9	SCOLA recladding and internal alterations	10
Owned	-	-	Major improvements to school buildings	11

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
	2020/21 Schemes	£'000	£'000	£'000	£'000	£'000	£'000
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
12	Office Accommodation Schemes	350	58	-	408	-	8
13	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
14	Community Buildings and Village Halls	-	-	125	125	-	-
15	CCBS Capital	328	-	-	328	-	7
16	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	863	58	3,125	4,046	-	318
	Schemes Supported by the Government						
17	Schools Condition Allocation	14,819	2,445	-	17,264	-	345
	Total Schemes Supported by the Government	14,819	2,445	-	17,264	-	345
	Total Excluding Land				21,310		663
	Advance and Advantageous Land Purchases				646		
	Total Programme				21,956		663

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	12
N/A	-	-	Continuing programme of replacing vehicles	13
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	14
N/A	1	12	Provision of minor works across the department including Library and Countryside services	15
N/A	-	-		16
Owned	-	-	Major improvements to school buildings	17
			# controlled on an accrued expenditure basis	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2021/22 Schemes						
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
18	Office Accommodation Schemes	350	58	-	408	-	8
19	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
20	Community Buildings and Village Halls	-	-	125	125	-	-
21	CCBS Capital	328	-	-	328	-	7
22	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	863	58	3,125	4,046	-	318
	Schemes Supported by the Government						
23	Schools Condition Allocation	14,819	2,445	-	17,264	-	345
	Total Schemes Supported by the Government	14,819	2,445	-	17,264	-	345
	Total Excluding Land				21,310		663
	Advance and Advantageous Land Purchases				646		
	Total Programme				21,956		663

Capital Programme - 2021/22

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	18
N/A	-	-	Continuing programme of replacing vehicles	19
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	20
N/A	1	12	Provision of minor works across the department including Library and Countryside services	21
N/A	-	-		22
Owned	-	-	Major improvements to school buildings	23
			# controlled on an accrued expenditure basis	

COUNCIL MEETING, 14 FEBRUARY 2019

REPORT OF THE
Chief Executive
PART I

1. HAMPSHIRE COUNTY COUNCIL PAY STATEMENT FOR FINANCIAL YEAR 2019/2020

- 1.1. By virtue of Section 38 of the Localism Act, the County Council is required to prepare a Pay Statement ("Pay Statement") for each financial year. Section 39 of the Localism Act requires that a Pay Statement required under the Localism Act is prepared and approved by full Council prior to 31 March immediately preceding the year to which it relates.
- 1.2. By virtue of Sections 38 - 43 of the Localism Act, the Pay Statement needs to set out the County Council's policies in respect of the remuneration of its Chief Officers, the remuneration of its lowest paid employees, and the relationship between the remuneration of its Chief Officers and the remuneration of employees who are not Chief Officers.
- 1.3. The County Council must comply with the provisions of the approve Pay Statement when making any determinations in respect of the remuneration of Chief Officers in the financial year to which such Pay Statement relates.
- 1.4. A copy of the proposed Pay Statement for 2019/20 is attached as an Appendix to this report. Members of the EHCC Committee have been consulted on the content of the proposed Pay Statement.

2. Contextual Information

- 2.1. "Chief Officer" is defined as Section 43 (2) of the Localism Act, and means each of the following:
 - The Head of Paid Service
 - The Monitoring Officer
 - A Statutory Chief Officer
 - A Non-Statutory Chief Officer
 - A Deputy Chief Officer
- 2.2. Together with the Head of Paid Service, the terms "Statutory Chief Officer" and "Non-Statutory Chief Officer" include the County Council's current Corporate Management Team (CMT), and the Director of Public Health.

- 2.3. The Statutory definition of “Deputy Chief Officer” is however much wider and goes beyond the County Council’s local definition of how a Chief Officer post might be described, and includes not only Deputy Directors, but also Assistant Directors and Heads of Service, if reporting directly or are directly accountable to a member of CMT in respect of all or most of their duties.
- 2.4. Section 38 (3) of the Localism Act also requires that the County Council includes within its Pay Statement a definition of its “lowest paid” employees, and the County Council’s reasons for adopting the definition. “Lowest paid” employees are defined at paragraph 5 of the Pay Statement to mean those members of staff employed at Grade A on the County Council’s main pay framework.
- 2.5. Section 38 (4) of the Localism Act sets out a number of mandatory matters which must be included within a Pay Statement. These are:
- The level and elements of remuneration of each Chief Officer
 - Remuneration of Chief Officers on appointment
 - Increases and additions to remuneration for each Chief Officer
 - The use of performance-related pay for Chief Officers
 - The use of bonuses for Chief Officers
 - The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the County Council
 - The publication of an access to information relating to the remuneration of Chief Officers.
- 2.6. There is discretion within the Localism Act for the County Council to also include within its Pay Statement, policies in respect of the remainder of its workforce. In the interests of openness and transparency, the County Council’s Pay Policy in respect of employees who are not Chief Officers for the purposes of the Localism Act is set out at Section 1 of the Pay Statement.

3. Statutory Guidance

- 3.1. Section 40 of the Localism Act requires that in performing its functions under the Localism Act and in preparation and approval of a Pay Statement the County Council must have regard to any guidance issued by the Secretary of State. Guidance (‘the Guidance’) has been issued by the Department of Communities and Local Government ‘Openness and Accountability in local pay’ dated February 2012 in this regard. Further guidance (‘the Supplementary Guidance’) has been issued dated February 2013 supplementing the Guidance.
- 3.2. Under the provisions of the Guidance and the Supplementary Guidance the County Council is required to explain in its Pay Statement, its policies in respect of the employment of ex-Chief Officers in receipt of a redundancy

payment, including its policy towards the re-engagement of Chief Officers previously employed by the County Council, under a Contract for Services.

- 3.3. The Guidance and the Supplementary Guidance also recommend that full Council should be offered the opportunity to vote before a salary or severance package of £100,000 or more is offered to any new Chief Officer appointee, or Chief Officer leaving the County Council.

4. Commentary

- 4.1. The draft Pay Statement attached at Appendix A is divided into three parts. These are an opening generic introduction covering the requirements of the Localism Act and specifically the definition of 'Chief Officers', followed by two policy sections. Section 1 describes the position in respect of employees who are not Chief Officers within the meaning of the Localism Act, and whose remuneration is covered by the County Council's main pay framework. Section 2 describes the position in respect of Chief Officers as defined by the Localism Act.
- 4.2. As indicated at paragraph 2.3 of this report, the Localism Act contains a wider definition than the traditional definition of 'Chief Officer'. Given the differing scale, size and responsibilities of the respective Chief Officer posts, it is sensible from an organisational perspective to group Chief Officers into four categories as set out below, and referred to at paragraphs 23–26 of the Pay Statement. In doing so the Pay Statement makes better sense of those existing post holders paid at or beyond grade K on the main pay framework. These four categories are:
- a) the Head of Paid Service
 - b) Statutory Chief Officers and Non-Statutory Chief Officers
 - c) Deputy Directors, and
 - d) The Monitoring Officer, the Assistant Chief Executive, Assistant Directors and Heads of Service falling within the definition of 'Chief Officer'.
- 4.3. The County Council's Constitution requires that the salaries of Chief Officers on appointment outside the main pay framework require Chief Executive and EHCC Committee approval. For practical business reasons, and to remain in line with the Constitution, it is proposed that, as per the case in the 2018/19 Pay Statement, the EHCC Committee continue to exercise this responsibility with regard to all Chief Officer salaries outside the main pay framework, whether on appointment or otherwise. This point is covered at paragraph 22 of the Pay Statement.
- 4.4. In exercising these responsibilities, it is recognised that the EHCC Committee will continue to be the responsible Committee for salaries of all Chief Officer appointments arising from the implementation of any future structural management arrangements and/or any appointments (joint or otherwise)

arising from the formalisation of any new shared services arrangements or legislative changes. In specific cases, salaries connected with future Chief Officer appointments will be in excess of £100,000. This function was delegated to EHCC Committee by the County Council at its meeting on 22 February 2018. It is recommended again for practical business reasons that the County Council should agree that the EHCC Committee determine remuneration in respect of all future Chief Officer appointment arrangements or changes to Chief Officer remuneration after appointment in accordance with the policies set out in the Pay Statement. It is also recommended for practical business reasons that the County Council should agree that EHCC Committee be responsible for approval of any severance packages in respect of Chief Officers leaving the County Council.

