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Hampshire County Council

SUMMONS

To the Members of the County Council

You are hereby summoned to attend the County Council to be held at The Castle, Winchester at 10.00 am on Thursday, 20th September, 2018 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**

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 5 - 10)

   To confirm the Minutes of the meeting held on 18 May 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 the following deputations:

a) School Transport Provision on Ancells Farm in Fleet - Mr Theo Holloway

b) Government proposals to amend Permitted Development rules - Mr Barrie Slipper

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 11 - 12)

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. **END OF YEAR FINANCIAL REPORT: 2017/18** (Pages 13 - 60)

To consider a report of the Cabinet setting out the end of year position for the financial period 2017/18. Approval is also sought of the County Council's treasury management activity and prudential indicators.

10. **MEDIUM TERM FINANCIAL STRATEGY** (Pages 61 - 112)

To consider a report of the Cabinet recommending a number of decisions in regard to the medium term financial strategy.

11. **CHANGES IN RESPONSIBILITY FOR EXECUTIVE AND SCRUTINY FUNCTIONS** (Pages 113 - 130)

To consider a report of the Cabinet seeking approval of changes in the responsibility for Executive and Scrutiny functions.

12. **CONSTITUTIONAL MATTER - DELEGATION OF APPROVAL OF ABSENCE** (Pages 131 - 134)

To consider a report of the Conduct Advisory Panel recommending that responsibility for approval of absence of an elected Member of the County Council, pursuant to Section 85 of the Local Government Act 1972, be delegated to the Conduct Advisory Panel.

13. **DRAFT CONSULTATION RESPONSE: PROPOSED CREATION OF A NEW COMBINED FIRE AUTHORITY FOR HAMPSHIRE, ISLE OF WIGHT, PORTSMOUTH AND SOUTHAMPTON** (Pages 135 - 138)

To consider a report of the Chief Executive seeking approval of a draft response to the consultation on the proposed creation of a new Combined Fire Authority for Hampshire, Isle of Wight, Portsmouth and Southampton.

Part II: Matters for Information

14. **HAMPSHIRE FIRE AND RESCUE AUTHORITY**

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 (Pages 139 - 140)

To receive a report from the Authority

15. **ANNUAL REPORT OF POLICY AND RESOURCES SELECT COMMITTEE** (Pages 141 - 148)

To receive the annual report of the Policy and Resources Select Committee summarising the work carried out by the County Council's Select Committees during 2017/18.

16. **ANNUAL REPORT OF HEALTH AND ADULT SOCIAL CARE SELECT COMMITTEE** (Pages 149 - 154)

To receive the annual report of the Health and Adult Social Care Select Committee summarising the Health Scrutiny work carried out by the Committee during 2017/18.

17. **CONSTITUTIONAL ARRANGEMENTS: APPOINTMENTS TO THE HEALTH AND WELLBEING BOARD FOR HAMPSHIRE** (Pages 155 - 156)

To receive a report from the Chairman of the Health and Wellbeing Board for Hampshire notifying the Council of appointments made to the Board under delegated authority.

18. **EXECUTIVE AND COMMITTEE REPORTS**

To receive for information the reports of the following:

a) The Leader/Cabinet (Pages 157 - 158)

b) Executive Member for Public Health (Pages 159 - 160)

c) Executive Lead Member for Children's Services (Pages 161 - 162)

d) Executive Member for Adult Social Care and Health (Pages 163 - 164)

John Coughlan CBE
Chief Executive
The Castle
Winchester

Wednesday, 12 September 2018

AT A MEETING of the County Council of HAMPSHIRE COUNTY COUNCIL held at the castle, Winchester on Friday, 18th May, 2018

Chairman:
* Councillor Elaine Still

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

*Present

Honorary Aldermen, Keith Chapman MBE, Colin Davidovitz, Roger Kimber, Sharyn Wheale and Michael Woodhall were also in attendance.

66. **OUTGOING CHAIRMAN'S COMMENTS**

Prior to the commencement of formal business, the Retiring Chairman presented his final announcements to the Council and expanded on duties undertaken since the last meeting of the Council to represent and promote the County Council. The list of engagements had been previously circulated. In particular he reflected on his abseil down the Spinnaker Tower in Portsmouth and his Chairman's Concert held at the Albert Hall in London.

The retiring Chairman was delighted to announce that Gill Clements, a carer at Westholme Residential and Nursing Home, had been named as Britain's Best Care Home worker at the Great British Care Award finals and to present Gill with her award.

The full announcements are attached as an appendix to these Minutes.

67. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Peter Chegwyn, Peter Edgar, Keith Evans, Mark Kemp-Gee, Rupert Kyrle, David Simpson and Jan Warwick.

Apologies were also received from Honorary Aldermen Patricia Banks and Marilyn Tucker.

68. **ELECTION OF CHAIRMAN**

The Chief Executive, as the Proper Officer, called for nominations. Councillor Stephen Reid, seconded by Councillor Anna McNair-Scott proposed that Elaine Still be elected Chairman of the Council until the Annual General Meeting of the Council in 2019. No other nominations were received therefore the proposition was put to the vote and carried.

ORDERED:
That Councillor Elaine Still be elected Chairman of the County Council until the Annual General Meeting in 2019. Councillor Still made the declaration of Acceptance of Office and took the chair.

69. **APPOINTMENT OF VICE-CHAIRMAN**

The Chairman invited nominations for the position of Vice-Chairman of the Council. Councillor Roger Huxstep, seconded by Councillor Bill Withers proposed Councillor Charles Choudhary. No other nominations were received therefore the proposition was put to the vote and carried.

ORDERED:
That Councillor Charles Choudhary be appointed as Vice-Chairman of the County Council until the Annual General Meeting in 2019. Councillor Choudhary made the declaration of Acceptance of Office.

70. **INCOMING CHAIRMAN'S COMMENTS**

The new Chairman of the County Council took the opportunity to thank Councillors for electing her, and her friends and family for their support. She also congratulated Councillor Choudhary on his appointment.

The Chairman set out her theme for the year of “All Things Healthy and Green; All Creatures Great and Small.” She elaborated on her reasons for this, emphasising the importance of the natural environment.

The full comments can be found as an appendix to these minutes.

71. **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.

72. **MINUTES**

The Minutes of the Special meeting held on 22 February 2018 were agreed and signed by the Chairman. The Minutes of the Precept and Budget meeting held on 22 February 2018 were agreed subject to the correction of two minor typographical errors and signed by the Chairman.

73. **DEPUTATIONS**

The deputation from Steve Jones, and Joanne Parish was received as detailed on the Summons.

Councillor Keith House rose on a point of order and with regard to Standing Orders 12.2.1 and 12.2.4 requested an explanation as to why the deputation at item 6b on the Agenda had been withdrawn. It was confirmed by the Chief Executive that in his considered opinion the content was likely to risk confidentiality on serious casework issues and for this reason was likely to breach the basis of the deputation process, as a result of which he had decided to withdraw the deputation. The Chief Executive indicated that the opportunity of a meeting with the Executive Lead Member for Children’s Services and the Director of Children’ Services had been offered.

74. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman reminded Members about the County Service in June and encouraged them all to attend if possible.

75. **LEADER'S REPORT**

The Leader congratulated Councillor Still on her election as Chairman and thanked Councillor Burgess for his work over the past year.

Members were reminded of the Leader’s photographic competition and encouraged to support entries to it. The Leader also urged Members to visit Gilbert White House museum.

It was noted that following a Cabinet reshuffle in National Government, a new Secretary of State, for Local Government, James Brokenshire, had been appointed; the fourth Local Government Minister since Councillor Perry had become Leader of the Council. It was confirmed that Mr Brokenshire had been invited to visit Hampshire and with reference to devolution, the Leader hoped that the policy of only acting with the agreement of the County Council would be continued. Recognising that financial pressures would not reduce, and emphasising that he did not wish Hampshire to face the problems experienced in Northamptonshire the Leader confirmed that he had proposed a meeting with District and Borough Council Leaders to discuss greater collaborative working.

The Leader set out a number of changes in his Cabinet, explaining that Councillors Edgar and Gibson had both resigned due to ill health and paid tribute to both for their respective work with schools and with country parks. It was confirmed that Councillor Heron and Woodward would become Executive Members. Councillor Heron in an expansion of the Assistant Executive Member role he already held and Councillor Woodward taking on a Heritage and Countryside portfolio. It was also confirmed that Education and Skills had been added to Councillor Reid’s existing Human Resources portfolio.

The Leader confirmed that Councillor Mark Cooper had joined the Commission for the Future of Hampshire.

Prior to their forthcoming wedding, the Leader took the opportunity to express best wishes to Prince Harry and Meghan Markle on behalf of the County Council.

76. **QUESTIONS UNDER STANDING ORDER 16.1.1**

Executive Members responded to questions submitted in accordance with Standing Order 16.1.1, as published.

77. **CONSTITUTIONAL UPDATE - SUBSTITUTE MEMBERS**

The Council considered a report of the Cabinet as presented by the Leader, seeking approval for the provision in the Constitution for the appointment of Substitute Members on Committees and Panels of the County Council to which proportionality applies, be extended to allow appointment of up to two Substitute Members per Political Group, represented on such Committees and Panels.

RESOLVED:

That the County Council approves:

a. that provision in the Constitution for the appointment of Substitute Members on Committees and Panels of the County Council to which proportionality applies, be extended so as to allow appointment of up to two Substitute Members per Political Group, represented on such Committees and Panels.

b. that delegated authority be given to the Monitoring Officer to make suitable amendment to the Constitution to give effect to the recommendation at a. above.

78. PROPORTIONALITY AND APPOINTMENTS

The Council considered an updated report of the Chief Executive as presented by the Leader, to review the Council's Proportionality Table and to make any Member appointments or alterations as required to the membership of the County Council's committees and standing panels, 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.

RESOLVED:

That the County Council:

a. Approves the Proportionality Table at Appendix 1 to the report.
b. Approves the appointment of Chairmen and Vice-Chairmen of committees and panels at Appendix 2 to the report.
c. Approves the appointment of the County Council's representatives on the Hampshire Fire and Rescue Authority as set out in paragraph 3.2 of the report.
d. Approves the Substitute Member table at Appendix 3 to the report.
e. Approves the appointments listed in paragraph 3.4 and 3.5 of the report.
f. Approves the absence as detailed in paragraph 4.1 of the report.

79. GENERAL DATA PROTECTION REGULATION - APPOINTMENT OF DATA PROTECTION OFFICER

The Council considered a report of the Chief Executive, as presented by the Leader, seeking approval of the appointment of Data Protection Officer for the County Council in accordance with the requirements of the General Data Protection Regulation.

RESOLVED:

That the County Council:

a. Approves that the Monitoring Officer be appointed as the County Council’s Data Protection Officer as detailed in paragraph 1 of the report.
b. Authorises the Monitoring Officer to make the necessary amendment to the County Council’s Constitution upon this appointment.

80. **NOTICE OF MOTION**

No Notices of Motion had been received on this occasion.

81. **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.

82. **EXECUTIVE AND COMMITTEE REPORTS**

The Council received the reports of the following Executive Members:

83. **THE LEADER/CABINET**

a. Adults’ Health and Care – Vision and Strategy

b. Developing a Strategic Partnership For Public Health Between Hampshire County Council and the Isle of Wight Council

c. Supporting Children’s Services in Buckinghamshire County Council

d. Addition to the County Council’s Capital Programme for a Strategic Land Acquisition

84. **EXECUTIVE MEMBER FOR CULTURE, RECREATION AND COUNTRYSIDE**

a. Country Parks Transformation – Phase 2 Approvals

Chairman,

COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Chief Executive

PART I

1. APPOINTMENTS

1.1 The following appointments are proposed by the Leader of the Council:

a) That Councillor Stephen Philpott be appointed as the second Conservative Substitute Member on the Audit Committee.

b) That Councillor Fred Birkett be appointed to replace Councillor Geoff Hockley as the second Conservative Substitute Member on the Economy, Transport and Environment Select Committee.

c) That Councillor Jackie Branson be appointed to the Education Advisory Committee in place of Councillor Peter Edgar.

d) That Councillor Peter Edgar be appointed as the second Conservative Substitute Member on the Children and Families Advisory Panel.

e) That Councillor Trevor Cartwright, Fareham Borough Council be appointed to the Hampshire Pension Fund Panel and Board as a Co-opted member representing Hampshire District Councils to replace Councillor Peter Giddings. This appointment has been recommended by the Hampshire and Isle of Wight Local Government Association at their meeting held on 15 June 2018.

f) That Sarah Manchester be appointed to the Hampshire Pension Fund Panel and Board as the Substitute Representative for the Scheme Members.

g) That Councillor Jeanette Smith (Portsmouth City Council) be appointed as her Council's Employer Representative on the Hampshire Pension Fund Panel and Board. In accordance with the Appointments Policy for the Hampshire Pension Fund Panel and Board the respective appointees from Southampton and Portsmouth City Council rotate between being the full member and substitute member on an annual basis.

h) That Graeme Rowe and Julie Kelly be appointed as representative and substitute representative, appointed by the Teachers' Liaison Panel, to Group C of the Standing Advisory Committee for Religious Education.

i) That Rob Sanders be appointed as a substitute representative, appointed by the Church of England, to Group B of the Standing Advisory Committee for Religious Education.

RECOMMENDATIONS

That the County Council approves the appointments as detailed above.

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COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Cabinet

PART I

1. 2017/18 – END OF YEAR FINANCIAL REPORT

1.1. The Cabinet received a report of the Director of Corporate Resources on the end of year financial position for 2017/18 at its meeting on 18 June 2018.

1.2. Net service cash-limited expenditure was £10.4m lower than budgeted against an overall gross budget of approaching £1.9bn, a variance in the region of 0.5%. This position reflects the County Council's continuing successful financial strategy of early delivery of resources from proposals in advance of need which provides funding that can then be used to meet the costs of change, to cash flow the delivery of savings or to offset service pressures.