- 4.5. As Members will recall the national pay award in 2018 was for a two year period of 2% per year, but with some higher increases each year at the lower end of the National Joint Committee (NJC) pay scales. The effect of year two of the Pay Award means in the year 2019/20 staff on County Council Grades A, B, and C, and the first two steps of Grade E, receive a pay increase of between 2.7% and 7.1%. Salary ranges of staff on Grades A-K referred to at paragraphs 9 and 12 and detailed at Annex 1 of the Pay Statement are as per April 2019, and cover the period to 31 March 2020. Pay categories for Chief Officers referred to at paragraphs 23 to 26 of the Pay Statement are also as per April 2019 and cover the period to 31 March 2020.

RECOMMENDATION

That the County Council approve the Pay Statement for 2019/20 as detailed at the Appendix to this Report, and agrees that EHCC Committee remains the appropriate Committee to agree Chief Officer remuneration for Chief Officers above Grade K, including individual salary offers in respect of any new Chief Officer appointments, any changes to Chief Officer salaries after appointment and any severance packages for Chief Officers leaving the County Council, in accordance with the Pay Statement.

Hampshire County Council Pay Statement

Financial Year 2019-20

(Draft)

1. The purpose of this Pay Statement (“Pay Statement”) is to set out Hampshire County Council’s pay policies relating to its workforce for the financial year 2019-20, including the remuneration of its Chief Officers and that of its lowest paid employees.
2. The responsibility for functions and delegated authority in respect of the determination of the terms and conditions of staff employed by the County Council is detailed in the County Council’s Constitution; in particular, Part 2: Chapter 2.1 and Part 2: Chapter 4, and this Pay Statement is subject to those provisions.
3. With the exception of teaching staff and associated school advisory roles where pay is governed by National consultation groups and apprentices on the National Minimum Wage, pay for all staff, including Chief Officers, is set by the Employment in Hampshire County Council (“EHCC”) Committee with annual pay awards below senior management level being determined by the outcome of the national local government award and customarily applied to senior managers, as referred to at Paragraph 12. The EHCC Committee is proportionally constituted and comprises elected County Councillors from the main political parties, and has responsibility for locally determined terms and conditions of employment for staff.
4. For the purposes of this Pay Statement and in accordance with the Localism Act 2011 (“Localism Act”), staff employed by the County Council have been separated into two groups:
 - (a) Employees who are not Chief Officers as defined by the Localism Act
 - (b) Chief Officers as defined by the Localism Act
5. An “employee who is not a Chief Officer” refers to all staff, who are not covered within the “Chief Officer” group as outlined below. This includes the “lowest paid employees”. In the context of the County Council other than apprentices the “lowest paid employees” are those employed at grade A on the County Council’s pay framework. This is because grade A is the lowest grade on the County Council’s pay framework.
6. Section 43(2) of the Localism Act defines Chief Officers for the purposes of the Localism Act. Currently, the following roles within the County Council fall within the definition of “Chief Officers”:

- (a) Head of Paid Service (Chief Executive)
- (b) Monitoring Officer
- (c) Statutory Chief Officers (Director of Corporate Resources as Section 151 Officer, Director of Children's Services, Director of Adults' Health and Care, and Director of Public Health)
- (d) Non-Statutory Chief Officers (Director of Culture, Communities and Business Services, Director of Economy, Transport and Environment, and Director of Transformation and Governance.
- (e) Deputy Chief Officers (Deputy Directors, Assistant Chief Executive, Assistant Directors and Heads of Service if reporting directly or are directly accountable to a Statutory or Non-Statutory Chief Officer in respect of all or most of their duties).

Section 1 - Employees who are not Chief Officers as defined by the Localism Act

7. These staff are subject to the County Council's main pay framework. This was implemented in April 2007 in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities, and a number of other public sector employers, to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer. As part of this, the County Council determined a local pay framework.
8. There are 11 grades (A-K) in the pay framework, grade A being the lowest and grade K the highest. Each employee will be on one of the 11 grades based on the job evaluation of their role. Each grade consists of 5 steps, with the exception of grades A and B which consist of fewer steps. Employees can progress within the salary range of their grade, having regard to the County Council's performance management arrangements.
9. All employees are paid within the salary range for their grade. Each "lowest paid employee" is paid within the salary range for grade A. All other employees are paid within the salary range for the grade of their role i.e. B-K. Details of the Council's salary ranges are published on the County Council's website, and a copy of those salary ranges currently as at 1 April 2018 is attached at Annex 1 to this Pay Statement.
10. Employees new to the County Council will normally be appointed to the first step of the salary range for their grade. Where the candidate's current employment package would make the first step of the salary range unattractive or where the employee already operates at a level commensurate with a higher salary, a different starting salary may be considered by the recruiting manager. This will be within the salary range for the grade. The candidate's level of skill and experience should be consistent with that of other employees in a similar

position on the salary range.

11. Employees' performance during the course of the year is reviewed within the County Council's performance management arrangements, and pay progression within the grade is subject to satisfactory performance.
12. Pay awards are considered annually for staff. For those staff up to and including grade G the outcome of the national consultations by the Local Government Employers in negotiation with the Trades Unions is applied. The national pay award in 2018 was however for a two year period. For staff at grade H and above the value of any pay award is determined by the EHCC Committee. Since the implementation of the County Council's pay framework, the EHCC Committee has applied the same percentage award determined nationally. The table at Annex 1 reflects the second year of the Pay Award for the period 1 April 2019 to 31 March 2020.
13. There is a Special Recognition Scheme, under which a one-off payment may be awarded to a member of staff as a recognition for a particular piece of work or a substantial achievement above what is expected as part of their ordinary day-to-day work. All Special Recognition Scheme payments are subject to departmental governance arrangements, and where required Chief Officer approval, are not consolidated into base salary and are funded from within existing budgets.
14. Allowances such as relocation assistance or other payments, for example shift working, may be made to staff in connection with their role or the patterns of hours they work in accordance with the County Council's collective agreement ('EHCC 2007') and subsequent amendments thereto, and other governance arrangements.
15. The County Council recognises that employees sometimes incur necessary expenditure in carrying out their responsibilities, for example travel costs. Employees will be reimbursed for reasonable expenses incurred on County Council business in accordance with the County Council's collective agreement ('EHCC 2007') and subsequent amendments.
16. Other than where required in order to carry out specific requirements of a role, for example the provision of accommodation for care workers required to live on site, there will be no benefits in kind payable to employees of the County Council
17. All employees as a result of their employment are eligible to join the Local Government Pension Scheme. The County Council will not consider the purchase of additional pension for employees under the provisions of the Local Government Pension Scheme Regulations 2014. However, it will consider enabling employees to use part of any redundancy payment to buy additional pension, where they leave on the grounds of efficiency.
18. Redundancy payment arrangements will be based on the County Council's standard redundancy scheme. In support of efficient organisational change and

transformation linked to the need for efficiencies and expenditure reduction, the County Council also operates a voluntary redundancy scheme approved by EHCC Committee. The County Council remains committed to enabling workforce reductions through voluntary measures wherever possible and any future voluntary redundancy or other termination measures will be in accordance with approved County Council policies. Details of the standard and voluntary redundancy schemes are attached at Annex 2 to this Pay Statement.

19. Except in exceptional business circumstances, no employee who has left the County Council under the terms of the standard redundancy scheme or any voluntary redundancy scheme or severance arrangement, will be re-employed by the County Council in any capacity for a minimum period of 12 months from the dismissal date. If re-employment is sought within 12 months of the termination date, approval is required from the relevant Chief Officer, Director of Corporate Resources as Section 151 Officer and the Head of Human Resources and Workforce Development. In addition, if the ex-employee was previously employed at grade H and above and/or is seeking re-employment at grade H and above, Chief Executive approval is also required.
20. Except in exceptional business circumstances, no employee who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangements, will be re-engaged by the County Council under a contract for services within a minimum period of 12 months of the dismissal date. In this case the authorisation requirements set out at Paragraph 19 of this Pay Statement in respect of re-engagement of ex-employees will apply.

Section 2 - Chief Officers as defined by the Localism Act 2011

21. Chief Officers are paid either within the County Council's main pay framework, or on "spot" salaries. Salaries of Chief Officers on appointment have regard to the relative size and challenge of the role compared to other Chief Officer roles within the County Council and follows the same principles operated within the main pay framework. Account is also taken of other relevant available information, including the salaries of Chief Officers in other similar sized organisations.
22. The Constitution requires that salaries of Chief Officers on appointment outside the main pay framework require Chief Executive and EHCC Committee approval. The EHCC Committee will continue to exercise responsibility for all Chief Officer salaries outside the main pay framework, whether on appointment or otherwise. Chief Officer salaries payable from 1 April 2019 fall within four categories as outlined below.
23. The Head of Paid Service is paid a salary of £224,929.
24. Statutory Chief Officers and Non - Statutory Chief Officers are paid a salary within the range of £126,096 - £191,454.
25. Deputy Directors are paid a salary of £130,159.

26. The Monitoring Officer, Assistant Chief Officers and Heads of Service falling within the definition of “Chief Officer” are paid a salary within the range £80,839 - £112,948.
27. The annual pay review for Chief Officers paid outside the main pay framework is considered by the EHCC Committee each year, alongside recommendations for staff paid between grades H and K in accordance with Paragraph 12 of this Pay Statement. Likewise to support the annual review of salaries of these Chief Officers, information may be provided on inflation, earnings growth, and any significant considerations from elsewhere in the public sector.
28. Typically, Chief Officers have received the same percentage pay award as other managers and staff groups within the County Council. In each year since implementation of the new pay framework, EHCC Committee has applied the same percentage award determined nationally for other grades of employees within the County Council. Chief Officers are subject to the same performance management arrangements as detailed for employees who are not Chief Officers. Chief Officers paid outside the main pay framework do not receive incremental pay progression. In years where a pay award is available, performance will be taken into account when determining whether any award will be made. Paragraphs 23-26 reflect the pay award for Chief Officers for the year 2019/20.
29. Within the above Chief Officer categories any increase to the remuneration of Chief Officers outside the annual review process, for example as a consequence of increased responsibilities arising from the formalisation or implementation of new shared services arrangements, requires Chief Executive and EHCC Committee approval.
30. The Special Recognition Scheme referred to at Paragraph 13 of this Pay Statement is however also applicable to Chief Officers. Any proposed Special Recognition Payment in respect of CMT is subject to ratification by EHCC.
31. No other charges, fees or allowances or remuneration are payable to Chief Officers in connection with their responsibilities. No fees for election duties are included in Chief Officer salaries, nor are any additional fees payable for such responsibilities.
32. Chief Officers may where applicable receive allowances, such as relocation assistance in accordance with the County Councils collective agreement (EHCC 2007), and subsequent amendments thereto, and other governance arrangements.
33. The County Council recognises that Chief Officers sometimes incur necessary expenditure in carrying out their responsibilities e.g. travel costs. Chief Officers will be reimbursed for reasonable expenses incurred on County Council business in accordance with the County Council’s collective agreement (EHCC 2007) and subsequent amendments.

34. There are no benefits in kind, such as private health insurance, payable to Chief Officers.
35. Chief Officers as a result of their employment are eligible to join the Local Government Pension Scheme in the same way as other employees. The County Council will not consider the purchase of additional pension for employees under the provisions of the Local Government Pension Scheme Regulations 2014. However, it will consider enabling employees to use part of any redundancy payment to buy additional pension, where they leave on the grounds of efficiency.
36. Chief Officers are subject to the same redundancy payment and severance arrangements as other staff as outlined in Paragraph 18 of this Pay Statement.
37. Chief Officers, who have left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangements are subject to the same policy on re-engagement by the County Council outlined at Paragraph 19 of this Pay Statement as other employees.
38. Except in exceptional business circumstances, no Chief Officer who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangement, will be re-engaged by the County Council under a contract for services within a minimum period of 12 months of the termination date. In this case the authorisation requirements set out at Paragraph 20 of this Pay Statement in respect of re-engagement of ex-employees will apply. No Chief Officer, as defined at Paragraphs 23-26 of this Payment Statement, will be employed by the County Council on terms and conditions which allow such an officer to be an employee of the County Council whilst operating in practice as a limited company for taxation reasons.
39. Details of Chief Officer remuneration have been published annually since 2010 as an extract from the County Council's Statement of Accounts and according to accountancy standards, as soon after the end of the relevant financial year as is reasonably practical. At that time the County Council will also update the publication of its pay multiple, that is the ratio between the highest paid employee and the median average earnings across the organisation, based on base pay. Gender Pay Gap reporting information will also be published as part of the County Council's Open Data in accordance with statutory requirements.

Pay Statement Annex 1

Hampshire County Council's Pay Framework

Salary Ranges – from April 2019

	Step	Grades	
		A	B
Salary Range	3	17,711	18,371
	2	17,481	18,065
	1	17,364	18,065

	Step	Grades								
		C	D	E	F	G	H	I	J	K
Salary Range	5	19,407	23,411	28,791	36,862	45,524	53,065	62,485	78,596	90,988
	4	19,171	22,732	27,955	35,792	44,200	51,523	60,662	76,305	88,338
	3	18,797	22,161	27,140	34,749	42,911	50,021	58,895	74,083	85,765
	2	18,617	21,414	26,569	33,735	41,659	48,564	57,179	71,923	83,265
	1	18,426	20,830	25,833	32,752	40,449	47,150	55,515	69,829	80,840

Note:

Salary ranges for Grades A–G are subject to the outcome of national pay negotiations.

Pay Statement Annex 2

Hampshire County Council

Standard and Voluntary Redundancy Schemes

Payments Based on Actual Weekly Pay

Current Age Groupings	Standard Redundancy Scheme (Weeks per year of service)	Years of Service	Voluntary Redundancy Scheme (Single Payment)
Service accrued up to and inc. 21	0.5	Service accrued – less than 2	0
Service accrued between 22-40	1.0	Service accrued – 2+	20
Service accrued age 41 and above	1.5		
Max Number of Weeks	30		

COUNCIL MEETING, 14 FEBRUARY 2019

REPORT OF THE
Cabinet
PART I

**1 CONSIDERATION OF MOTION REFERRED BY COUNTY COUNCIL:
BREXIT**

- 1.1 On 29 November 2018 County Council considered a Notice of Motion (Motion) submitted in accordance with Standing Order 18.1 as proposed by Cllr Gavin James and seconded by Cllr Martin Tod. The Motion is attached at Appendix A. In accordance with Standing Order 18.4 the County Council resolved to refer the Motion for consideration by Cabinet.
- 1.2 The Motion was considered by Cabinet at its meeting on 1 February 2019. The proposer of the Motion, Cllr James was unable to attend the Cabinet meeting due to prior work commitments. However the seconder, Cllr Tod attended the Cabinet meeting and explained the Motion.
- 1.3 Cabinet was of the view that Parliament was the appropriate place for the issues raised in the Motion to be debated and that the County Council should focus its attention on matters that fall within its areas of responsibility. Accordingly, a recommendation to County Council in this regard was proposed and agreed as set out below.

RECOMMENDATION

That the County Council notes the Report 'Brexit: The Potential Impact on the County Council's Resources and Services' considered by the Cabinet at its meeting on 10 December 2018 set out in Appendix B to this Report and supports the recommendations contained within that Report.

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COUNTY COUNCIL – 29 November 2018

NOTICE OF MOTION

ITEM 11

NOTICE OF MOTION SUBMITTED IN ACCORDANCE WITH STANDING ORDER 18.1

Proposed by Councillor Gavin James, seconded by Councillor Martin Tod:

“Council notes that it is now more than two years since the Referendum and the Government still has no coherent Brexit plan that has the support of a majority in Parliament. Since the vote in 2016:

- a) The performance of the UK economy has fallen behind. It is now the slowest growing economy in Europe with productivity slipping further and competitiveness reliant on the declining value of the Pound;
- b) Hampshire residents – particularly those on lower incomes – are being hit hard by rising inflation and squeezed pay rates;
- c) Confidence among investors and established businesses is ebbing with jobs moving away from the UK;
- d) Many non-UK EU nationals resident in the county have had their lives, and those of their UK-national families, destabilised by the uncertainty of Brexit. On top of the social impacts, local businesses and, above all the NHS are losing vital staff;
- e) New investment, which Hampshire relies on for future prosperity, is being jeopardised and new job opportunities are being lost;

Council believes that a ‘hard’ or ‘no deal’ Brexit will seriously harm the long-term prosperity of all Hampshire residents. With only 20 weeks to go before the UK leaves, it is vitally important that Hampshire County Council speaks up on their residents’ behalf.

Council calls on the government to abandon plans for a hard Brexit and to give the people of Hampshire a vote on the final deal, along with the opportunity to vote on keeping the irreplaceable benefits Britons currently enjoy by staying in the European Union.”

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	10th December 2018
Title:	Brexit: the potential impact on the County Council's resources and services
Report From:	Chief Executive

Contact name: Deborah Harkin, Assistant Chief Executive

Tel: 01962 845006

Email: Deborah.Harkin@hants.gov.uk

1. Recommendations:

- 1.1. To note the high-level findings from the scoping exercise on the potential impact Brexit may have on the County Council's resources and services.
- 1.2. To endorse the County Council's current activities in relation to Brexit, including contingency planning for a 'no deal' scenario.
- 1.3. To agree proposed future actions to strengthen Hampshire's resilience to any risks associated with Brexit, in collaboration with public and private sector partners, to help ensure the county's continued economic prosperity.