1.3. The position for each of the departments is summarised in the table below:

	Variance (Under) / Over Budget £'000
Adults' Health and Care	0
Children's Services - Non Schools	0
Economy, Transport and Environment	(4,982)
Policy and Resources	(5,451)
Total Departmental Expenditure	**(10,433)**

1.4. Savings on non-cash limited budgets total £25.1m. This is mainly as a result of treasury management activity (including the achievement a return of more than 4% from higher yielding investments) and unused contingencies. Contingencies were in the main set aside in recognition of the increased risk in the budget due to ongoing pressures within social care, together with the fact that a further £98m was removed from the budget in 2017/18.

1.5. The report considered by Cabinet is attached, in full, as Annex 1 to this Council report.

1.6. In addition to a recommendation to Council, set out below, Cabinet resolved to:

- Approve the outturn position set out in Section 3.
- Approve the transfer of £6.25m to the Insurance Reserve to increase the reserve in line with most recent actuarial review.
- Approve the transfer of £0.5m to the Investment Risk Reserve.
- Approve the allocation of £1.4m of the net corporate savings to enable the County Council to provide funding to undertake vital remedial work

to the county's road network following the prolonged cold and wet period.

- Approve an additional one off cash limit increase to the Economy, Transport and Environment Department of £1m in 2018/19 to add to the extra funding already identified as part of a sustained pot hole busting campaign, to be funded from a draw from the Corporate Policy Reserve, making a £6m additional commitment to tackling pot holes.
- Approve the transfer of the balance of the net corporate savings of approaching £17m to the Grant Equalisation Reserve (GER).
- Approve the increase of service capital programme cash limits for 2018/19 to reflect the carry forward of capital programme schemes and shares of capital receipts, as set out in Appendix 3.

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

- Cabinet 18 June 2018

RECOMMENDATIONS

That the County Council:

a. Approves the report on the County Council's treasury management activities and prudential indicators set out in Appendix 2 of the End of Year Financial Report at Annex 1.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	18 June 2018 20 September 2018
Title:	2017/18 – End of Year Financial Report
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Rob Carr, Head of Finance

Tel: 01962 847508 **Email:** Rob.Carr@hants.gov.uk

1. Recommendations

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

1.1 Approves the outturn position set out in Section 3.

1.2 Approves the transfer of £6.25m to the Insurance Reserve to increase the reserve in line with most recent actuarial review.

1.3 Approves the transfer of £0.5m to the Investment Risk Reserve.

1.4 Approves the allocation of £1.4m of the net corporate savings to enable the County Council to provide funding to undertake vital remedial work to the county's road network following the prolonged cold and wet period.

1.5 Approves the transfer of the balance of the net corporate savings of approaching £17m to the Grant Equalisation Reserve (GER).

1.6 Approves the increase of service capital programme cash limits for 2018/19 to reflect the carry forward of capital programme schemes and shares of capital receipts, as set out in Appendix 3.

1.7 **Recommends to County Council that**:

a) The report on the County Council's treasury management activities and prudential indicators set out in Appendix 2 be approved.

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 report on the County Council's treasury management activities and prudential indicators set out in Appendix 2.

2. Executive Summary

2.1 This report provides a summary of the 2017/18 final accounts. The draft statement of accounts was submitted for audit on the 31 May 2018 and will be reported to the Audit Committee in July, in conjunction with the External Audit report on the accounts.

2.2 Net service cash-limited expenditure was £10.4m lower than budgeted against an overall gross budget of approaching £1.9bn, a variance in the region of 0.5%. This position reflects the County Council's continuing successful financial strategy of early delivery of resources from proposals in advance of need which provides funding that can then be used to meet the costs of change, to cash flow the delivery of savings or to offset service pressures.

2.3 The position for each of the departments is summarised in the table below:

	Variance (Under) / Over Budget £'000
Adults' Health and Care	0
Children's Services - Non Schools	0
Economy, Transport and Environment	(4,982)
Policy and Resources	(5,451)
Total Departmental Expenditure	**(10,433)**

2.4 The position for Adults' Health and Care reflects sustained management activity during the year to control spend in the face of well publicised care pressures. In addition, the effective use of the Improved Better Care Fund (IBCF), the conclusion of the Transformation to 2017 (Tt2017) Programme and the early realisation of £0.7m of savings have all contributed to balancing the position at the end of the year.

2.5 The break even position in Children's Services equally reflects significant management activity which has seen work to limit, as far as possible, pressures in the Children Looked After (CLA) budget, that continue to grow due to increasing activity levels and higher average costs due to the type of care being provided and the availability of that care. This alongside the early delivery of resources, use of cost of change reserves and agreed corporate support (including an additional £7.2m allocated at the end of the year) has resulted in a balanced position.

2.6 The final outturn position for Economy, Transport and Environment (ETE) shows savings against the budget of almost £5.0m due to early delivery of resources and savings primarily in Highways Traffic and Transport of which £0.6m relates to the winter maintenance budget that will be spent in 2018/19 as part of a remedial programme required following the prolonged very cold and wet start to 2018.

2.7 Policy and Resources achieved a saving against budget of approaching £5.5m, mainly due to ongoing efficiency savings and the early achievement of 2019/20 savings.

2.8 The net savings within ETE and Policy and Resources have been set aside for use by the respective services to meet restructuring and investment costs associated with the Transformation to 2019 (Tt2019) Programme and beyond, in accordance with the current financial management policy and the Medium Term Financial Strategy (MTFS).

2.9 In addition within ETE it is specifically proposed to again reinvest available funding associated with the winter maintenance budget in highways maintenance to provide additional one-off resources to supplement existing maintenance programmes. This flexibility was approved in February by Cabinet and County Council.

2.10 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. In 2017/18 the overall position has been balanced through the use of the Dedicated Schools Grant (DSG) Reserve however, the balance was not sufficient to cover these pressures in full. As a consequence, the resulting DSG deficit of £4.5m will be covered as part of the allocation of school budgets in 2018/19 to achieve a balanced position.

2.11 Savings on non-cash limited budgets total £25.1m. This is mainly as a result of treasury management activity (including the achievement a return of more than 4% from higher yielding investments) and unused contingencies. Contingencies were in the main set aside in recognition of the increased risk in the budget due to ongoing pressures within social care, together with the fact that a further £98m was removed from the budget in 2017/18.

2.12 This report recommends that of these corporate savings £6.25m be added to the Insurance Reserve to increase the reserve in line with most recent actuarial review and £0.5m be added to the Investment Risk Reserve.

2.13 In addition, it is proposed that:

- £1.4m is allocated to provide funding to undertake vital remedial work to the county's road network following the prolonged cold and wet period. This additional investment, along with the £0.6m from the 2017/18 winter maintenance budget (as referred to above in paragraph 2.6) will complement the Government's one-off pothole grant funding of £3.0m in 2018/19 to provide a total sum of £5m for this purpose.
- The balance of approaching £17m is transferred to the Grant Equalisation Reserve (GER) bringing the unallocated amount in the reserve up to circa £29.4m, in preparation for any future draw required beyond 2020 as set out in the MTFS which is presented elsewhere on the Agenda for approval. More detail is set in the table in paragraph 3.52.

2.14 The report contains a small section on reserves and balances highlighting that in line with the MTFS, the level of reserves has risen as we prepare for planned draws in the period to 2019/20 and beyond.

2.15 The report also recommends approval of:

- The annual report on the operation of the treasury management strategy, for subsequent approval by the County Council.
- The County Council's end of year prudential indicators.

- A revised capital financing plan for 2018/19.

3. 2017/18 Revenue Outturn

Service Cash Limits

3.1 The table below summarises the net outturn position for each department compared to the final cash limit for the year. The figures exclude schools spending but include cost of change paid for during 2017/18:

	Variance (Under) / Over Budget £'000
Adults' Health and Care	0
Children's Services - Non Schools	0
Economy, Transport and Environment	(4,982)
Policy and Resources	(5,451)
Total Departmental Expenditure	**(10,433)**

3.2 The third quarter monitoring position indicated that most departments, with the exception of Children's Services, were anticipating that they would be able to manage the large-scale investment required to deliver their planned transformation activity and to meet service pressures through the use of cost of change and other reserves, along with agreed corporate funding.

3.3 Strong financial management has remained a key focus throughout the year to ensure that all departments stay within their cash limits, that no new revenue pressures are created and that they deliver the savings programmes that have been approved. 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 periodic reports to the Corporate Management Team (CMT) and to Cabinet.

3.4 This focus has ensured that at the end of the year the final position is in line with expectations and that departments have delivered resources early, which will provide funding that can then be used to meet the costs of change and to cash flow the delivery of savings or offset service pressures.

3.5 For Children's Services, revised funding for growth in Children Looked After (CLA) numbers, and in turn the knock on impact for care leavers, was agreed in February and that, alongside continued management focus, has enabled the Department to deliver a balanced position at the end of the year.

3.6 Key issues across each of the departments are highlighted in the paragraphs below and whilst pressures within social care services remain the highest risk and most volatile area of the County Council's budget the impact of successive savings programmes along with other service pressures means that all departments are facing financial pressure at the present time.

Adults' Health and Care

3.7 Adults' Health and Care have successfully contained the well publicised care pressures and delivered a breakeven financial position in 2017/18. This has been achieved in part through consistent and wider application of a strengths based approach to assessing clients care needs alongside the utilisation of one off funding; made available through grants and the Improved Better Care Fund (IBCF).

3.8 However, these sources of funding will only mitigate the pressure in the short term. Looking further ahead this non-recurrent funding will cease and over the same period it is anticipated that further care provision pressures will arise from both increases in demand and complexity of clients' needs and from care costs to ensure market stability. Together this provides a major budgetary challenge to the Department that will require close monitoring and corporate support in future years.

3.9 In addition to meeting existing demand and costs pressures the majority of the IBCF funding has been spent on initiatives that support long term change and transformation of services, including those that benefit Health and that provide stability within the care market. The full funding allocation of £17m, for 2017/18 was spent in year by the Department.

3.10 Although it had been agreed by Cabinet that £13.1m of the Adults Transformation to 2017 (Tt2017) savings could be delayed to 2018/19 this has not been required. Earlier in the year there was sufficient confidence to close the Tt2017 Programme on the basis that the required further savings were guaranteed in 2018/19. Further to this the outturn position reported now indicates that the Department have fully mitigated all of the £13.1m savings in 2017/18, one year ahead of schedule.

3.11 The achievement of Tt2017 coupled with the early realisation of £0.7m of the Transformation to 2019 (Tt2019) Programme has placed the Department in a far stronger position as we move into 2018/19 to support both the costs of the Tt2019 programme and to cash flow the delivery of their savings.

3.12 Public Health ended the year with a balanced position, after making a contribution to the ring-fenced reserve of £1.7m. 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. The 2017/18 closing balance of the Public Health Reserve is £7.8m and it is planned to utilise this reserve over the short term to provide investment for further initiatives to drive down recurring costs and to offset reductions in the grant that will occur prior to the savings being achieved.

Children's Services

3.13 Children's Services have seen the number of CLA, including Unaccompanied Asylum Seeking Children (UASC) continue to grow during 2017/18, well above the levels that were forecast. In addition, there are other increasing cost pressures, particularly in relation to care leavers and the cost of agency staff.

3.14 Nationally there is growing attention being focused on the pressures facing children's services and analysis by the Local Government Association (LGA) published in the summer last year highlighted that growing demand for support is leading to over spends in an increasing number of authorities.

3.15 The Department have applied strong focus to these pressures and the reported position is break even, reflecting the pro-active management of the services together with early delivery of savings, the use of the departmental reserves and agreed corporate support; including additional support of £7.2m approved in February as part of budget setting. However, these pressures continue to be areas of some concern in Children's Services and will be closely monitored throughout the current year.

3.16 Funding has been set aside within contingencies to provide for the projected growth in CLA numbers (and in turn the knock on impact for care leavers) in 2018/19 and beyond. It is now anticipated that a further increase in funding is required to meet the financial consequences of updated growth projections and more detail is contained in the MTFS presented elsewhere on this Agenda.

3.17 Other challenges faced by the Department relate to the short supply of qualified social workers, an increase in the numbers of care leavers and the costs associated with the provision of school transport, mainly relating to those with special educational needs.

3.18 Further corporate support has been agreed to help alleviate the pressures being felt in these areas as part of the previous MTFS in October 2017, including funding to cover costs to grow social worker capacity through increased recruitment and improved retention. These amounts, together with the revised funding for growth in CLA numbers (and in turn the knock on impact for care leavers) set out in the updated MTFS presented elsewhere on this Agenda, alongside continued management focus on the other pressure areas, will help the Department to operate from a firmer financial base as work on the challenging transformation programme progresses.

Economy, Transport and Environment

3.19 The final outturn position for Economy, Transport and Environment (ETE) shows a saving against the budget of almost £5.0m due to early delivery of 2019/20 savings totalling £1.25m together with more than £3.7m of net savings on planned departmental activity. Included within this result is an amount of £0.6m within the winter maintenance budget.

3.20 At their meeting on 5 February 2018 Cabinet agreed to transfer any one off resources available within the 2017/18 winter maintenance budget to the highways maintenance budget for 2018/19. The highways maintenance budget will therefore be increased by £0.6m to reinvest in highways maintenance in 2018/19.

3.21 This additional investment, along with a recommended £1.4m to be allocated from the net corporate savings (as referred to in paragraphs 3.46 to 3.49) will complement the Government's pothole grant funding of £3.0m in 2018/19 to provide a total one-off sum of £5m for a programme of vital remedial work to the county's road network following the prolonged cold and wet period.

Policy and Resources

3.22 Policy and Resources achieved a saving against the budget of £5.5m, after substantial transformation costs have been met in year, mainly due to ongoing efficiency savings and the early achievement of 2019/20 savings.

3.23 The successful implementation of the Tt2019 Programme and the resulting early delivery of savings will be crucial as successive budget reductions mean there is less scope to generate savings across the services and high levels of investment and resources are required over a longer time period to generate further savings.

3.24 Detailed explanations for the outturn position for all departmental budgets are provided in Appendix 1.

3.25 The departmental savings will be set aside to meet the future cost of change in line with the current financial policy which incentivises good stewardship.

3.26 In addition within ETE the remaining resources associated with the 2017/18 winter maintenance budget will be set aside to provide additional one-off resources in 2018/19 as part of an additional £5m programme of highways maintenance.