2. Executive Summary

2.1. The purpose of this report is to:

- provide an update on current and planned activities by the County Council in response to the evolving Brexit landscape;
- report on headline findings from the scoping exercise to assess the potential scale of impact that Brexit could have on the County Council's resources and services, and the subsequent steps being undertaken;
- identify areas of national policy development which the County Council, working through the Local Government Association and other strategic bodies, may wish to inform.

2.2. The report provides an overview of the **potential scope and depth of impact** the UK's exit from the EU (Brexit) could have on the County Council following an early scoping exercise. That provided a **snap shot in time** of the position within an uncertain and fast-moving landscape. That process primarily focussed on the potential impact to the **County Council's own resources and services**, as opposed to the wider affects it could have on the county of Hampshire.

- 2.3. However, the County Council is mindful of the strong interdependencies between the organisation and the local economy. A downturn in the national economy that might be triggered by a 'no deal scenario' or a 'hard Brexit' would have unwanted consequences for both the business community and the public sector. Therefore, additional separate work will be undertaken by the County Council, with local partners, to help support Hampshire's wider preparations for Brexit and beyond.
- 2.4. Due to the complex and evolving landscape, the County Council's scoping exercise was in effect a 'snap shot' in time, which **focused on the most relevant issues to the County Council**. The topics considered, and which are summarised in this report, are as follows:
- a. Potential impact on the County Council's workforce
 - b. EU settlement scheme and future immigration
 - c. Border changes – potential impact on port health, traffic management and transport infrastructure
 - d. Border changes – potential impact on Trading Standards
 - e. Border changes – wider implications for imports and exports
 - f. Current EU funding
 - g. Future EU funding and replacement funds
- 2.5. Given the high degree of uncertainty over whether a deal would be secured and approved before 29th March 2019, and without having clarity over what the future arrangements would be, it was **not feasible for the County Council to produce a detailed risk assessment**, nor to draw conclusions about the likely impact of Brexit.
- 2.6. However, the high-level scoping exercise has provided a basis for the County Council to undertake **more in-depth assessments as the landscape becomes clearer**. It has also helped highlight those areas where attention is needed to ensure the County Council is as resilient as possible to the potential risks associated with a no deal scenario.
- 2.7. Findings from the scoping exercise suggest that, post Brexit, there may be **more risks in the short to medium term**. The potential opportunities for local government, such as securing a more favourable legislative framework, and opportunities for the wider economy, for example realising benefits from new trade deals, are more likely to be delivered over the medium to longer term.
- 2.8. An **adverse impact on the national economy** could have serious consequences for the County Council, including even higher demand for its services and further reductions in its funding.
- 2.9. In addition to any negative macroeconomic impacts, the most pressing concerns for the County Council relate to the impact a 'no deal' scenario could have on **border operations**, including resource pressures for **Trading Standards**, and consequences for Hampshire's **transport network**, with the risk of serious congestion on routes to and from the Port of Portsmouth particularly if, as part of national contingency plans, traffic is diverted away from the Port of Dover to other roll-on/roll-off ports, including to the Port of Portsmouth.

- 2.10. Whilst the number of non-UK EU staff employed by the County Council is, in overall terms, low there is a risk that Brexit could increase the **challenges of retaining and recruiting staff shortage occupations**. For example, it may become harder to retain and recruit non-professionally qualified domiciliary care workers due to changes in settled status and the UK's immigration policy, both of which have yet to be clarified by the Government. Brexit also poses a risk to the **construction industry**, particularly in the South East where it employs a high number of non-UK EU workers, and therefore could affect the County Council's Capital Programme.
- 2.11. With less than five months until Brexit, the **pace of change is accelerating**, with several policy announcements due. With so much political uncertainty at the time of writing, it is important for the County Council to continue to **monitor developments and assess implications** of any changes for its resources and services.
- 2.12. Looking beyond March 2019, the County Council will want to continue working with local and regional partners, and through the Local Government Association and the County Council's Network, **to inform the Government's policy and legislative framework**.
- 2.13. The County Council will also wish to keep abreast of developments within Europe through its established mechanisms, including membership of the Assembly of European Regions (AER), to ensure Hampshire is well-placed to maximise any opportunities that may arise.

3. Contextual information about the evolving Brexit landscape

- 3.1. The County Council is mindful that the impact of Brexit will only start to become clear once the current political process to consider the draft Withdrawal Agreement has been worked through. The full impact is unlikely to be known for several years. Therefore, the County Council continues to closely monitor the evolving landscape and timelines, as set out in appendix one.
- 3.2. Whilst the Government remains confident it will be possible to deliver a smooth exit on 29th March 2019, concerns about a 'no deal scenario' have increased over recent months, primarily due to the Irish backstop issue. If the UK were to leave without an approved deal, there would be no transition / implementation period.
- 3.3. From August, the Government stepped up its contingency planning for a 'no deal' scenario, including issuing over a 100 [technical notices](#). A [summary](#) of those notices, including implications for local authorities has been produced by the LGA. In a recent communication to local authority leaders, the Secretary of State confirmed there would be continued engagement with local authorities on 'no deal' scenario planning, including a series of regional events organised by its Local Government EU Exit Delivery Board.
- 3.4. The high level of uncertainty has been exacerbated by the fact that the negotiations have been carried out under the principle ***"that nothing is agreed until everything is agreed"***. The detailed negotiations about the

future relationship are only able to commence once the UK has left the EU. This uncertainty, and the lack of clear information from central government, may account for why most local authorities have not yet undertaken any detailed work to assess the potential impact Brexit could have on their organisations and their local areas.¹

3.5. The complex and rapidly changing landscape could have significant implications for the County Council and the wider sector, for example:

- it is very difficult for the County Council to form a detailed, evidence-based assessment of the potential risks and opportunities of post Brexit arrangements whilst those arrangements have yet to be agreed;
- Brexit is likely to dominate the UK's legislative programme well beyond March 2019 leaving little room (or appetite) for central government to bring forward the type of radical long-term policy developments that may be required by local councils and the wider public sector;
- the possibility of the UK leaving the EU on 29th March without a deal would increase the risk of adverse national macroeconomic impacts and could produce a policy vacuum, both of which could have negative consequences for the County Council;
- even if a deal is approved, next year's Spending Review is unlikely to be based on a robust understanding of the economic implications of Brexit which will take time to emerge, therefore close monitoring will be important to ensure that funding is sufficient to meet any future service and financial pressures²

4. Current and planned activities in response to Brexit

4.1. Despite all the uncertainties the County Council has been undertaking early work with local partners and national agencies to ensure the necessary local contingency plans are put in place. It is also working through its strategic regional and national partnerships to influence and inform the Government's approach to Brexit and the UK's post Brexit policy framework.

4.2. Current and planned activities include:

- Ongoing work with the LGA's Post Brexit Commission³; on the future of non-metropolitan areas, including participation in the Commission's South

¹ The LGC Confidence Survey 2018 found 70% of local authorities had yet to put in place any Brexit preparations.

² The OBR's Fiscal Sustainability [Report](#) (July 2018) concluded that "Brexit is more likely to weaken public finances than strengthen them over the medium term due to its likely effect on the economy and tax revenues.

³ The Commission has highlighted a range of challenges applicable to Hampshire relating to housing, skills, digital connectivity, transport and infrastructure and is keen to avoid powers becoming more centralised after Brexit.

East roadshow on 18th December, having previously helped inform its [interim report](#) (June 2018);

- working through the LGA to influence MHCLG's Local Government [Brexit Delivery Board](#);
- working through CIPFA to advise MHCLG's EU Exit Advisory Board;
- attending DEFRA-led workshops on Environmental Regulations and Trading Standards;
- participating in the Government's Local Authorities and Port Health Authorities Border Planning Group;
- ongoing work through Hampshire and Isle of Wight's Local Resilience Forum (HIOW LRF) to assess risk and develop appropriate local civil contingency plans;
- participating in Enterprise M3 LEP's Brexit Intelligence Gathering meetings which are focused on developing effective mechanisms to communicate relevant advice and support for SME businesses;
- working with the LGA and Portsmouth City Council to run a regional Brexit [sounding board](#) on 7th December;
- hosting a Hampshire-wide event in the New Year to consider the broader implications Brexit could have on the county and what will be required in future to strengthen the region's economic resilience;
- working with Hampshire and Isle of Wight Local Government Association (HIOWLGA) partners to consider Brexit related risks and opportunities that are specific to local government in Hampshire.