Schools Budget

3.27 Financial pressures on schools are increasing, both at an individual school level and within the overall schools' budget. These pressures relate to both high needs and early years.

3.28 Pressures on the High Needs Block have mainly arisen due to significant increases in the number of pupils with additional needs. This is a pressure that is mirrored nationally and has been seen since the SEND reforms in 2017. There are also increases in the amount of funding being provided for each pupil on average due to increasing levels of need and these factors have created a pressure on the top-up budgets for mainstream schools, resourced provisions and further education colleges. There is also significant pressure due to more pupils requiring placements in independent and non-maintained schools.

3.29 There is a further pressure within the budget for early years due to an unexpected decline in the number of children recorded on the census.

3.30 In total for 2017/18 there was a net over spend of approaching £9.4m against the schools budget. Any year end over spend is usually met from the Dedicated Schools Grant (DSG) Reserve however the balance was not sufficient to cover these pressures in full. As a consequence, the resulting DSG deficit of £4.5m will be covered as part of the allocation of school budgets in 2018/19 to achieve a balanced position.

Other Budgets

3.31 The outturn for other items contained within in the budget is shown in the following table:

	Variance (Under) / Over Budget £m
Capital Financing / Interest on Balances	(7.0)
Waste Management	(4.3)
Contingencies	(12.6)
Other Net Variations	(1.2)
Total	**(25.1)**

3.32 The main reasons for these variances are set out in the paragraphs below.

Capital Financing and Interest on Balances (£7.0m Saving)

3.33 These savings reflect the ongoing trend of a very prudent approach to capital financing costs and interest on balances and the continuing use of 'internal borrowing' to fund capital expenditure rather than taking out long term loans at this point. In addition, a return of more than 4% from higher yielding investments has been achieved, in line with the approved Investment Strategy.

Waste Management (£4.3m Saving)

3.34 Due to the number of variables associated with the provision of the Waste Management contract, separate central provisions are made within the budget each year and released in line with changes in waste volumes or contract terms. Whilst waste volumes stabilised in previous years, requiring less to be drawn from contingencies, 2014/15 saw the first real increase in volumes for several years and the provision in future years was reviewed in light of this.

3.35 The upward trend in 2017/18 has been less than forecast resulting in savings against the budget, but continued close scrutiny of waste volumes will be required throughout 2018/19 to model and monitor the future costs.

Contingencies (£12.6m Saving)

3.36 The level of contingencies held as part of the 2017/18 budget reflected the well documented pressures and risk around demand and costs for the provision of social care services, together with the fact that a further £98m was removed from the budget in 2017/18. Through strong management, applied to manage demand and supress the additional costs, savings against these contingency amounts were realised.

3.37 Other contingencies which were not required in the year related to a central provision for carbon allowances and inflation / risk provisions (in particular for energy and business rates) which accounted for the balance of the overall saving within contingencies.

Other Net Variations (£1.2m Saving)

3.38 This relates to additional unanticipated Section 31 business rate relief grant income of £1.3m received in 2017/18, offset by a number of small variances.

Allocation of Net Saving

3.39 The net saving totals £25.1m and it is recommended that this amount is allocated as set out in paragraphs 3.40 to 3.53 below.

Insurance Reserve

3.40 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.

3.41 Each year the County Council sets aside an insurance provision to meet claims resulting from incidents that have occurred during the year, along with reserves to cover potential claims arising from incidents in that year but where the claims are received in the future.

3.42 Regular actuarial reviews on the overall insurance fund have provided assurance that the County Council has been setting aside appropriate levels of funding against future liabilities to date. However, the conclusions of the most recent review are that there is a need to adopt a long term approach to increasing that fund going forward and the intention is to regularly review the Insurance Reserve and to make year end contributions that move the County Council towards the level outlined in the latest actuarial assessment.

3.43 To begin this it is proposed to add £6.25m to the Insurance Reserve which will result in a net increase of £5m after the provision for 2017/18 totalling £1.25m is set aside.

Investment Risk Reserve

3.44 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.

3.45 It is recommended that a further £0.5m is added to this reserve to further protect the County Council’s funds. This is prudent given the additional risk that is being taken in targeting investments with higher returns and brings the total in the Investment Risk Reserve to £2m.

Highways Investment

3.46 It is recommended that £1.4m is allocated to be added to the budget for highways maintenance in 2018/19. This additional investment, along with the £0.6m from the 2017/18 winter maintenance budget (as referred to in paragraph 3.20) will complement the Government’s one-off pothole grant funding of £3.0m in 2018/19 to provide a total sum of £5m for a programme of vital remedial work to the county’s road network following the prolonged cold and wet period.

3.47 Hampshire experienced two severe winter events during February and March 2018 with widespread snowfall and localised travel disruption. Whilst both events were successfully managed and network operations restored relatively swiftly, the resulting damage to the highway network was extensive with the majority of roads suffering pothole and other structural damage. Immediately following the snow events a find-and-fix ‘Pothole Busters’ repair programme commenced and this has focussed on addressing the many thousands of new potholes that have developed with a combination of interim ‘make safe’ and also permanent repairs. Up to 12 ‘Hampshire Highways’ teams continue to be deployed across the County undertaking localised pothole repairs and utilising handheld technology to accurately record the quantity, quality and extent of work that has been carried out. The ‘Pothole Busters’ initiative will continue for the remainder of 2018/19.

3.48 A more detailed network-wide assessment has since been completed and from this over 400 sites have been identified as having deteriorated as a direct consequence of the winter weather with an estimated cost of around £10m. A restoration plan is in the process of being formulated to target the worst of these with a combination of structural patching, full resurfacing and localised reconstruction. This larger package of work, which will utilise the additional funding, is expected to start in late May and will continue for the remainder of 2018/19 although the full restoration of the network to pre-2018 condition will require significant additional investment and is likely to take many years.

3.49 The additional funding will also be targeted at sites where there are known surface water flooding issues to ensure highway drainage systems remain fully functional in the lead up to the autumn and winter months when wetter weather can be expected.

Balance of Savings

3.50 It is proposed that the balance of the net savings of £17m be added to the Grant Equalisation Reserve (GER) bringing the unallocated amount in the reserve up to £29.4m, in preparation for any future draw required beyond 2020 as set out in the MTFS which is presented elsewhere on the Agenda for approval.

3.51 The current 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. Building the provision within the GER will support the revenue position in future years, as set out in the MTFS, in order to give the County Council the time and capacity to implement the next phase of transformation to take us to 2021/22.

3.52 The table below summarises the forecast position for the GER 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)
Further Budgeted Additions:	
MRP "Holiday"	21,000
Planned use:	
Cash Flow Tt2019	(40,000)
Unallocated Balance	**29,435**

3.53 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.

4. General Balances and Earmarked Reserves

4.1 The County Council's reserves strategy, which is set out in the MTFS, is now well rehearsed and continues to be one of the key factors that underpin our ability not only to provide funding for the transformation of services but also to give the time for changes to be properly planned, developed and safely implemented.

4.2 We have made no secret of the fact that this deliberate strategy was expected to see reserves continue to increase during the period of tight financial control by the Government, although it was always recognised that the eventual planned use of the reserves would mean that a tipping point would come and we would expect to see reserves start to decline as they are put to the use in the way intended as part of the wider MTFS.

4.3 General Balances at the 31 March 2018 stand at £22.4m, and following the planned draw in 2018/19 this will reduce to be broadly in line with the current policy of carrying a general balance that is approximately 2.5% of the County Council's Budget Requirement (currently a sum of circa £20m).

4.4 In addition to the general balance, the County Council maintains earmarked reserves for specific purposes and to a large extent the majority of these are committed either to existing revenue or capital programmes or to mitigate risks that the County Council faces through self insurance or funding changes by government.

4.5 In overall terms the total value of earmarked revenue reserves has increased as provision is built up in the GER, ahead of planned draws in line with the MTFS.

4.6 The net impact of the changes in the revenue account during 2017/18 mean that the GER will stand at almost £74.9m, which is in line with the financial strategy of supporting the revenue spend position as savings are developed and delivered on a two year cycle. Provision is being made for a draw in 2018/19 in order to give the County Council the time and capacity to implement the Tt2019 Programme and to cash flow the safe delivery of the programme so as we can complete the transformation to take us to 2019/20, and plan sensibly for future years.

4.7 In the period to 2021/22, the unallocated amount remaining in the reserve will be £29.4m, as shown in the table at paragraph 3.52. In preparation for any future draw required beyond 2020 further additions will be required to the GER as set out in the MTFS which is presented elsewhere on the Agenda for approval.

4.8 Other earmarked reserves will increase due to the timing of receipt of funds in advance of their planned use for an intended purpose, in particular in funding the capital programme. Schools balances, over which the County Council has no direct control, have decreased and are expected to decrease further in the medium term, while reserves held for the Enterprise M3 Local Enterprise Partnership (EM3 LEP) 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.

5. Treasury Management and Prudential Indicators

5.1 The County Council's treasury management policy requires an annual report to the Cabinet on the exercise of the treasury management function, details of which are set out in Appendix 2. Under the Treasury Management Code of Practice, the end of year report has to be submitted to the County Council.

5.2 The Prudential Code for Capital Finance in Local Authorities requires that the County Council reports its actual performance against the Prudential Indicators that were set in its Treasury Management Strategy. Appendix 2 summarises the relevant indicators for the 2017/18 outturn which are in accordance with the figures approved by the County Council.

6. Capital Spending and Financing 2017/18

6.1 From the 2017/18 capital programme, schemes to the value of £221.5m were committed during the year, leaving £123.1m to be carried forward to 2018/19, subject to Cabinet's approval.

6.2 During 2017/18 capital expenditure of £208.7m was incurred, which can all be financed within available resources. This includes prudential borrowing of approaching £33.0 m. There will also be a further repayment of prudential borrowing from capital receipts and other funding sources of more than £12.5m. Further details of the outturn position for capital are provided in Appendix 3.

7. Assurance Statement

7.1 The code of Practice on Local Authority Accounting in the UK requires the County Council to publish, together with its Statement of Accounts, an annual governance statement signed by the Leader and Chief Executive. As part of this process, the Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control operating in the County Council as a whole. The Chief Internal Auditor's Annual Report and Opinion is approved by the Audit Committee.

7.2 The Chief Internal Auditor has concluded that:

"In my opinion, Hampshire County Council's framework of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

8. Pension Fund

8.1 The separate accounts for the Hampshire Pension Fund will also be incorporated in the County Council's Statement of Accounts. The accounts for 2017/18 record that the value of the fund's assets increased from £6.3bn to £6.6bn during the year. The Chief Internal Auditor has provided a separate assurance opinion for the Pension Fund and has concluded that:

"In my opinion, based on internal audit work completed 'Substantial Assurance' can be placed on Hampshire County Council (Pension Services) framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

9. Statutory Statement of Accounts

9.1 The Accounts and Audit Regulations 2015 introduced changes to the statutory accounting and audit timescales which have had a significant impact on the organisation. The changes came into effect for the preparation of the 2017/18 accounts.

9.2 This year the statement of accounts must be certified by the Chief Financial Officer (CFO) and submitted for external audit by 31 May, a month earlier than previously. Additionally, the audited accounts for 2017/18 must be published by 31 July, two months earlier than the previous timeframe.

9.3 Adopting an incremental approach, preparatory work has taken place over the last two financial years to achieve the new deadlines. For 2015/16, the deadline for CFO sign off of the accounts was brought forward by two weeks and for 2016/17 this was brought forward by a further two weeks to allow a trial run in anticipation of the changes coming into effect for the production of the 2017/18 accounts.

9.4 Achieving these challenging timescales has required concerted effort from across the organisation. The timetable was reviewed, following consultation with affected parties, and focused on what could be done either differently or earlier and what systems or processes could be changed to facilitate the achievement of the ultimate objective of a speedier accounting closure and production of the statement of accounts.

9.5 Meeting these earlier deadlines has been achieved through hard work across all departments in liaison with finance and our external auditors and the success this year in meeting the new timescales is noteworthy.

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~~

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>
Revenue Budget and Precept 2018/19 and Capital Programme 2018/19 – 2020/21 http://democracy.hants.gov.uk/ieDecisionDetails.aspx?AIId=6228	Cabinet – 5 February 2018 County Council – 22 February 2018
Medium Term Financial Strategy and Transformation to 2019 Savings Proposals http://democracy.hants.gov.uk/ieDecisionDetails.aspx?AIId=3194	Cabinet – 16 October 2017 County Council – 2 November 2017

IMPACT ASSESSMENTS:

1. Equality Duty

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 disproportionally low.

Equalities Impact Assessment:

d) Equality objectives are not considered to be adversely impacted by the proposals in this report.

Impact on Crime and Disorder:

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.

Climate Change:

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

The revenue budget and capital programme contain measures that will assist in reducing our carbon footprint.

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

The County Council in designing its services will ensure that climate change issues are taken into account

Adults' Health and Care Department – Revenue Expenditure 2017/18

Major variations in cash limited expenditure – No variance against the adjusted cash limit.

Main Variations

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Director	(40)	(2.6)	
Strategic Commissioning and Business Support	(1,179)	(6.4)	Savings mainly relate to reduced spend on non care contracts, grants to voluntary organisations and staff budgets due to difficulty in recruiting to vacant posts.
Transformation	(159)	(3.8)	Savings mainly relate to additional income in relation to external courses provided by the workforce development team and staff budgets due to difficulty in recruiting to vacant posts.
Safeguarding, Quality and Governance	(110)	(3.0)	
Learning Disabilities and Mental Health	7,549	6.5	There are significant pressures on residential, homecare and direct payments due to an increase in client numbers and a delay in achieving savings. These pressures were partially offset by savings in supported living due in part to costs relating to previous financial years not materialising as anticipated. This position is not reflective of the longer term forecast for this service area as the full year effect of savings achieved in 2017/18 and new savings planned for 2018/19 are expected to bring the expenditure within budget from 2018/19.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Older People and Physical Disabilities	(4,125)	(3.3)	There were pressures on both nursing and residential budgets due to higher client numbers and above budgeted weekly costs however, these pressures have been offset by savings in direct payments and homecare budgets where client numbers are less than budgeted. It should be noted that the budget includes non recurrent support of £5.6m from the Improved Better Care Fund (IBCF).
Internal Provision	411	0.9	The main area of pressure is within the Older Person's in-house homes due to the use of agency staff to cover vacant posts whilst permanent recruitment is undertaken. The County Council is required by the Care Quality Commission to have adequate staffing levels in order to retain its registration. This pressure has been offset by savings on other staffing budgets and reduced volumes of clients being referred to the REACT contract providers.
Contingencies	(2,347)	(99.1)	This mainly relates to the early achievement of Transformation to 2019 (Tt2019) savings and reduced spend on centrally held budgets.
Public Health	0	0.0	
Total	**0**	**0.0**	

Children's Services Department – Revenue Expenditure 2017/18

Major variations in cash limited expenditure – No variance against the adjusted cash limit.