5. Initial scoping of the potential impact on the County Council's workforce

5.1. Over recent months the County Council has begun to scope the potential impact Brexit could have on the County Council's workforce. The Employment in Hampshire County Council Committee received a report on 11th July summarising the potential impact Brexit could have on the Council's workforce. That report, [published on Hantsweb](#), concluded there were no immediate significant concerns nor actions needed and highlighted the following points:

- the full impact of Brexit on the labour market will take time to emerge and may change due to a Brexit transition / implementation period;
- the exact number of non-UK EU nationals employed by the County Council was difficult to quantify due to SAP limitations at the time;
- out of the 12,762 staff employed (excluding schools) an estimated 322 staff were non-UK EU citizens;
- migrant workers (both EU and non-EU) were primarily recruited into 'shortage occupations' (including: teachers, nurses, engineers, and low skilled workers such as non-professionally qualified care assistants, cleaners, caterers and waste operators);

- HR would continue to monitor the County Council's workforce demographics and any future changes to UK employment legislation.
- 5.2. The County Council is now collecting nationality data for all new employees in order to enable assessment of the County Council's reliance on EU (and non-EU) candidates and identify where there are recruitment and retention issues.
- 5.3. Despite the uncertainty about the impact Brexit could have on the County Council's ability to retain and recruit staff, the initial scoping suggests that risk to the workforce is, in overall terms, relatively low.
- 5.4. The following observations have been noted:
- the social care sector may be vulnerable to changes in migration rules given that, nationally, 7% of EU nationals make up its workforce. The position in Hampshire is similar, although initial scoping by Adults' Health and Care (February 2018) showed that Hampshire has a higher reliance on migrant non-EU workers (12%) as compared to EU workers (8%);
 - the UK's post Brexit immigration policy is likely to apply equally to all migrant workers and favour high skilled workers. Consequently, the main area of risk to Adults' Health and Care's workforce is likely to be filling non-professionally qualified care worker roles, such as those in domiciliary care and also impact on its extended workforce. However, as there is already an annual 30% churn in the department's workforce, Brexit may simply exacerbate current challenges. Adults' Health and Care are already seeking to exploit technology to help address workforce challenges, whilst improving the efficiency and outcomes of its services.
 - Of greater concern to Adults' Health and Care is the potential impact a 'no deal' or 'hard Brexit' could have on the national economy, and the knock-on affect that would have on local government. An economic downturn could increase budget pressures, add to service costs, and exacerbate the rising demand for services. It might also pose risks to external agencies / providers and other key stakeholders, such as the local voluntary and community sector.
 - The potential impact on the workforce of other services, such as IT and Education Services (e.g. modern language teachers), is currently perceived to be relatively low. For example, Children's Services workforce, particularly children's social care, is a largely skilled sector that is heavily language and culturally specific.
 - Of greater concern to Children's Services is that a 'no deal' scenario, or a 'hard Brexit,' may increase the risk of more unaccompanied asylum-seeking children entering the UK due to a refusal or inability to carry out enough checks at borders and, more generally lead to a rise in demand for its services.
 - Brexit also poses a risk to the UK's construction industry, as it employs a high number of non-UK EU workers, especially in London and the South East. This fact, combined with the risk of an economic downturn post Brexit, may be of concern to the County Council's Property Services and to the Department for Economy, Transport and Environment, as it could have implications on the County Council's Capital Programme, including its

schools and road building programmes. (A report to the Executive Member for Children's Services in January 2018 noted there was considerable uncertainty in the market due to Brexit).

6. EU settlement scheme and future immigration

- 6.1. Assuming the draft Withdrawal Agreement is ratified by end of March 2019 there will be a transition period during which time all workers' rights and current settlement status under EU law will be maintained.
- 6.2. The draft Withdrawal Agreement provides scope to make future rights to reside conditional on registration under a national scheme. Therefore, the Home Office has developed an EU Settlement Scheme. It will require all non-UK EU citizens who wish to continue living and working in the UK to register with the scheme for settled status by July 2021. It is the Government's stated default position to grant, rather than refuse, settled status. This [registration scheme](#) is expected to be in full operation by March 2019. As part of an initial pilot, all those working in the NHS or social care will be able to register from 29th November⁴. The County Council has already issued a notice to staff about the scheme and further communications are planned in order to keep staff informed of developments. Additional advice and support will be provided where needed.
- 6.3. The Prime Minister and the Home Secretary have indicated that, in the event of a 'no deal', the Government would protect the rights of EU citizens working in the UK and a formal statement on this matter is expected.
- 6.4. With regard to future immigration, the Government has indicated it is minded to accept the [recommendations](#) from the Migration Advisory Committee (MAC). This would end the preference given to EEA migrant workers and instead establish a new skills-based system open to all. A White Paper on a future immigration policy is expected later this year, with legislation to be brought forward next year.
- 6.5. Despite evidence from the sector, including from the County Council, about the high number of non-UK EU nationals who work in services such as social care, construction and tourism, MAC recommends introducing a policy that prioritises high skilled workers without any explicit work migration route for low-skilled workers, except for seasonal agricultural workers. However, the Secretary of State for Health has indicated that discussions were underway over whether there should be some exceptions in the future immigration policy to ensure a sufficient supply of care workers.
- 6.6. If all the recommendations within MAC's report are adopted, it could lead to pay pressures for low-skilled posts which, up to now have been largely been filled by non-UK EU workers.

7. Border changes – initial scoping of potential impact on port health, traffic management, and transport infrastructure

⁴ The Home Office has produced a [toolkit](#) for employers and an LGA briefing note on the subject is expected imminently.

- 7.1. Border changes and post Brexit trade arrangements pose both potential risks and opportunities to Hampshire given the relevance of the Port of Portsmouth, which deals primarily with roll-on/roll-off traffic to and from Europe, and the national economic importance of the International Port of Southampton, which is already the UK's primary port for car exports, with over 90% of exports going to non-EU markets. Looking ahead, the County Council will want to ensure the region's transport infrastructure secures the required investment to support the efficient flow of traffic to and from both ports, as well as to and from Southampton Airport.
- 7.2. The immediate risk posed by a 'no deal' scenario is to the capacity at UK borders to manage customs and regulatory checks and the consequences any delays would have on the wider transport network. There is also concern about post Brexit operations at French ports which could have a knock-on effect – for example, disrupting the flow of traffic to and from the UK or, potentially, leading to an increase in the number of unaccompanied asylum-seeking children arriving at Portsmouth from Caen.
- 7.3. New customs and regulatory checks could not only increase pressure on local authority trading standards but would likely cause delays to the flow of traffic. This raises wider concerns about the capacity of port infrastructure, the impact on the wider transport network, and the infrastructure that could be required to facilitate and service lorry parks.
- 7.4. Hampshire's infrastructure and port operations could also be affected if Kent were to experience disruptions at Eurotunnel and at the Port of Dover which is the UK's largest roll-on/roll-off entry point for HGVs arriving from Europe. Whilst the type and scale of operations at the Port of Dover are different from those at the ports of Portsmouth and Southampton, in the case of a 'no deal' scenario, the Government intends to divert traffic away from Dover to other UK ports, including to the Port of Portsmouth and, potentially, to the Port of Poole.
- 7.5. Even if a deal is approved, Brexit will bring new challenges to the Port of Portsmouth because, unlike the Port of Southampton which regularly deals with non-EU freight, Portsmouth currently manages roll-on/roll-off traffic to and from Europe, which due to EU's freedom of movement, has been able to flow freely with minimal checks. Post Brexit Third Country regulatory and custom checks are likely to be applied, with the full implications yet unknown. Under a 'no deal' scenario it will also have to manage additional volumes of traffic from Dover.
- 7.6. Similarly, under a 'no deal' scenario, all animal exports will have to be checked at a Border Inspection Posts (BIP). At present, one fifth of UK exports go across the Dover Strait to Calais where there is currently no BIP. If animal exports need to be re-routed this would have consequences for UK roads and other ports.
- 7.7. Due to these risks, the Government's Border Delivery Group has been developing contingency plans focussing on ports it considers to be most at risk, including the Port of Portsmouth. The County Council is involved in the 'Local Authorities and Port Health Authorities Border Planning Group' which is a cross departmental group focussed on 'no deal' scenario planning. Its

objective is to ensure the borders work from 'day one' in terms of security, flow of goods and people, and the collection and protection of revenue.

- 7.8. Linked to this, Hampshire and Isle of Wight's Local Resilience Forum (HIOW LRF) has been provided with national contingency planning assumptions which have been underway since July. The County Council's Emergency Planning team have confirmed that the locally identified immediate and emergency impacts of a no deal scenario would be transport disruption, particularly around the Port of Portsmouth. The national planning assumptions are for up to 12 weeks of disruptions to roll-on/roll-off ports, including to the Port of Portsmouth, following a 'no deal' Brexit. It also has given indications that, in a 'no deal' scenario, airlines may not be able to fly to European destinations for up to seven days after Brexit.
- 7.9. The HIOW LRF has undertaken an initial risk assessment. It will continue to refine its assessment as impacts become clearer. Early actions have involved consideration of where lorries may need to be parked should there be significant delays at the Port of Portsmouth. The HIOW LRF continues to liaise closely with Kent's LRF to share intelligence.

8. Border changes – initial scoping of potential impact on Trading Standards

- 8.1. Whilst the Government's 'no deal' technical notices acknowledge the resource implications for Trading Standards, they lack the detail required to enable local authorities to undertake robust impact assessments. Trading Standards will need to retain knowledge of the current European requirements and understand any new equivalent UK legislation. Additional training will be required and, in the short-term, could impact on the team's productivity.
- 8.2. Kent County Council believes they may need to recruit an additional 14 officers to respond to the scale of change at the Port of Dover. Unlike local authority Trading Standards, the Food Standards Agency has been given a substantial uplift in funding due to risks associated with Brexit. This uplift will be used to recruit around an extra sixty food fraud officers, duplicating what is already in place at local government level.
- 8.3. Compliance risks may also increase over the medium to longer-term, leading to further service pressures on Trading Standards as businesses potentially struggle in the post Brexit climate. Unless the Government assists in meeting the additional resource pressures, there could be regulatory failures.

9. Border changes – potential wider implications for imports and exports

- 9.1. **Implications for Public Health** - Public Health understand that work is being undertaken at a national level regarding the supply of medicines (NHS England) and vaccines (Public Health England). The Secretary of State has confirmed that under a no-deal scenario hospitals, GPs and community pharmacies in the UK do not need to take steps to stockpile additional drugs or medical devices. Public Health is in close contact with the NHS England and Public Health Executive awaiting further advice and direction.

9.2. Implications for Waste & Resource Management - There has been some concerns expressed about cessation of the Waste Shipment notifications that will require waste exporters to be reapproved in order to ship waste to the EU - a process that normally takes three to six months. Exporters may have to wait until after the UK leaves the EU before they can apply to be reapproved. A three to six-month hiatus in waste exports could mean 1.8 million tonnes of waste stranded in the UK. This is unlikely to impact the County Council's waste management operations as, unlike some of its neighbours who are reliant on EU incineration capacity, the majority of the County Council's residual waste is sent to its own Energy Recovery Facilities. The County Council does not export residual waste to Europe. However, the County Council is working with its waste contractor, Veolia, to ensure that any recyclable materials that are exported, either for processing in the EU or to transit through the EU, would have alternative options under a 'no deal' scenario.

10. Current EU funding

- 10.1. Over the last year the local government sector has stressed the importance of EU funding to the UK, especially the need to protect EU Structural Investment Funds (ESIF) that have been allocated to the UK, through the EU's multi-annual financial framework (MMF) covering the period 2014-2020. Earlier this summer the Government confirmed it will guarantee those funds irrespective of whether or not a deal is secured.
- 10.2. European Structural and Investments Funds (currently worth €17.2bn to the UK), are designed to reduce regional disparities. They include the European Regional Development Fund (ERDF), focused on business support and innovation, and the European Social Fund (ESF), which concentrates on social inclusion. The ERDF and ESF have been value to the County Council, supporting economic growth and inclusive communities.
- 10.3. Structural Funds also include the European Agricultural Fund for Rural Development (EAFRD), which has supported the development of rural areas and reforms within the agricultural sector.
- 10.4. In England Structural Funds are managed on behalf of the EU by Whitehall departments with different regions being allocated different amounts, via the LEPs. For example, Wales receives the largest share of ESF and ERDF funding (approximately €340 million per annum), whereas the South East region receives the least amount (approximately €40 million per year). Despite the regional disadvantage, these funds are still very important for the economic prosperity of Hampshire. During the 2014 – 2020 period the total amount of Structural Funds allocated to the Enterprise M3 LEP was €53.9m, and the total amount allocated to the Solent LEP was €42.9m.
- 10.5. In addition to Structural Funds, the other most significant EU funding channel to the UK is the European Agricultural Guarantee Fund – worth €22.5bn to the UK during this funding period. This is the primary mechanism used for implementing the EU's Common Agricultural Policy (CAP) and involves direct payments and market measures to support the agricultural sector.

10.6. It is estimated that the County Council has directly secured around £13m of EU funding over the last 12 years, broken down as follows:

- £6.3m from European Structural Funds (including ESF, EARDF and EAFRD);
- £5.7m⁵ from Common Agricultural Policy (CAP) funding;
- £1.3m from Interreg Channel and the 2 Seas programmes.

10.7. European Structural Funds have financed some important local projects, such as the LEADER 2014-20 Programme, which supports Hampshire's rural communities, as well as a series of education and training projects targeted at those Not in Education, Employment or Training. European Interreg funding has also supported a variety of projects that have been of benefit to the county. For example, the Eco2mobility scheme which promoted green travel, and the current Step by Step Public Health project that aims to improve mental health support.

10.8. European CAP funding plays an important role in enabling the stewardship of Hampshire's countryside. It also supports the 700 plus farms within the county. A farm business survey by Rural Business Research shows that on average Hampshire farms receive £32,082 per annum in Basic Payment Scheme monies. Those same farms, on average, make an annual net profit of £38,402. Therefore, without a replacement to CAP funding the viability of the farms is likely to be put at risk.

11. Future EU funding and replacement funds

11.1. As mentioned above, the Government has agreed to underwrite the full 2014-20 EU programme period and allocation of funds, even if there is a 'no deal' scenario. This means that Whitehall will continue to sign new projects after the EU exit, during 2019 and 2020, up to the value of programme allocations.

11.2. LEPs are continuing to issue call windows for ERDF and ESF. Provided projects are contracted by 31st December 2020, the funding will be guaranteed to enable projects to run up to 31st December 2023. Enterprise M3 LEP is currently on track to allocate the remaining sums of ERDF (approximately £12m) and ESF (approximately £2.5m). This is despite national concerns that the Government has been slow to allocate funding after it was recently reported that only 48% of ESF funding for the 2014-20 period has been so far allocated by the DWP.

11.3. Looking to the future, it will be important to ensure that the design and allocation of the UK Shared Prosperity Fund (UKSPF) which will replace EU structural funding, is more efficient, fair and transparent than the current EU funding arrangements. Government indications are that it will be targeted at reducing regional disparities. However, it is still unclear how much funding

⁵ This includes Basic Payment Scheme monies received by HCC but excludes monies received by tenanted County Farms estate receives as those payments are claimed for directly by the tenant farmers.

will be made available, how it will be allocated, what activities will be eligible, and who will take decisions over how the funding is spent. Early indications suggest that LEPs or Combined Authorities may have a key role in the allocation of funding. The Government is due to formally consult on the UKSPF before the end of the year.

- 11.4. The LGA has called for this replacement funding to be set in the context of English devolution⁶, having drawn attention to the fact that Greater Manchester already has partially devolved EU funding which is worth £322m. The sector is also anxious to ensure the Government learns from the flaws in the administration and implementation of the current system, which most recognise as unnecessarily complex and bureaucratic.
- 11.5. The County Council may also wish to monitor progress of the Agricultural Bill as it sets out plans to replace CAP funding which, as mentioned above, has contributed significantly to Hampshire's rural communities and is of direct relevance to County farms. The draft legislation aims to give stability to farmers as the UK exits from the Common Agricultural Policy and becomes compliant with the World Trade Organisation Agreement on Agriculture. It also includes measures to change the way farmers and land managers are supported in the longer term.
- 11.6. The Government has pledged to continue to commit the same cash total in funds (some €4bn per year) for farm support across the UK until the end of this Parliament. The Bill is designed to allow government policy to "evolve" in response to "changing environmental priorities and changing social and economic circumstances". The bill makes provision for the Government to provide financial assistance to those managing the land and delivering public benefits, such as air and water quality and public access. It proposes to phase out direct payments over a seven-year agricultural transition period from 2021, bringing an end to direct payments in 2027.