Main variations

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Schools Budget			
Three to Four Year Olds Free Entitlement	(564)	(1.0)	The saving mainly relates to the actual take-up of the additional 15 hours (30 hours total) per week entitlement for eligible working families introduced from September 2017 being lower than estimated by the Department for Education (DfE), partly offset by a pressure on the standard 15 hours free entitlement for eligible 3 and 4 year olds due to the January census return leading to a large reduction in the Dedicated Schools Grant (DSG) funding.
Growth Fund	(558)	(11.2)	The position includes savings for infant class size funding, falling rolls, temporary classrooms, new / re-organising schools and growing schools, due to fewer schools being eligible for funding than budgeted.
Special Place Funding	1,282	6.4	This relates to a change in the way post 16 places were funded by the DfE in 2017/18 being reflected in the budgets.
Independent and Non-maintained Special Schools	4,203	28.0	The over spend is due to a 21% increase in the number of pupils placed in out of county provision (from 321 pupils in March 2017, to 389 pupils in March 2018), as well as an 18% increase in the average cost for SEN only pupils and 8% increase in the costs for joint funded pupils..

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
High Needs Top-Up Funding	4,940	11.4	The continuation in the growth of the number of high needs pupils in both maintained and special schools has exceeded budgetary expectations. This includes increasing numbers of pupils with Special Educational Needs Support Agreements (SENSA), an 8% annual increase in pupils with Education Health and Care Plans (EHCPs), an 11% increase in the numbers of high needs students in further education placements, additional placements in Other Local Authority schools and the continuation of the pressure on the service for discretionary payments from the previous financial year. These overs pends have been partly offset by a saving in Education Centre top-ups, following the implementation of the strategy to reintegrate more pupils back into mainstream education.
SEN Support Services	(784)	(14.1)	This largely relates to the £1m planned contingency, retained to offset arising pressures in the high needs block, partly offset by staffing cost pressures on the Specialist Teacher Advisory Service (STAS).
Central School Services	293	7.2	An over spend on the redundancy and premature retirement budget resulting from the budgetary pressures schools are facing leading to restructures and amalgamations that are increasing in-year redundancy, associated retirement and pay safeguarding costs.
Various other (net)	(455)	(0.1)	Various smaller budget savings across the Department.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Carry Forward of Dedicated Schools Grant Deficit	(8,357)	(1.1)	The total 2017/18 over spend of £8.4m has been offset by a charge to the DSG reserve, as allowed by the DfE. This year, the charge will create a "deficit" on the DSG reserve of £4.5m, which it has been agreed by Schools Forum will be funded from future years DSG funding.
Sub-Total Schools Budget	**0**	**0.0**	
Non-Schools Budget			
Home to School Transport	(507)	(2.0)	Although costs within the Home to School Transport budget are rising as a result of increased demand for school age and post-16 SEN transport, various one-off accounting adjustments relating to historic balances have led to a technical saving this financial year.
Children Looked After (CLA placements)	(32)	0.0	Unprecedented activity and cost increases across CLA placements, care leavers and Unaccompanied Asylum Seekers (UASC) have seen an annual increase in expenditure of 14% on the previous year. This has been closely monitored throughout the year, and as a result additional corporate funding of £9.5m on an ongoing basis, plus a further £7.2m on a one-off basis has been provided to offset what would otherwise have been a very significant pressure. The underlying pressure has mainly arisen on Non-County Placements (NCPs), which required over half of the additional corporate funding due to a 17% increase in costs, mainly as a result of increased activity

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Special Guardianship (SGO) support	584	26.0	The over spend is due to a 16% increase in the number of SGOs, from 381 in March 2017 to 442 in March 2018. On 1 February 2018 the SGO rate was increased to match the current in-house fostering rate. This has a full year cost of £1.2m (£203,000 part year cost this financial year), which will be met from additional corporate funding.
Respite for disabled children	(620)	(10.0)	Including a saving on short break activities with commitments for care support in the community not being fully utilised and the continuation from the previous financial year of lower than budgeted spend on overnight respite.
Youth Justice	764	37.5	Lower income at Swanwick Lodge Secure Unit as a result of severe staff shortages and problems with the heating system in the unit reducing the numbers of available beds below target occupancy levels. This has been offset by a partial return of HCC's contribution to the Hampshire Youth Offending Team (YOT) due to the sustainability of the Partnership's budget, and a reduction in number of placements relating to direct remands.
Safeguarding & Young People's Services	2,269	12.0	The pressure mainly results from the use of social work agency staff to cover for the short supply of qualified social workers. Corporate support has been agreed to increase the numbers of social workers, leading to a reduced caseload for teams and thereby increasing retention of social workers and reducing the need for agency staff. This investment commenced in 2017/18.
Early Achievement of T2019 Savings	(755)	(100.0)	Planned early achievement of savings in relation to the Tt2019 Programme, used to offset the Department's other pressures.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Various other (net)	(1,580)	(1.0)	Various smaller budget savings across the Department.
Contribution from Cost of Change	(123)		
Sub-Total Non-Schools Budget	**0**	**0.0**	
Total	**0**	**0.0**	

Economy, Transport & Environment Department – Revenue Expenditure 2017/18

Major variations in cash limited expenditure – Savings of £5.0m (4.5%) against the adjusted cash limit.

Main Variations

Service Area	**Variance (Under) / Over Budget**		**Reason for Variation**
	£'000	**%**	
Highways, Traffic & Transport	(3,813)	(6.3)	The position reflects savings against the winter maintenance budget of £644,000, which Cabinet has agreed in principle to reinvest in highways maintenance in 2018/19, providing additional one-off resources to supplement existing planned maintenance programmes. In addition, the annual Bus Service Operator Grant (BSOG) has previously been used to support additional investment in improving bus passenger amenities, such as offering grants attracting match funding for investment in contactless payment. From 2019/20 the annual BSOG is built in to ETE savings proposals to support subsidised bus services. Therefore the 2017/18 BSOG grant of circa £1.3m was added to the bus subsidy budget to enable a planned early saving of a broadly equivalent amount from the bus subsidy budget for 2017/18. It is planned to utilise the funding resulting from this saving to increase ETE's Cost of Change to help cash flow the Department's Tt2019 overall savings proposals. It is expected that additional cash flow funding will be required, especially in relation to realisation of planned savings within the waste management budget, following recent Government policy announcements about recycling and the proposed deposit return scheme for drinks containers. It is then planned to use BSOG directly to manage the implementation of the reduced bus subsidy budget from 2019/20.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
			The outturn also reflects: • A small saving on highways maintenance with offset by additional fee income relating to the HCC capital programme (£860,000 net saving) • £227,000 one-off net benefit in Strategic Transport from a technical adjustment relating to previous year fee income from road agreements. • £521,000 savings against the Concessionary Fares budget due to fewer journeys being made • The cumulative effect of various other smaller savings, including as a result of active vacancy management.
Economic Development and Research & Intelligence	(118)	(10.1)	The outturn figures reflect in-year savings as a result of staff vacancies and the impact of delays in planned expenditure, which will now take place in 2018/19.
Waste, Planning & Environment	(496)	(1.1)	The savings predominantly relate to vacancy management and additional income including trading for example from the Minerals and Waste Planning work for Berkshire authorities (Strategic Planning and Environment). In addition, there were minor savings against the Waste budget.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Early Delivery of Tt2019 savings and General Departmental	(555)	(25.5)	The identification of opportunities for the early delivery of Tt2019 savings has resulted in savings of £1.25m being achieved in 2017/18. Any early delivery of savings enables the Department to fund costs associated with transformation and the delivery of remaining savings targets. This in-year saving was partly used to fund expenditure of £954,000 on projects delivered during 2017/18, with the balance added to the Department's Cost of Change reserve. In addition, various ongoing active housekeeping savings of £259,000 were achieved across departmental non-pay budgets.
Total	**(4,982)**	**(4.5)**	

Policy and Resources Department – Revenue Expenditure 2017/18

Major variations in cash limited expenditure – Savings of £5.5m (5.0%) against the adjusted cash limit.

Main Variations

Service Area	**Variance (Under) / Over Budget**		**Reason for Variation**
	£'000	**%**	
Culture, Community and Business Services	(595)	(1.9)	Progress has been made in achieving the Department's Tt2019 savings target, resulting in the early delivery of savings of more than £1.5m in 2017/18. In addition, a further planned saving of more than £2.3m has been achieved. This is predominantly the result of cost savings and re-phased planned project expenditure which will now be undertaken during 2018/19 (mainly the Library Service and Office Accommodation), vacancy management savings (Trading Standards, Business Support and Asbestos) and additional income generation (Registration, Property Direct Services and Great Hall). The early achievement of Tt2019 savings, other in-year savings and a draw of £131,000 from the accumulated Cost of Change reserve has allowed one-off investment of approaching £4m to be made to fund transformational projects across the Department to support the achievement of Tt2019 savings targets. In addition, the agreed transfer of the in-year PrintSmart contract outturn of £0.7m has been made to a separate reserve.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Corporate Services	(4,052)	(7.0)	Corporate Services continues to implement a strategy of strong budgetary control, managing expenditure through joint working and generating income, for example for legal and other services. This has enabled the costs to support the Tt2019 Programme to be absorbed and also ensured early achievement of Tt2019 savings to contribute to the cost of change reserve to be used for future investment in further transformation work.
Non Departmental Policy & Resources	(804)	(3.9)	The saving largely reflects lower costs or additional income in a number of budget areas. This includes lower members support costs mostly due to pensions change for members after election and lower Rural Affairs expenditure during 2017/18 which will be carried forward to match future expenditure.
Total	**(5,451)**	**(5.0)**	

Treasury Management Outturn Report 2017/18

1. Summary

1.1. The County Council adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice in February 2010. These recommendations include approving an annual report on treasury management activity after the end of each financial year.

1.2. This report fulfils the County Council's legal obligation to have regard to the CIPFA Code.

1.3. The County Council's Treasury Management Strategy (TMS) for 2017/18 was approved at a meeting of full Council in February 2017. 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 risk are therefore central to the County Council's TMS.

1.4. Treasury management in the context of this report 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."

1.5. This annual report sets out the performance of the treasury management function during 2017/18, to include the effects of the decisions taken and the transactions executed in the past year.

1.6. Overall responsibility for treasury management remains with the County Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the County Council's treasury management objectives.

1.7. All treasury activity has complied with the County Council's TMS and Investment Strategy for 2017/18, and all relevant statute, guidance and accounting standards. In addition the County Council's treasury advisers, Arlingclose, provide support in undertaking treasury management activities. The County Council has also complied with all of the prudential indicators set in its TMS.

2. External Context

2.1. The following sections outline the key economic themes currently in the UK against which investment and borrowing decisions were made in 2017/18.

Economic commentary

2.2. The UK economy showed signs of slowing with latest estimates showing GDP, helped by an improving global economy, grew by 1.8% in 2017, the same level as in 2016. This was a far better outcome than the majority of forecasts following the EU Referendum in June 2016, but it also reflected the international growth momentum generated by the increasingly buoyant US economy and the re-emergence of the Eurozone economies.

2.3. The inflationary impact of rising import prices, a consequence of the fall in Sterling associated with the EU referendum result, resulted in year-on-year CPI rising to 3.1% in November before falling back to 2.7% in February 2018. Consumers felt the squeeze as real average earnings growth, i.e. after inflation, turned negative before slowly recovering. The labour market showed resilience as the unemployment rate fell back to 4.3% in January 2018. The inherent weakness in UK business investment was not helped by political uncertainty following the surprise General Election in June 2017 and by the lack of clarity on Brexit. The Withdrawal Treaty is yet to be ratified by the UK Parliament and those of the other 27 EU member states and new international trading arrangements are yet to be negotiated and agreed.

2.4. The Bank of England's Monetary Policy Committee (MPC) increased the Bank Rate by 0.25% in November 2017. This action was significant as this was the first rate increase in ten years, although in essence the MPC reversed its August 2016 cut following the referendum result. The February Inflation Report indicated the MPC was keen to return inflation to the 2% target over a more conventional (18 - 24 month) horizon with 'gradual' and 'limited' policy tightening. Although in March two MPC members voted to increase policy rates immediately and the MPC itself stopped short of committing itself to the timing of the next increase in rates, the minutes of the meeting suggested that an increase in May 2018 was highly likely, however at the meeting in May 2018 the MPC again voted by a majority of 7-2 to maintain Bank Rate at 0.5%.

Credit background

2.5. The rules for UK banks' ring-fencing were finalised by the Prudential Regulation Authority and banks began the complex implementation process ahead of the statutory deadline of 1 January 2019. As there was some uncertainty surrounding which banking entities the County Council would be dealing with once ring-fencing was implemented and what the balance sheets of the ring-fenced and non ring-fenced entities would look like, in May 2017 Arlingclose advised adjusting downwards the maturity limit for unsecured investments to a maximum of six months. The rating agencies had slightly varying views on the creditworthiness of the restructured entities.

2.6. Barclays was the first to complete its ring-fence restructure over the 2018 Easter weekend; wholesale deposits including local authority deposits will henceforth be accepted by Barclays Bank plc (branded Barclays International), which is the non ring-fenced bank.

2.7. In March 2018, following Arlingclose's advice, the County Council removed RBS plc and National Westminster Bank from its counterparty list for unsecured investments. This did not reflect any change to the creditworthiness of either bank, but a tightening in Arlingclose's recommended minimum credit rating criteria to A- from BBB+ for 2018/19. The current long-term ratings of RBS and NatWest do not meet this minimum criterion, although if following ring-fencing NatWest is upgraded, the bank would be reinstated on the County Council's unsecured lending list.