12. Informing national policy development

- 12.1. The LGA's [Brexit Taskforce report](#), (June 2018) set out the key issues for local councils and the future legislative reforms that would help the sector.
- 12.2. Similarly, the LGA's Post Brexit Commission's [interim report](#) on the future of non metropolitan England (June 2018) raised a number of policy issues which the County Council may wish to assist with, in order to inform the Commission's final recommendations next year.
- 12.3. Working through the LGA, and in partnership with others, the County Council may also wish to influence:
 - the development and allocation procedures for the UK Shared Prosperity Fund (UKSPF) to ensure the South East receives its fair share and that county councils, given their democratic mandate and delivery capacity, are given a greater role in the distribution of future local growth funds;

⁶ See the *Moving the Conversation On* [report](#) of the LGA's Brexit Taskforce, chaired by Cllr Kevin Bentley (Essex County Council)

- the Government's approach to enabling the UK will be able to 'buy in' to other EU funding programmes post Brexit, such as Horizon 2020 and the Erasmus student exchange programme, to support local universities and future prosperity;
- future legislative reforms in areas such as State Aid rules following the repatriation of legislation into domestic law;
- the development of a new immigration policy and a future skills policy to support the delivery of an effective local based industrial strategy and Hampshire's continued economic prosperity;
- further devolution post Brexit and to seek greater flexibility over local charging policies and wider fiscal freedoms.⁷

13. Subsequent actions following the initial scoping exercise

- 13.1. Following the initial scoping exercise, a cross departmental officer Brexit Advisory Group is being established to assess developments and inform the County Council's response. It will also advise on what service specific impact assessments may be required and give further attention to 'no deal' scenario planning in order to strengthen Hampshire's resilience against associated risks.
- 13.2. The County Council, in its community leadership role, and in consultation with local business organisations and Whitehall Departments, is developing plans for a whole Hampshire event to be held in the New Year. It aims to bring together local business representatives, colleagues from the wider public sector and Government officials, to discuss the potential risks and opportunities that Brexit poses to the local economy. This event will follow on from a December LGA sounding board, which will be held in Portsmouth. By facilitating the whole Hampshire event, the County Council will provide the county with a platform to discuss its concerns and ambitions and draw attention to actions needed to maintain the county's continued economic prosperity.

⁷ The LGA has argued that Brexit provides the opportunity for a new local/central settlement in a post-Brexit UK, ensuring that powers from Europe are devolved beyond Whitehall to local communities – see https://www.local.gov.uk/sites/default/files/documents/5.39%20Brexit_v06WEB.pdf

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

1.3. The recommendations in this report would not have any direct impact on the equality of protected groups. Any subsequent recommendations that may follow in due course would be subject to the County Council's equality impact assessment procedures.

2. Impact on Crime and Disorder:

2.1. The recommendations are not considered to have any direct impact on crime and disorder although the work of the HLOW LRF with regard to Brexit takes seeks to address various risks, including possible public disorder.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

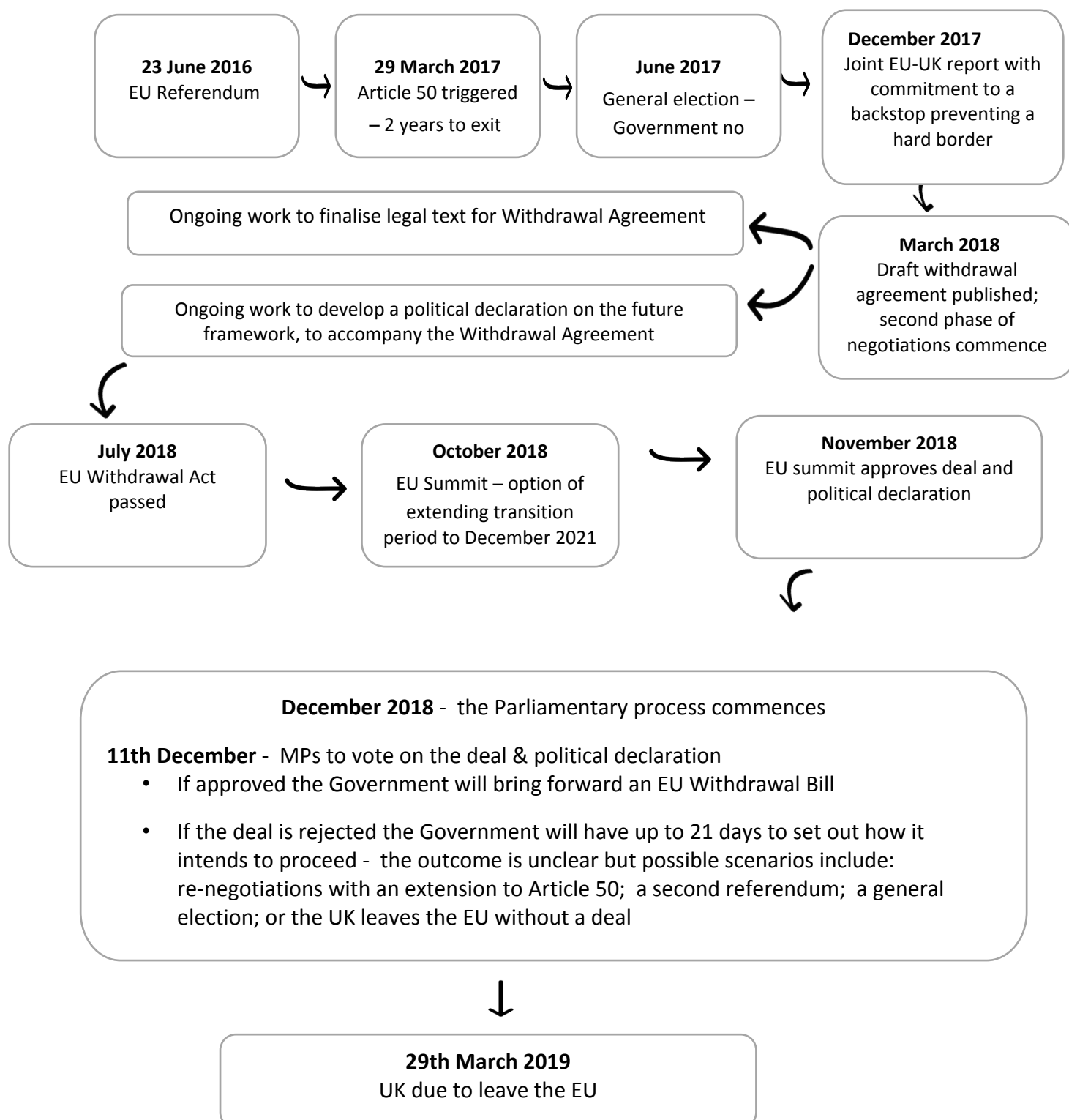
n/a

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer-term impacts?

n/a

Appendix One - The evolving landscape

Overview of Brexit Timeline



Detailed Summary of Brexit Timeline

June 2016 - UK vote to leave the EU by 51.9% to 48.1% (the first time a national referendum in the UK had gone against the stated preferred option of the government)

13th July 2016 - Theresa May becomes Prime Minister

29th March 2017 - UK Parliament invokes Article 50 on the Treaty of European Union, triggering the two year withdrawal process

June 2017 - The PM calls a snap General Election (aimed to strengthen her Brexit negotiating hand but the Government's loses its overall majority so establishes a 'confidence and supply' arrangement with the DUP)

December 2017 - Joint EU UK report on an outline for the Withdrawal Agreement, including the agreement that, if necessary, a 'backstop' plan to avoid a hard border between the Republic of Ireland and Northern Ireland would be put in place.

12th January 2018 - PM's speech at Lancaster House in which she set out her 12 priorities for negotiating a Brexit deal with the EU

March 2018 - UK and EU published the draft Withdrawal Agreement – having reached agreement on the terms of a two year implementation / transition period; the financial settlement (£39bn) and citizens rights, including an 'EU settlement status scheme' and for a political declaration on future framework to accompany the Withdrawal Agreement.

March 2018 - PM's speech at Mansion House in which she set out her vision for the UK's future economic partnership with EU

July 2018 - The EU (Withdrawal) Act 2018 received Royal Assent – this ensures the vast majority of EU laws will be transposed into UK law post Brexit. It makes provision for the Government to amend retained EU law post 2020 which opens up possible opportunities to improve regulations that affect local government functions e.g. State Aid and procurement rules

July 2018 – Government's White Paper on the future relationship with the EU, based on controversial Chequers plan (led to two senior Cabinet resignations)

July 2018 - Inaugural meeting of the Brexit Local Government Delivery Board, chaired by James Brokenshire, Secretary of State for HCLG, and attended by the LGA and CCN. (still awaiting second meeting which had been due to be held towards the end of November)

24th July 2018 - White Paper on legislating for the Withdrawal Agreement (EU Withdrawal Agreement) Bill, including all procedures required before ratification

23rd August 2018 - UK publishes the first batch of technical notices to advise businesses on what action they should take to prepare in the event of a 'no deal' scenario. (topics included EU funded programmes, farming, importing and exporting, State Aid, and workers rights but not immigration)

19th /20th Sept - Salzburg EU Summit - EU27 rejected the PM's Chequers proposal and a clear impasse between the UK and EU27 over the Irish border backstop

13th & 24th September –UK publishes more technical notices for preparation in case of a 'no deal' scenario

25th September – Labour Party Conference - the leadership indicates they are likely to vote down any deal negotiated by the PM unless it meets their 'six tests' and, if unable to secure a GE, is likely to back its membership's call for a second referendum

Early October - Conservative Party Conference - considerable pressure on the PM to "chuck Chequers" as the PM pleads to her Party to hold its nerve during the most critical stage of the negotiations, suggesting a good deal would bring an end to austerity

12th October 2018 - final batch of technical notices issued

18 October 2018 - EU Council – no significant progress made but suggestion of extending the proposed transition period was floated.