Local Authority Regulatory Changes

2.8. CIPFA published revised editions of the Treasury Management and Prudential Codes in December 2017. The 2017 Prudential Code introduces the requirement for a Capital Strategy which provides a high-level overview of the long-term context of capital expenditure and investment decisions and their associated risks and rewards along with an overview of how risk is managed for future financial sustainability. Where this strategy is produced and approved by full Council, the determination of the Treasury Management Strategy (TMS) can be delegated to a committee. The Code also expands on the process and governance issues of capital expenditure and investment decisions. The County Council will be preparing the Capital Strategy in line with the 2019/20 budget setting process.

2.9. In the 2017 Treasury Management Code the definition of 'investments' has been widened to include financial assets as well as non-financial assets held primarily for financial returns such as investment property. These, along with other investments made for non-treasury management purposes such as loans supporting service outcomes and investments in subsidiaries, must be discussed in the Capital Strategy or Investment Strategy. Additional risks of such investments are to be set out clearly and the impact on financial sustainability is be identified and reported.

MiFID II

2.10. As a result of the second Markets in Financial Instruments Directive (MiFID II), from 3 January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria were met which include having an investment balance of at least £10m and the person(s) authorised to make investment decisions on behalf of the authority having at least one year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess that the person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

2.11. The County Council has met the conditions to opt up to professional status and has done so in order to maintain its previous MiFID status prior to January 2018. The County Council will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

3. Local Context

3.1. At 31 March 2018 the County Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £764m, while usable reserves and working capital which are the underlying resources available for investment were £571m (principal invested plus gains on investments with a variable net asset value). These factors and the year-on-year change are summarised in Table 1 below:

Table 1: Balance Sheet Summary

	Balance 31/03/2017 £m	Movement £m	Balance 31/03/2018 £m
CFR	(755.4)	(8.6)	(764.0)
Less: Other debt liabilities*	171.0	(6.8)	164.2
Borrowing CFR	(584.4)	(15.4)	(599.8)
Less: Resources for investment	522.2	48.5	570.7
Net borrowing	(62.2)	33.1	(29.1)

* finance leases and PFI liabilities that form part of the County Council's debt.

3.2. Although CFR has risen as new capital expenditure was higher in comparison to the amount of debt paid in 2017/18, net borrowing has decreased overall due to an increase in usable reserves. The increase in usable reserves is partly due to capital grants unapplied received in advance of spend, as well as an increase in the Grant Equalisation Reserve (GER) to enable the County Council to continue its financial strategy, and to allow delivery of the more complex savings to be achieved within the Transformation to 2019 (Tt2019) Programme over the two years.

3.3. The County Council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31 March 2018 and the year-on-year change is shown in Table 2 below:

Table 2: Treasury Management Summary

	31/03/17 Balance £m	Movement £m	31/03/18 Balance £m	31/03/18 Rate %
Long-term borrowing	(319.7)	39.7	(280.0)	(4.59)
Short-term borrowing	(13.6)	5.7	(7.9)	(3.28)
Total Borrowing	**(333.3)**	**45.5**	**(287.8)**	**(4.55)**
Long-term investments	277.5	11.8	289.3	2.72
Short-term investments	160.1	80.4	240.5	1.30
Cash and cash equivalents	75.5	(43.1)	32.4	0.45
Total Investments	**513.1**	**49.1**	**562.2**	**1.98**
Net Investments	**179.8**	**94.6**	**274.4**	

Note: The figures in the table above are from the balance sheet in the County Council's statement of accounts, adjusted to exclude operational cash, accrued interest and other accounting adjustments.

3.4. The County Council's internal borrowing policy is the reason for the large variance between the positions shown in Tables 1 and 2. The movement that has taken place during 2017/18 in net borrowing shown in Table 1 has translated into a rise in investment balances as shown in Table 2. In addition, total borrowing in Table 2 has reduced during 2017/18 due to the early repayment of £32m of long-term borrowing in the form of LOBO (Lender's Option, Borrower's Option) loans and repayment upon maturity of £13.6m of Public Works Loan Board (PWLB) debt.

4. Borrowing Activity

4.1. At 31 March 2018 the County Council held £288m of loans, a decrease of £45m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end treasury management borrowing position and year-on-year change is shown in Table 3 below; which excludes borrowing taken out on behalf of others:

Table 3: Borrowing Position

	31/03/17 Balance £m	Movement £m	31/03/18 Balance £m	31/03/18 Rate %	31/03/18 WAM* Years
Public Works Loan Board	257.0	(13.6)	243.4	4.66	11.03
Banks (LOBO)	60.0	(40.0)	20.0	4.76	15.29
Banks (fixed term)	13.0	8.0	21.0	4.21	21.91
Total Borrowing	**330.0**	**45.6**	**284.4**	**4.63**	**12.13**

* Weighted average maturity

Note: the figures in the table above are from the balance sheet in the County Council's statement of accounts, but adjusted to exclude borrowing taken out on behalf of others, and accrued interest.

4.2. The County Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the County Council's long-term plans change being a secondary objective.

4.3. Affordability and the "cost of carry" remained important influences on the County Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained and are likely to remain at least over the forthcoming two years, lower than long-term rates, the County Council determined it was more cost effective in the short-term to use internal resources instead of taking out new borrowing. This strategy enabled the County Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

4.4. The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the County Council with the monitoring of internal and external borrowing.

4.5. During 2017/18 the County Council repaid £13.6m of maturing PWLB debt, and did not replace this borrowing. This will reduce the future cost of interest payments on the County Council's external debt.

4.6. The County Council continues to hold £41m of market loans (£20m of which are LOBO loans, and £21m of which were LOBO but have now been converted to fixed term loans by the lender); this has reduced from the £73m historical balance due to the County Council having negotiated the early repayment of £32m of LOBO loans, and repaid these at a saving in comparison to the total cost expected over the loans' lifetime. LOBO loans are 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. None of the LOBO loan options were exercised by the lender in the year.

5. Investment Activity

5.1. The County Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. During 2017/18 the Council's investment balances have ranged between £513m and £659m due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4 overleaf:

Table 4: Investment Position (Treasury Investments)

Investments	31/03/17 Balance £m	Movement £m	31/03/18 Balance £m	31/03/18 Rate %	31/03/18 WAM* years
Short term Investments					
- Banks and Building Societies:					
- Unsecured	35.7	(24.0)	11.7	0.53	0.11
- Secured	20.0	35.0	55.0	1.00	0.56
- Money Market Funds	61.7	(36.0)	25.7	0.46	0.00
- Local Authorities	116.8	43.7	160.5	1.33	0.35
- Corporate Bonds	1.3	(1.3)			
- Registered Provider		20.0	20.0	2.03	0.33
	235.6	**37.3**	**272.9**	**1.20**	**0.35**
Long term Investments					
- Banks and Building Societies:					
- Secured	70.0	8.3	78.3	0.79	2.57
- Local Authorities	97.5	(36.5)	61.0	1.41	1.94
	167.5	**(28.2)**	**139.3**	**1.06**	**2.29**
Long term Investments – high yielding strategy					
- Local Authorities					
- Fixed deposits	20.0		20.0	3.96	15.97
- Fixed bonds	10.0		10.0	3.78	15.77
- Pooled Funds					
- Pooled property**	45.0	10.0	55.0	4.60	N/A
- Pooled equity**	20.0	20.0	40.0	4.28	N/A
- Pooled multi-asset**	10.0	10.0	20.0	3.99	N/A
- Registered Provider	5.0		5.0	3.40	1.08
	110.0	**40.0**	**150.0**	**4.25**	**13.79**
Total Investments	**513.1**	**49.1**	**562.2**	**1.98**	**2.00**

* Weighted average maturity

** The rates provided for pooled fund investments are reflective of the average of the most recent dividend return as at 31 March 2018.

Note: the figures in the table above are from the balance sheet in the County Council's statement of accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

5.2. Both the CIPFA Code and the government guidance require 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.

5.3. In furtherance of these objectives, and given the increasing risk and low returns from short-term unsecured bank investments, the County Council further diversified into more secure and higher yielding asset classes during 2017/18. For example, the proportion of investments to liquid funds (i.e. invested in money market funds and unsecured call accounts) was reduced and instead invested in secure short-term investments with higher rates of return (such as local authorities). Also £40m was added to externally-managed funds during 2017/18 as part of the investments targeting higher yields.

5.4. Security of capital has remained the County Council's main investment objective. This has been maintained by following the County Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2017/18.

5.5. Counterparty credit quality was assessed and monitored with reference to credit ratings, for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

5.6. The County Council will also consider the use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

5.7. The County Council maintained a sufficient level of liquidity through the use of call accounts and money market funds. The County Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate increased by 0.25% to 0.50% in November 2017 and short-term money market rates have remained at relatively low levels which continued to have a significant impact on cash investment income.

5.8. The progression of credit risk and return metrics for the County Council's investments managed in-house (excluding external pooled funds) are shown in the extracts from Arlingclose's investment benchmarking in Table 5 below:

Table 5: Investment Benchmarking (investments managed in-house)

	Credit Rating	Bail-in Exposure	WAM* (days)	Rate of Return
31/03/2017	AA	22%	709	1.21%
31/03/2018	AA	8%	735	1.36%
Similar Local Authorities	AA-	48%	879	0.94%
All Local Authorities	AA-	55%	35	0.63%

* Weighted average maturity

5.9. As part of the 2017/18 Investment Strategy the total amount targeted towards high yielding investments was increased to £200m. Investments yielding higher returns will contribute additional income to the County Council, although some come with the risk that they may suffer falls in the value of the principal invested.

5.10. Of the £200m available £150m has been invested (an increase of £40m since 31 March 2017), and an additional £10m has been committed but not called.

5.11. The £115m portfolio of externally managed pooled multi-asset, equity and property funds generated an average total return of 4.9%, comprising 4.88% income return used to support services in year, and 0.02% of capital growth. As 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 are regularly reviewed.

5.12. The investments in pooled funds allow the County Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. The funds which are operated on a variable net asset value (VNAV) basis offer diversification of investment risk, coupled with the services of a professional fund manager; they also offer enhanced returns over the longer term but are more volatile in the short-term. All of the County Council's pooled fund investments are in the respective fund's distributing share class which pay out the income generated.

5.13. 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.

5.14. The 2015/16 Investment Strategy recommended that the returns from a pooled property fund be used to contribute £0.5m each year to a reserve in the County Council's accounts as protection against the irrecoverable fall in value of any investments. It is now recommended that £0.5m is added to this reserve in line with this strategy to further protect the County Council's funds. This is prudent given the additional risk that is being taken in targeting investments with higher returns and will bring the total amount in the reserve to £2m.

6. Other Non-Treasury Holdings and Activity

6.1. Although not classed as treasury management activities the Council may also make loans and investments for service purposes, for example loans to Hampshire based businesses or the direct purchase of land or property. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. The County Council's existing non-treasury investments are listed in Table 6 overleaf:

Table 6: Non-Treasury Investments

	31/03/18 Asset Value £m	31/03/18 Rate %
Loans to Hampshire based business	5.75	4.00
Total	**5.75**	**4.00**

7. Compliance Report

7.1. The County Council confirms compliance of all treasury management activities undertaken during 2017/18 with the CIPFA Code of Practice and the County Council’s approved TMS. Compliance with specific investment limits, as well as the authorised limit and operational boundary for external debt, is demonstrated in Tables 7 and 8 below:

Table 7: Debt Limits

	2017/18 Maximum £m	31/03/18 Actual £m	2017/18 Operational Boundary £m	2017/18 Authorised Limit £m	Complied
Borrowing	333	284	680	740	✓
Other long term liabilities	171	164	170	210	✓
Total Debt	**504**	**448**	**850**	**950**	✓

Table 8: Investment Limits

	2017/18 Maximum £m	31/03/18 Actual £m	2017/18 Limit £m	Complied
Any single organisation, except the UK Central Government	40	23	70	✓
Any group of organisations under the same ownership	40	23	70	✓
Any group of pooled funds under the same management	30	30	70	✓
Registered providers	25	25	70m	✓
Money market funds	19%	5%	50%	✓

8. Treasury Management Indicators

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

Interest Rate Exposures

8.2. This indicator is set to control the County Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of net principal borrowed will be:

Table 9 – Interest Rate Exposures

	31/03/18 Actual £m	2017/18 Limit £m	Complied
Upper limit on fixed interest rate investment exposure	90	375	✓
Upper limit on variable interest rate investment exposure	473	700	✓
Upper limit on fixed interest rate borrowing exposure	277	960	✓
Upper limit on variable interest rate borrowing exposure	8	960	✓

✓

8.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing

8.4. 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 10 – Maturity Structure of Borrowing

	31/03/18 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	50%	0%	✓
12 months and within 24 months	3%	50%	0%	✓
24 months and within 5 years	10%	50%	0%	✓
5 years and within 10 years	17%	75%	0%	✓
10 years and within 20 years	56%	75%	0%	✓
20 years and within 30 years	11%	75%	0%	✓
30 years and above	0%	100%	0%	✓

Principal Sums Invested for Periods Longer than 364 days

8.5. 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 total principal sum invested to final maturities beyond the period end will be:

Table 11 – Principal Sums Invested for Periods Longer than 364 days

	2017/18 £m	2018/19 £m	2019/20 £m
Actual principal invested beyond year end	280	227	173
Limit on principal invested beyond year end	375	300	300
Complied	✓	✓	✓

Capital Spending and Financing 2017/18

1 Introduction

1.1 This Appendix reports that:

- Capital schemes costing £221.5m were started during 2017/18 from the approved capital programme for the year of £355.9m.
- This left £123.1m for named projects not started by 31 March 2018 which will be carried forward to 2018/19, subject to Cabinet's approval.
- Capital payments of £208.7m were incurred in 2017/18 and this can be financed within available resources.
- It is proposed that, under the Prudential Code for Capital Finance, new prudential borrowing of £33.0m is used in 2017/18 to fund previously approved schemes. Government grant support will not be available to finance this borrowing.
- Repayments of prudential borrowing from capital receipts and other sources total £12.5m in 2017/18.
- £14.1m of surplus resources will be added to the capital reserve in 2017/18 for use in funding future payments.
- Capital receipts of £27.3m were achieved from the sale of assets in 2017/18.

2 Capital Programme for 2017/18

2.1 Table 1 below shows that 62.2% of the capital programme for 2017/18 of £221.5m was started in the year.

Table 1 - Capital Schemes Committed in 2017/18

	£'000	%
Approved value of the capital programme for 2017/18	355,874	100.0
Schemes committed in 2017/18	221,447	62.2
Balance of Cash Limit at 31 March 2018	**134,427**	**37.8**
Schemes for which approval to carry forward to 2018/19 is now requested	123,058	34.6
Schemes previously approved for carry forward	11,369	3.2
Total Cash Limit to be Carried Forward to 2018/19	**134,427**	**37.8**

2.2 An analysis by service of the figures in Table 1 is included in Annex 1.

3. Carry Forward of Schemes not Committed by 31 March 2018

3.1 The approval of Cabinet is required for proposals to carry forward schemes not started at 31 March 2018. The total value of such schemes is £123.1m. This excludes £11.4m of Children's Services schemes for which approval to carry forward to 2018/19 has previously been given during 2017/18. These amounts are largely committed against named projects.

3.2 As Table 2 shows, the value of the 2017/18 programme committed in the year, at £221.5m, is higher than the level achieved in 2016/17 of £196.5. Good progress is being made given the significant size of the overall capital programme.

Table 2 – Percentage of Capital Programme Committed

	2016/17 £m	**2017/18 £m**
Value of Projects		
- Committed	196.5	221.5
- Carried forward	121.6	134.4
Total Programme	**318.1**	**355.9**
Percentage Committed	61.2%	62.2%

3.3 Individually, most of the schemes and provisions to be carried forward are relatively small amounts. The larger schemes include:

- Adults with Disability – Accommodation Strategy (£9.4m) – A capital grants programme has been approved and is progressing.
- Extra care housing transformation (£20.2m) – Projects are being considered.
- Children's Services contingency provision carried forward to cover future projects and pressures on the capital programme (£26.0m).
- Structural maintenance of roads and bridges – Future projects planned which are linked to the outcome of funding bids (£20.8m).
- Infrastructure and utility works (£15.7m) – Project designs are progressing.
- Investment in Hampshire projects – Projects are planned (£3.0m).

4. Capital Expenditure and Financing 2017/18

4.1 Total expenditure actually incurred in 2017/18, arising from the capital programme for 2017/18 and earlier years, was £208.7m. This is £29.4m or 12.4% lower than the revised estimate for 2017/18. The timing of capital expenditure flows between financial years is often difficult to predict. The delays in committing a fair proportion of the capital programme for 2017/18, as shown in Table 2, will have reduced the level of payments in the year.

4.2 An analysis of the expenditure of £208.7m by service and type is included in Annex 2.

4.3 The proposed method of financing this expenditure is summarised in Table 3:

Table 3 – Capital Financing 2017/18

	Adjusted Revised Estimate £'000	Actuals £'000	Variation £'000
Prudential borrowing			
- for capital schemes	37,097	32,959	(4,138)
- repayments of specific schemes	(10,199)	(12,553)	(2,354)
Government capital grants	92,020	93,566	1,546
Contributions from developers and outside agencies	59,205	66,810	7,605
Capital receipts	5,880	27,327	21,447
Revenue reserves	1,167	1,761	594
Revenue contributions			
- general corporate provision	12,947	12,947	0
Total Capital Resources	**198,117**	**222,817**	**24,700**
Transfers from / (to) capital reserve	41,009	0	(41,009)
- planned use of capital reserve to fund payments	(1,052)	(14,153)	(13,101)
Total funding for payments in 2017/18	**238,074**	**208,664**	**(29,410)**

4.4 In addition to this spend, during 2017/18, the Enterprise M3 Local Enterprise Partnership (LEP) invested £16.9m in Capital projects within the M3 corridor. This spend is included in the annual accounts, as the Council is the Accountable Body for the LEP.

5. Borrowing

5.1 Since 1 April 2004, local authorities have been permitted to borrow for capital purposes without specific approval from the Government, provided their actions meet the requirements of the Prudential Code for Capital Finance introduced by the Local Government Act 2003. This is known as 'prudential borrowing'. It does not attract any support from the Government towards the repayment and interest costs, which fall wholly on the County Council's own resources.

5.2 Cabinet agreed criteria for the use of prudential borrowing in November 2003, with revisions in February 2006. Since then, its use has been agreed for a number of capital schemes, primarily on an invest-to-save basis. It is proposed that a total of £33m is borrowed in 2017/18 for these schemes, in accordance with the approved criteria.

5.3 Prudential borrowing of £12.5m has been repaid in 2017/18 from the use of capital receipts, developer and other contributions.

5.4 The Prudential Code includes a number of indicators intended to illustrate whether local authorities are acting prudently. The County Council's latest position on these prudential indicators following the 2017/18 outturn is summarised in Appendix 2. It shows that the County Council continues to be in full compliance with the requirements of the Code.

6. Capital receipts

6.1 Capital receipts from the sale of land and property in 2017/18 were £27.3m in total. This has been used to fund capital expenditure in the year.

6.2 Services' proposed shares of capital receipts in 2017/18 are summarised in Annex 3. The County Council's policy allows services to retain 25% of capital receipts from the sale of their assets, with up to 100% for approved rationalisation schemes.

6.3 In line with this policy, services are entitled to £12.6m of the £27.3m received in 2017/18. Cabinet has previously approved the addition of the majority of this amount to services' capital programmes, leaving a total of £0.3m for which approval is now required for allocation to services, as set out in Annex 3.

Analysis of Capital programme 2017/18 and Requests by Services to Carry Forward Capital Schemes to 2018/19

	(1) Approved Value of Programme	(2) Schemes Committed in 2017/18	(3) Schemes for Which Approval to Carry Forward is Requested	(4) Schemes Already Approved for Carry Forward	Total Cash Limit Carried Forward to 2018/19 (Columns 3+4)
	£'000	£'000	£'000	£'000	£'000
Adults' Services	55,127	24,008	31,119		31,119
Children's Services	146,777	101,198	34,210	11,369	45,579
Economy, Transport and Environment	81,248	52,201	29,047		29,047
Policy and Resources	72,722	44,040	28,682		28,682
Total	**355,874**	**221,447**	**123,058**	**11,369**	**134,427**
	100.0%	62.2%	34.6%	3.2%	37.8%

The amounts to be carried forward are largely committed against named projects

Summary of Capital Expenditure in 2017/18

Analysis by service

	£'000	%
Adults' Services	25,090	12.0
Children's Services	62,261	29.9
Economy, Transport and Environment	74,542	35.7
Policy and Resources	46,771	22.4
	208,664	**100.0**

Analysis by type of expenditure

	£'000	%
Land	3,645	1.7
Construction work	143,089	68.6
Fees and salaries	25,622	12.3
Furniture, equipment and vehicles	17,741	8.5
Grants	14,132	6.8
Capital Loan	4,435	2.1
	208,664	**100.0**

Analysis of Capital Receipts 2017/18

	Net Capital Receipts	Costs of Sales	Shares from in/out and Other Schemes: Previously Added to Programme	Shares from in/out and Other Schemes: Now Available to be Added to Programme	25% Share of Qualifying Receipts Now Due to Services
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adults' Services					
Children's Services	7,445		7,445		
Economy, Transport and Environment	113	1	113		
Policy and Resources	19,769		4,999	290	
	27,327	**1**	**12,557**	**290**	**0**

Total Now to be Added to Services' Programmes	**290**

COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Cabinet

PART I

1. LOOKING AHEAD - MEDIUM TERM FINANCIAL STRATEGY

1.1. At its meeting on 18 June 2018, Cabinet considered a report of the Director of Corporate Resources setting out the medium term financial strategy.

1.2. The report considered by Cabinet set out the medium term prospects for the County Council's finances to 2021/22 and provided an update on the budget development process for 2019/20. It extends the financial planning period to 2021/22 and considers the financial strategy that may be developed, recognising the uncertainty that exists beyond the period covered by the current spending review which runs to 2019/20.

1.3. The report considered by Cabinet is attached, in full, as Annex 1 to this Council report.

1.4. In addition to a number of recommendations to Council, set out below, Cabinet resolved to:

i. Note and agree the potential for formal decision making on the next transformation programme to take the County Council to 2021 being made during the autumn 2019.

ii. Note and agree to proceed on the basis of a forecast financial gap for the two year period to 2021/22 of £80m.

iii. Approve the provisional departmental targets outlined in paragraph 7.7 of the report.

iv. Approve the timetable for the Transformation to 2021 Programme as detailed in paragraph 7.13 of the report.

The full report to (Cabinet) can be found at the following link:

- Cabinet 18 June 2018

RECOMMENDATIONS

That:

a. The allocation of recurring funding totalling £19.7m from 2019/20 onwards to be met from a further round of corporate efficiencies, achieved from a review of treasury management activity, inflation allowances, contingencies and reserves, is approved to provide for the following:

- £5m for the revenue consequences of the Digital Programme and the expanding use of technology that underpins the delivery of transformation.
- £1.2m to re-align the Strategic Procurement income allowing corporate prioritisation of this resource to take place.

- £13.5m for the forecast growth in Children Looked After numbers.

b. An initial allocation of £200m is added to the capital programme for Adults' Services Bed Based Programme to be funded from prudential borrowing.

c. A sum of £1.8m is added to the capital programme in 2018/19 and £0.5m in 2019/20 to be funded from departmental reserves to proceed with the next phase of the Country Parks Transformation Programme and specific proposals for the Empire Room at Royal Victoria Country Park, the farm attractions at Staunton and Manor Farm and for Queen Elizabeth Country Park.

d. £4m is added to the capital programme to fund the replacement of the current social care IT system to be met from existing funding set aside for this purpose.

e. A sum of £9.53m is added to the capital programme to progress the completion of phase 1 of the Eclipse Busway from Fareham to Gosport and that funding of up to £2.5m is approved to underwrite the scheme in the event that further grant funding cannot be secured.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	18 June 2018 20 September 2018
Title:	Looking Ahead - Medium Term Financial Strategy
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Carolyn Williamson, Director of Corporate Resources

Tel: 01962 847400 **Email:** Carolyn.Williamson@hants.gov.uk

1. Recommendations

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

1.1. Notes and agrees the potential for formal decision making on the next transformation programme to take the County Council to 2021 being made during the autumn 2019.

1.2. Notes and agrees to proceed on the basis of a forecast financial gap for the two year period to 2021/22 of £80m.

1.3. Approves the provisional departmental targets outlined in paragraph 7.7.

1.4. Approves the timetable for the Transformation to 2021 Programme as detailed in paragraph 7.13

1.5. **Recommends to County Council that:**

a) The allocation of recurring funding totalling £19.7m from 2019/20 onwards to be met from a further round of corporate efficiencies, achieved from a review of treasury management activity, inflation allowances, contingencies and reserves, is approved to provide for the following:

- £5m for the revenue consequences of the Digital Programme and the expanding use of technology that underpins the delivery of transformation.
- £1.2m to re-align the Strategic Procurement income allowing corporate prioritisation of this resource to take place.
- £13.5m for the forecast growth in Children Looked After numbers.

b) An initial allocation of £200m is added to the capital programme for Adults' Services Bed Based Programme to be funded from prudential borrowing.

c) A sum of £1.8m is added to the capital programme in 2018/19 and £0.5m in 2019/20 to be funded from departmental reserves to proceed with the next phase of the Country Parks Transformation Programme and specific proposals for the Empire Room at Royal Victoria Country Park, the farm attractions at Staunton and Manor Farm and for Queen Elizabeth Country Park.

d) £4m is added to the capital programme to fund the replacement of the current social care IT system to be met from existing funding set aside for this purpose.

e) A sum of £9.53m is added to the capital programme to progress the completion of phase 1 of the Eclipse Busway from Fareham to Gosport and that funding of up to £2.5m is approved to underwrite the scheme in the event that further grant funding cannot be secured.

1.6. **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 allocation of recurring funding totalling £19.7m from 2019/20 onwards to be met from a further round of corporate efficiencies, achieved from a review of treasury management activity, inflation allowances, contingencies and reserves, to provide for the following:

- £5m for the revenue consequences of the Digital Programme and the expanding use of technology that underpins the delivery of transformation.
- £1.2m to re-align the Strategic Procurement income allowing corporate prioritisation of this resource to take place.
- £13.5m for the forecast growth in Children Looked After numbers.

b) The addition of an initial £200m to the capital programme for Adults' Services Bed Based Programme to be funded from prudential borrowing.

c) The addition of £1.8m in 2018/19 and £0.5m in 2019/20 to the capital programme to be funded from departmental reserves to proceed with the next phase of the Country Parks Transformation Programme and specific proposals for the Empire Room at Royal Victoria Country Park, the farm attractions at Staunton and Manor Farm and for Queen Elizabeth Country Park.

d) The addition of £4m to the capital programme to fund the replacement of the current social care IT system to be met from existing funding set aside for this purpose.

e) The addition of £9.53m to the capital programme to progress the completion of phase 1 of the Eclipse Busway from Fareham to Gosport, together with funding of up to £2.5m to underwrite the scheme in the event that further grant funding cannot be secured.

2. Executive Summary

2.1. The purpose of this report is to consider the medium term prospects for the County Council's finances to 2021/22 and to update Cabinet on the budget development process for 2019/20.

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. 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 blight other local authorities.

2.3. The financial position to 2019/20 was heavily impacted by the Local Government Finance Settlement for 2016/17 which changed the methodology for distributing grant and reversed the Government's previous policy on council tax increases. In February 2016 it was reported to Cabinet and County Council that a gap in the order of £140m would need to be bridged and this has been reflected in all financial updates since that date, leading into the Transformation to 2019 (Tt2019) Programme.