29th October 2018 - UK Budget Statement - (brought forward to avoid clashing with final stages of the Brexit negotiations)

14th November 2018 - Negotiated deal considered by Theresa May's Cabinet – after five hours collective agreement was reached

15th November 2018 - Two Cabinet resignations, including Brexit Secretary, Dominic Raab, with further government resignations considered likely.

25th November 2018 - EU Summit agree the negotiated deal and political declaration on the future relationship

11th December 2018 - 'meaningful vote' for MPs before legislation can be introduced to give effect to a Withdrawal Agreement and future framework

NB - if Parliament rejects the deal the Government will have up to 21 days to set out how it intends to proceed. The Commons will then have a short period to consider the statement and vote on a motion. The outcome is yet unclear but could include re-negotiations with the EU27, a 2nd referendum, a General Election or result in the UK leaving the EU without a deal.

21st December 2018 – 4th January 2019 - **Parliamentary Recess**

Late 2018/ Early 2019 – EU (Withdrawal Agreement) Bill to be considered by both Houses of Parliament, followed by consideration by the EU Parliament and the EU Council

29th March 2019 - UK is due to leave the EU by 11pm local time.

May 2019 - European Parliamentary Elections

31st December 2020 End of the proposed transition period (unless a single, time limited extension is agreed between the EU and the UK)

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COUNCIL MEETING, 14 February 2019

REPORT OF THE
HAMPSHIRE FIRE and RESCUE AUTHORITY
PART II

1. CHAIRMAN'S REPORT

- 1.1. At its extraordinary meeting of 24 January 2019, the Hampshire Fire and Rescue Authority unanimously approved the proposal to create a Combined Fire authority with the Isle of Wight. This decision followed a twelve week consultation, which took place at the end of 2018 across all of the authorities areas. Hampshire Fire and Rescue Authority welcomed the attendance of the Police and Crime Commissioner and Councillor Tig Outlaw from the Isle of Wight Council at the meeting, who both spoke in support of the recommendations. Later on the 24 January, the proposal was also unanimously supported by the Isle of Wight Cabinet. The recommendations will now be considered by the Secretary of State.

At the same meeting, the Authority also learned that Steve Apter had been appointed as the new Deputy Chief Fire Officer. Steve would join the Service with a wealth of experience and handover preparations were in place ahead of the current Deputy, Andy Bowers', retirement in June 2019.

- 1.2. The Full Authority also had a meeting on the 5 December 2018, where it approved the Annual Assurance Statement for 2017/18. Members also agreed to establish six additional Fire Cadet units across the County and fund new Mobile Data Terminals (MDT's) across the Hampshire Fire and Rescue Service fleet.

Further details can be found at the following links:

- [HFRA - 24 January 2019](#)
- [HFRA - 5 December 2018](#)

COUNCILLOR CHRIS CARTER
Chairman of Hampshire Fire and Rescue Authority

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COUNCIL MEETING, 14 FEBRUARY 2019

REPORT OF THE
Health and Wellbeing Board
PART II

1. CONSTITUTIONAL ARRANGEMENTS: APPOINTMENTS TO THE HEALTH AND WELLBEING BOARD FOR HAMPSHIRE

- 1.1. The Health and Wellbeing Board for Hampshire ('HWBB') was established on 18 July 2013 by virtue of the Health and Social Care Act 2012 as a usual committee of the County Council but with more flexibility in terms of formal governance than is normally the case, such as its membership and voting rights.
- 1.2. At the Council meeting on 30 May 2014, authority was given to the Head of Law and Governance (Monitoring Officer), in consultation with the Chairman of the Health and Wellbeing Board, to amend the membership and terms of reference of the HWBB to facilitate the effective discharge of its responsibilities and to report back any changes to the next meeting of the County Council.
- 1.3. The following appointments have been made under delegated authority:
 - Steve Turner, appointed as the substitute Healthwatch Hampshire representative
 - Councillor Tony Capon, Basingstoke and Deane Borough Council, appointed as the second substitute District and Borough Council Elected Member Representative (nominated by the Hampshire and Isle of Wight Local Government Association)
 - Anja Kimberley, Head of Performance and Information, appointed as substitute member to the Police and Crime Commissioner for Hampshire
 - Julie Amies, Energise Me, appointed as the substitute Voluntary Sector Representative

Councillor Liz Fairhurst
Chairman, Health and Wellbeing Board

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COUNCIL MEETING, 14 FEBRUARY 2019

REPORT OF THE
Executive Member for Public Health
PART II

1. SMOKING CESSATION SERVICE

- 1.1 On 16 January 2019 the Executive Member for Public Health gave approval to spend up to a maximum of £11.0m on a new Smoking Cessation Service. The contract will replace the existing contract and is due to commence from 1 October 2019 with a maximum contract term of 5 years (3 years with an option to extend for a period or periods of up to 2 years).
- 1.2 Smoking is the most important cause of preventable ill health and premature mortality in the UK and is a major cause of health inequalities. Smoking is a modifiable lifestyle risk factor; effective tobacco control measures can reduce the prevalence of smoking in the population. Supporting people to stop smoking directly contributes to improving health and wellbeing. Evidence-based, specialist smoking cessation services are the most effective way to quit.
- 1.3 The re-procurement of this service enables us to review the current service model and build in improvements to the new contract. In order to provide a service that is fit for the future, we will be commissioning a service that offers 3 tiers of support and is designed to provide value whilst meeting the needs of smokers better. The 3 tiers of support are:
- Specialist support of top quality for smokers who need it and are willing to make the necessary commitment (specialist service)
 - Brief support and a stop-smoking medicine for those who want help but do not require a specialist course (GP/pharmacy)
 - Self support for those who want to stop but do not want professional support (digital / support pack)
- 1.4 The most intensive level of support will be provided to groups most at risk of smoking related ill-health and/or may find it hard to quit with less support. These groups of people include people living in areas of greatest deprivation, routine and manual workers, pregnant women and those with existing long-term conditions. The provider will be expected to pro-actively market the service to the target demographic groups using insight and market segmentation and provide a user friendly digital front door as well as other access points to the service.

2. PUBLIC HEALTH NURSING SERVICE

- 2.1 On 22 January 2019 the Executive Member for Public Health agreed to spend for the Hampshire Public Health Nursing Service, 0-19 years, up to the maximum value of £144.7m (£20.6m p.a. for 7 years + £0.5m transformation money), for a maximum contract term of 7 years (5 years with the option to

extend for a period or periods of up to 2 years), commencing on 1 August 2020.

- 2.2 Responsibilities for commissioning for school nursing and health visiting transferred from NHS England to local authorities in 2013 and 2015 respectively. Since that time Public Health in Hampshire County Council has been the lead commissioner for these Public Health nursing services. The five face-to-face checks provided by health visiting and the National Child Measurement Programme provided by school nursing are mandated elements of the service. Together health visiting and school nursing deliver the Healthy Child Programme.
- 2.3 It is proposed that the following transformation is part of the new service: Health visiting and school nursing are combined into a single 0-19 Public Health Nursing service and that the division between services for 0-4 and 5-19 year olds is removed. The separate health visiting and school nursing contracts will be combined into a single service, underpinned by a single service specification. This will ensure that Public Health nursing services are provided by a single provider in Hampshire on an ongoing basis.
- 2.4 A number of contracts delivering services for children and young people come to an end in 2020 across the Council and the NHS. Decision making bodies in the CCGs, NHS England, Public Health and Childrens Service's have agreed to utilise the opportunity to increase integration with a view to improving outcomes for families. There will be a series of three aligned procurements resulting in a new model of delivery by 2022/23, of which this is the first one. HCC and NHS England Public Health nursing will be procured at the same time, with alignment to phase 2 (CCG community services) and 3 (CAMHS and neurodiversity services) CCG led procurements. The providers of these new contracts will work together to provide integrated care pathways between services.

Further details can be found at the links below:

[Executive Member for Public Health 16 January 2019](#)

[Executive Member for Public Health 22 January 2019](#)

COUNCILLOR PATRICIA STALLARD
Executive Member for Public Health