2.4. The County Council's strategy placed it in a very strong position to produce a 'steady state' budget for 2018/19 and give itself the time and capacity to develop and safely implement the next phase of changes through the Tt2019 Programme. The budget for 2018/19 was balanced through the use of the Grant Equalisation Reserve (GER), in line with the previous Medium Term Financial Strategy (MTFS) approved by County Council.

2.5. The Tt2019 Programme is progressing well and to plan, but it is clear that bridging a further gap of £140m will be extremely difficult and will take longer to achieve in order to avoid service disruption. The Chief Executive's report on Transformation to 2019 – Report No. 3 was presented to Cabinet in April 2018 and outlined the positive progress being made.

2.6. 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 also to provide resources to invest in the transformation of services. This further emphasises the value of our reserves strategy.

2.7. In 2019/20 additional funding to provide for the revenue consequences of the Digital Programme which underpins the delivery of transformation, to re-align the Strategic Procurement budget and also to respond to the continued growth in demand pressures across children's social services is required and will be met from a further round of corporate efficiencies, achieved from a review of treasury management activity, inflation allowances, contingencies and reserves.

2.8. The County Council's ability to continue to provide resources to invest in specific priorities, in line with the County Council's focus on efficiency and service improvement, and to generate revenue benefits in future financial years, even in times of tight financial control, is a testament to the strong financial management and rigorous approach to planning and delivering change that has been applied; and to the benefits that can be achieved from working at scale.

2.9. In this context the report also considers some specific additional capital investment, although overall there remains limited scope to add new schemes to an extensive capital programme.

2.10. This report extends the financial planning period to 2021/22 and considers the financial strategy that may be developed, recognising the uncertainty that exists beyond the period covered by the current spending review which runs to 2019/20. No further settlement figures are available after 2019/20 and there remains uncertainty nationally around the Fair Funding Review and the future of 100% Business Rate Retention.

2.11. Whilst the scale of Government grant reductions after 2019/20 is not expected to be at the same levels experienced throughout the last decade, the County Council must still find funding to meet inflationary and pay pressures within services that prior to 2010 would have been funded by government. Provision must also be made for new funding to meet growth in services, primarily in the areas of adults' and children's social care with only partial funding provided by the Government for adults' services and no national funding identified yet to begin to address the pressures for children's. Whilst council tax income provides part of the solution, the budget can only be balanced through reductions in spending or the generation of additional income by departments.

2.12. Looking ahead, the financial forecasts beyond 2020 indicate that the net gap over the two year period to the 2021/22 financial year is £80m, although it must be emphasised that this forecast is based on a wide range of assumptions and represents a realistic view as opposed to the worst case scenario. It includes assumptions that are marginally less prudent than previous forecasts in order to try to mitigate the impact on services but this must be balanced against the greater risk that these assumptions build into our medium term financial planning.

2.13. The County Council gross expenditure continues to be in the region of £1.9bn and the authority remains in a very strong financial position, which is testament to the organisation's ability to plan and ensure that it is appropriately placed to deal with the future challenges that lie ahead. However, what is clear from the forward forecasts that have been prepared is that under current funding arrangements, against existing duties and anticipated demands, the County Council cannot maintain financial sustainability in the longer term. It simply does not have the capacity to continue to absorb the annual inflationary and growth pressures through successive change programmes without the allocation of additional government funding.

2.14. Whilst Hampshire is as well placed as any county council to tackle these pressures over the medium term, the simple mathematics mean that ultimately there will be a tipping point and evidence would suggest that many local authorities are closer to that position already.

2.15. The County Council's workstream, cost reduction, efficiency and transformation programmes and the capital programme will all be reviewed to identify future opportunities. The emphasis will once again be on efficiency and cost reduction aligned with exploiting new digital capability. Increasing partnerships, trading and commercial opportunities will be evaluated at the same time to ensure continued focus on maximising value from every pound spent. However, whilst the County Council will seek to maximise opportunities in these areas, delivering a further £80m on top of the £480m removed from the budget by 2019/20 is unlikely to be achieved without further targeting of services and the reduction of services in some areas.

2.16. The County Council's reserves strategy, which is set out in Appendix 3, 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.

2.17. 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 has been repeated and gives a figure of just over 27 days, highlighting 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.

3. Contextual Information

3.1. It is normal practice, at this time of the year, to provide Cabinet with an update on the Medium Term Financial Strategy (MTFS) in order to inform and direct work on detailed budget planning that will take place over the summer.

3.2. The budget setting process for 2019/20 will be different from last year in that the majority of the decisions in respect of major changes to the budget were taken early, in the 2018/19 budget setting process. Other factors will still affect the budget, such as council tax decisions and social care pressures as outlined later in this report, but these will not be as significant as the change programme that has already been put in place.

3.3. The County Council's success in delivering its budget plans is demonstrated by the fact that it has been able to contain expenditure within budget and has achieved under spends in each of the years since 2010/11, despite taking significant sums of money out of the budget.

3.4. 2017/18 represented a further milestone in this journey, given that a further £98m was removed from budgets in this year following the Transformation to 2017 (Tt2017) Programme, taking the total to £340m since the grant reductions (including the removal of funding from government to provide for inflation and demand growth) began.

3.5. This further level of reduction obviously increased the risk within the budget and strong financial management has remained a key focus throughout the year to ensure that all departments stay within their cash limits, that no new revenue pressures are created and that the change programmes that have been approved are delivered. 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 resources being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet

3.6. The outturn position for 2017/18 is set out in the 2017/18 – End of Year Financial Report to Cabinet presented elsewhere on this Agenda and shows an overall under spend across departments. This position is probably the best measure we have for demonstrating that the Tt2017 Programme has been successfully delivered and that the focus on strong financial management throughout the year has been effective.

3.7. It is too early to look at revenue monitoring information from 2018/19 but given that this year is in effect a 'steady state' position, following the decision to roll up all of the savings into the Transforming the Council to 2019 (Tt2019) Programme, the potential risks are lower than in 2017/18, although we continue to face pressures within social care (especially children's) along with most other authorities providing these services.

3.8. The Chief Executive's report on Transformation to 2019 – Report No. 3 was presented to Cabinet in April 2018 and outlined the positive progress being made as we continue with implementation of the programme to deliver the required changes and service transformation.

3.9. The programme is now very much orientated to implementation and delivery. Where appropriate, this will include further service specific public consultations where proposals and options for service change will be debated with service users and key stakeholders.

3.10. 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 and also means that benefits realisation and the planned delivery is consistently in focus, which for this programme, given its later cash flow support demands, is ever more important. In addition, it is almost certain that there will be further service demand pressures, particularly in the social care departments, and a continued squeeze on public sector funding into the next decade. This puts an added premium on the Tt2019 Programme being delivered in full, and as quickly as it is safe to do so to put the County Council in the best position possible at the commencement of any successor programme.

3.11. Early implementation progress has been positive with some £35m of the £140m target secured by the end of February. This includes the full achievement of the £23.2m of corporate efficiencies (including a small element of additional council tax income) alongside some early delivery across the different departmental programmes. This combined with the effective management of the financial position across the authority in 2017/18 indicates that the County Council is well placed to maintain its record of strong financial management and delivery through 2018/19.

3.12. The focus of this report is therefore on the position for 2019/20, the medium term to 2022 and the proposed strategy and high level timetable for dealing with the predicted gap in each of these years.

4. The Council's Challenge

4.1. Members will be fully aware that the County Council has been responding to reductions in public spending, designed to help close the structural deficit within the economy, since the first reductions to government grants were applied in 2010 and then as part of subsequent Comprehensive Spending Reviews (CSRs).

4.2. Whilst the County Council understands the wider economic imperative for closing the structural deficit, the prolonged period of tight financial control has led to significant reductions in government grant and the removal of funding that was historically provided to cover inflation, coupled with continued underfunding for demand pressures. At the same time the County Council has also had to respond to inflationary and growth driven increases in costs across all services, but in particular adults' and children's social care.

4.3. Reductions in government grant together with inflationary and service pressures highlighted above created an average budget gap of around £50m per annum in the early part of the decade, meaning that around £100m has needed to be saved every two year cycle since 2011.

4.4. This position was exacerbated following the changes announced in the Local Government Settlement in February 2016 which provided definitive figures for 2016/17 and provisional figures for the following three years to 2019/20. The settlement included a major revision to the methodology for distributing Revenue Support Grant (RSG) which had a major impact on Shire Counties and Shire Districts and also reflected a clear shift by the Government in council tax policy.

4.5. The impact on Shire Counties of a significant unexpected reduction in grant at a time of growing demand and cost pressures in the services they provide has affected the short term financial viability of some County Councils, with Surrey previously considering a referendum for a 15% council tax increase and the well publicised financial issues facing Northamptonshire whose Director of Finance issued a Section 114 notice in February 2018, imposing spending controls on the council.

4.6. Whilst Hampshire's forward planning and successful delivery to date have placed it in a strong position, the impact of the 2016/17 settlement significantly increased the challenge for the two years to 2019/20.

4.7. The County Council's approach to date has served it well, exploring areas of cost reduction, efficiency, IT enablement and other investment in service re-design and transformation to help make the required budget reductions. This approach will continue alongside a commercial strategy which generates over £130m of income each year.

4.8. The County Council's commercial strategy was set out in detail in the previous update of the MTFS presented to Cabinet and County Council in October and November last year. A summary of the strategy is outlined below.

4.9. 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 that yield additional income or generate a return.

4.10. The County Council continues to expand on this strategy with an expected £11.2m income from its investment portfolio during 2017/18, further expansion of partnership arrangements including providing public health services on the Isle of Wight and on-boarding of three London Boroughs to the Shared Services Partnership taking place this year.

4.11. Progress on the Manydown housing development has moved to the next phase following the appointment of a private sector partner who has brought significant expertise and external investment to the joint venture arrangement.

4.12. By building on its existing strengths, at the same time as looking for innovative (but low risk and sustainable) options for investment and utilisation of assets, the County Council has radically shifted its approach to income generation and the pursuit of commercial opportunities during the period of tight financial control.

4.13. The success of the County Council's approach now means that we:

- Will be generating fees and charges income of around £100m by 2019/20.
- Will increase gross trading services as part of Tt2019 to £150m, generating a potential net contribution in the order of £19.5m.
- Have increased investment returns on cash balances from £3.5m per annum in 2011/12 to over £9m in the current year (budgeted).
- Will start to generate longer term savings through property development and joint ventures with partners that will contribute to future change programmes.

4.14. Total commercial based activity will contribute around £130m to supporting the County Council's bottom line and to helping maintain high quality services, staff capacity and the retention of skills and technical expertise.

4.15. This has all 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.

4.16. While the organisation should and will continue to explore all further opportunities to extend these net incomes and identify new ones, it would be a grave error to reduce our planned targets for Tt2019 and beyond on the back of over ambitious or unsustainable income forecasts that would build significant risk into future financial plans.

5. 2019/20 Budget

5.1. In overall terms, even after allowing for council tax increases over the settlement period, an anticipated budget gap of £140m was predicted by 2019/20 and targets based on a reduction of approaching 19% in cash limited spend, were allocated to departments as part of the Tt2019 Programme. The remaining amount, now standing at £23.2m, has been secured from corporate efficiencies resulting from changes in accounting practice in respect of depreciation and Minimum Revenue Provisions (MRP) and also the management of debt, inflation allowances and reserves; along with a small amount of additional council tax income.

5.2. The anticipated delay in some elements of the delivery of cash release for the Tt2019 Programme has been factored into the medium term forecasts to ensure that sufficient one off funding exists both corporately and within departments to meet any potential gap over the period. At this stage, there is a high degree of confidence that this can be covered but this shift in the profile of the delivery of change does indicate that we are now beginning to be 'behind the curve' rather than in front of it and this will inevitably impact on our ability to respond to further financial pressures after 2019/20.

5.3. Whilst the majority of the decisions in respect of major changes to the 2019/20 budget were taken early, other factors will still impact the budget, such as council tax decisions and also a number of additional pressures that are explored below:

Costs of the Digital and Enabling Productivity Programmes

5.4. In considering the financial strategy for 2019/20 and beyond, provision needs to be made for the allocation of funding to address the IT revenue pressures resulting from the Digital and Enabling Productivity (EP) Programmes and the expanding use of technology which underpins the delivery of transformation.

5.5. Recognising that technology is fundamental to the County Council's day-to-day service delivery and business operations, as well as being a key enabler for the transformation agenda, Appendix 1 sets out in more detail the financial pressures to be addressed which total £5m per annum.

5.6. This includes some allowances for growth pressures that arise simply because of the ever expanding nature of information technology. Growth in data storage and the need for greater Wi-Fi capacity and coverage place pressures on the IT budget in the same way as more children requiring home to school transport places cost pressures on Children's Services.

5.7. Whilst the majority of the expenditure underpins the Tt2019 change programmes, it was not felt appropriate to try to top slice departmental budgets to fund the ongoing costs of the investment in IT, as that would simply add to their targets in a less transparent manner, and therefore these additional costs are being factored into the forecasts in the same way as those for social care pressures.

Strategic Procurement

5.8. For many years, the procurement function operated as a trading unit within the County Council, which meant that it sat outside of the normal cash limit process and everything that it spent had to be earned as income either externally, internally from other departments or through ad hoc projects.

5.9. As the period of tight financial control unfolded more corporate control to assist the organisation in further modernising its procurement practices to ensure increasing efficiency in the County Council's external spending became vital. In the face of this change, the trading unit methodology became less effective in dealing with the corporate demands and strategy for procurement across the whole of the County Council. As a result, in 2017/18 the decision was taken to stop treating Strategic Procurement as a trading unit and to incorporate it as part of the cash limited services within Corporate Services.

5.10. However, a large element of the budget continues to be met by income totalling £1.2m generated from a rebate mechanism which relies on a level of spend across the County Council with a range of suppliers. As the pressure grows to reduce spend over successive change programmes, the requirement to deliver this rebate income to maintain the financial position of Strategic Procurement has a counter intuitive impact.

5.11. It is therefore proposed to re-align the Strategic Procurement income budget through an adjustment to cash limits when these are agreed in December of this year allowing corporate prioritisation of this resource to take place, coupled with the ongoing push to reduce external spend without the consequent impact on rebate income. Through replacing the current internal income in this way the funding of Strategic Procurement will become regularised and less dependent on a counter-productive business model, while still subject to the usual stringent monitoring.

Children's Services Pressures

5.12. Nationally there is growing attention being focused on the pressures facing children's services and analysis by the Local Government Association (LGA) published last year highlighted that growing demand for support is leading to over spends in an increasing number of authorities.

5.13. The Department have applied strong focus to these pressures and the reported position for 2017/18 is break even, reflecting the pro-active management of the services together with early delivery of resources, the use of the departmental reserves and agreed corporate support; including an additional £7.2m of support approved in February as part of budget setting.

5.14. Funding has been set aside within contingencies to provide for the projected growth in Children Looked After (CLA) numbers (and in turn the knock on impact for care leavers) and rising costs in 2018/19 and beyond. However, it was previously reported to Cabinet that a further increase in recurring funding would be required to meet the financial consequences of updated growth projections and more detail is contained in Appendix 2. Current numbers of CLA are around 1,500, but the projections to 2022/23 indicate that this could rise to over 2,000 before the impact of the Partners In Practice (PIP) Programme is taken into account.

5.15. In summary, it is forecast that a base budget adjustment of £13.5m is required in 2019/20 and then annual increases are needed to keep pace with projected growth to ensure the Department operates from a firmer financial base as work on the challenging transformation programme progresses.

5.16. This forecast continues to be based on a wide range of assumptions and predictions and given the unpredictability of CLA numbers and costs it is proposed to retain these sums in contingencies and to continue to monitor activity and spend closely, releasing funding only as required.

5.17. The forecast will also make provision for increased legal services resources of £350,000 as a result of the increased activity within children's safeguarding and the requirement to process Deprivation of Liberty Safeguards (DoLS) which have also placed a higher workload within adults' and legal services alike.

Corporate Efficiencies

5.18. Once more, activity has been undertaken to explore the potential for further corporate efficiencies which would remove the need for additional departmental savings to be found and minimise the impact on services. This will include a review of treasury management activity, inflation allowances, contingencies and reserves and may require some elements such as future increases in the council tax base to be brought forward to achieve the target.

5.19. Whilst challenging, the assessment is that further savings of £19.7m can be achieved, albeit that these may require an element of cashflow funding in the earlier years.

Schools Funding

5.20. Members will be aware that for the most part spending in schools is met through a government grant called Dedicated Schools Grant (DSG). This is a ringfenced grant and can generally only be used for school purposes albeit there is some limited flexibility that can be applied as long as this is agreed by the Schools Forum.

5.21. In past years, schools have managed their budgets through a combination of utilising schools reserves and carrying forward unspent elements of the DSG in order to help balance budgets in future years.

5.22. In recent years however, there has been more and more pressure on schools budgets caused in particular by an increasing requirement for pupils with Special Educational Needs (SEN), which exceeds the High Needs allocation within DSG. Schools forum have agreed to transfer the maximum sum allowed from the general Schools allocation to the High Needs block but in 2018/19 there was an over spend of £4.5m after using the remaining carried forward DSG, which has now been exhausted.

5.23. The Department for Education (DfE) have allowed the County Council to carry forward this deficit and Schools Forum have agreed a plan to meet the £4.5m in 2018/19. However, it is expected that there will be a further (and growing) pressure on SEN in 2018/19 which based on current needs is expected to be in the region of £8m. Measures are being implemented to try to address the pressures however this is complex in that many potential actions contain a risk of creating greater pressures elsewhere within the block.

5.24. The DfE is aware of these pressures, which are reflected nationally. Some additional, but insufficient, increase was made to the High Needs block with the implementation of the national funding formula. We are continuing to draw this issue to the attention of the DfE, alongside all other local authorities.

Business Rate Retention

5.25. The Government has long held the view that Business Rate Retention (BRR) should be extended beyond the current level of 50%. Technical work continues across the sector to look at options for extending BRR to 75% with a possible implementation date of 2020/21.

5.26. Pilot schemes have been put in place and for 2018/19 bids were requested from local authorities to take part in a new set of pilots. For the County Council to have taken part it would have needed the agreement of all the Districts and Boroughs in its area, but at least two authorities immediately indicated their clear intention not to want to take part. In essence therefore the County Council was unable to submit a bid.

5.27. There were other factors which made the pilot less attractive in any event, in particular the fact that the Government did not initially offer a 'no detriment' clause, meaning that local authorities could have actually lost money if business rate income fell, and the need to gain agreement across the business rate area as to how the additional income would be used and distributed.

5.28. Since that time, the Government did agree to a 'no detriment' clause for 2018/19 and have highlighted the fact that the growth in income is applied retrospectively to when the business rate baseline was set in 2013/14, meaning that greater gains can be made by authorities who were successful in applying for pilot status.

5.29. Given this position Hampshire authorities are again considering the possibility of submitting a bid for a pilot scheme in 2019/20 if and when one is announced, since preliminary work would need to be undertaken to meet what are usually tight submission timescales.

5.30. An initial proposal based on a 30% top slice for a 'strategic infrastructure fund' and 10% for contingencies has been pulled together and will be considered by the HIOWLGA Chief Executives group in due course. Under the scheme, the County Council could benefit up to £6.9m on a one off basis from business rate growth, albeit that this is based on a large number of different variables; notably agreement of a future tier split with the districts and boroughs which will be challenging.

6. Medium Term Forecasts - Beyond 2019/20

6.1. The current financial strategy that the County Council operates, works on the basis of a two-year cycle of departmental savings to close the anticipated budget gap at the end of that cycle. This provides the time and capacity to safely deliver major change programmes every two years, with deficits in the intervening years being met from the GER and early release 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.

6.2. Given the sustained pressure on the County Council's finances this strategy has been reviewed and other options have been considered. One option is to move to an annual savings programme, which would remove the need to cashflow budget deficits in the intervening years. This option has been rejected as it does not allow sufficient time to properly plan and implement change and given the longer time frames for transformation experienced in

Tt2019 which we can anticipate applying thereafter, it is likely to require cashflow funding anyway. It would also have the effect of running multiple overlapping programmes which inevitably would become complex and difficult to manage.

6.3. Alternatively the County Council could look to extend the programme timing to three years, recognising the current challenges in delivering Tt2019. This is considered to be very high risk, given the uncertainties highlighted later in this Section and would also require greater one off funding that does not currently exist to fill two years worth of budget deficits of £80m.

6.4. The warning signs around other County Council finances following the Northamptonshire problems would also indicate that this is not the appropriate time to be delaying difficult decision. Therefore sticking to the discipline and strategy that has placed the County Council in an exceptionally strong financial position to date would seem the most logical conclusion.

6.5. Members will be aware that the County Council is in the process of addressing a budget gap of £140m by 2019/20 through the Tt2019 Programme. Bridging a gap of £140m after already removing £340m of expenditure is a massive undertaking particularly as each successive change programme is becoming harder to deliver and many areas cannot be re-visited due to the nature of the revised service models or contractual arrangements that will have been put in place.

6.6. As in previous years, the County Council has responded positively to the transformation challenge and proposals to meet the £140m deficit were signed off by County Council in November last year subject to any further Stage 2 consultations that need to take place.

6.7. What is different to previous years however is the fact that the profile of delivery for the programme is back loaded, with some changes not being delivered at all until well after 2019/20. Whilst sufficient resources have been set aside to cover this delayed implementation, it does increase the overall risk in the budget going forward as there will potentially be overlapping change programmes.

6.8. 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, the future funding for adults' social care and the growing financial pressure nationally on children's services.

6.9. Given the nature of local government finances, uncertainties around future government grant reductions and the large number of variables and assumptions within the overall model, it is difficult to predict with any certainty what the position is likely to be beyond 2019/20.

6.10. There are also certain key assumptions that need to be established before considering what the financial landscape post 2019/20 may look like. The forecasts presented later in this section therefore assume the following:

- All Tt2019 changes and the resulting financial benefits will be delivered in line with current assumptions.
- Funding from the Better Care Fund (BCF) continues at 2019/20 levels going forward.
- No business rate income growth assumed.
- No council tax base increase assumed (other than to help meet the £19.7m of corporate efficiencies mentioned in paragraph 5.18).

6.11. A high level forecast based on the following range of key assumptions has been calculated for the period to 2021/22:

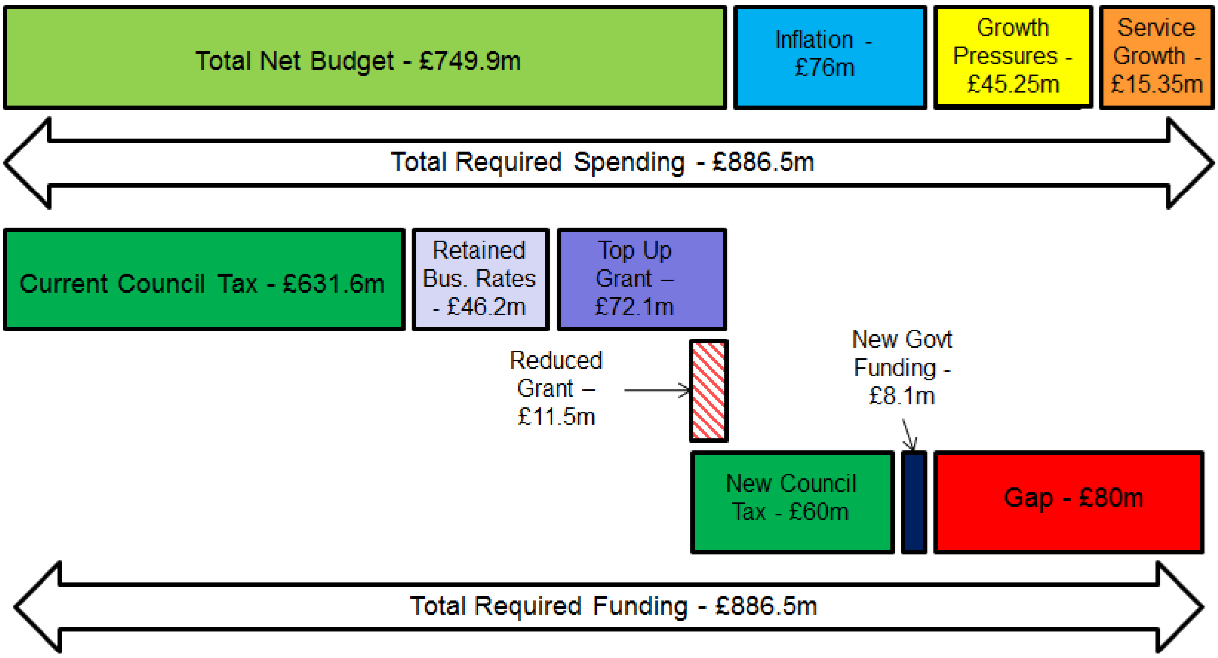
- That the referendum limit will remain at 5.00% which includes a continuation of the extra 2% flexibility to pay for the increasing costs of adults' social care and the increase to the referendum limit for 'core' council tax which for the County Council rose from 2% to 3%.
- That council tax will increase by the maximum amount permissible without a referendum in line with government policy.
- Decreases of 5% per annum in government funding offset, at least in part, by recognition of the need for funding to address the national pressures in children's social care. Whilst we are in negative RSG for 2019/20 there is still the opportunity to reduce funding through the current Business Rate Top Up Grant.
- Annual inflation for pay and prices of around £35.5m per annum, including the impact of the National Living Wage; both directly on salaries and indirectly on care costs.
- An allowance for continuing adult's social care growth of £10m per annum in line with past projections
- An allowance for the future growth in children in care up to £12.6m per annum as set out in Appendix 2.
- Provision of £10m per annum to ensure the continuation of the current Operation Resilience which is due to end in 2020/21.
- New funding of £5m per annum to support the revenue costs of the Digital and EP Programmes.
- An allowance for growth in pension costs of £2.5m per annum resulting from the next triennial pension revaluation.
- Recognition that the MRP holiday, which delivered crucial savings in the order of £50m as a one off sum to contribute to the cash flowing of Tt2019 and the GER, will end part way through 2021/22 and payments will need to recommence.

6.12. These assumptions recognise the challenging financial environment within which the County Council will be working but at the same time include additional funding for adults' and children's social care and highways maintenance of up to £32.6m per annum over the period.

6.13. Taking all of these factors into account and assuming that the Council delivers on the plans for Tt2019, the net gap over the two year period to 2021/22 financial year is currently forecast to be £80m. Given that corporate activity will already deliver efficiencies of £19.7m by 2019/20 (as described in paragraphs 5.18 to 5.19), activity to meet this gap will be targeted through departmental budgets. This will equate to further cash limit reductions of around 13% over the two years.

6.14. As highlighted in Section 5, whilst grant reductions represent only a small proportion of the overall gap in resources, the County Council must still find ways of meeting cost pressures in the form of inflation, growth and new initiatives, which hitherto were also supported by increases in government grant.

6.15. Whilst some money is therefore added into departmental budgets before the gap is met, this still requires a total reduction in net spend of £80m that must be delivered either by reducing activity, reducing the cost of the activity that is provided or generating additional income. This can be represented diagrammatically as follows for the two year period 2020/21 to 2021/22:



Note: Blocks are not to scale

6.16. It must be emphasised that this forecast is based on a wide range of assumptions and represents a realistic view as opposed to the worst case scenario. There are significant risks around government funding and we are in effect working “blind” at this stage. The scale of the reductions in funding for local government will be unknown until the next CSR is announced and the impact on the County Council itself will remain unclear until the announcement of the Local Government Finance Settlement towards the end of 2019.

6.17. Given this position, it would be prudent at this stage to proceed on the basis that a further gap of £80m needs to be bridged by 2021/22. It is critical that during the next two years the County Council is not distracted from delivering the Tt2019 Programme, irrespective of the financial outlook in the years beyond 2020. Any failure to release recurring sustainable resources in a timely manner will only serve to worsen the position. The intention is therefore to continue the well tested strategy of meeting any anticipated gap in 2020/21 from one-off resources which will be built up in the GER in the intervening period.

Risks in the Forecast

6.18. The current national focus on the financial sustainability of County Councils following the issuing of a Section 114 notice is a stark reminder that a balance must be struck between producing a prudent forecast that takes into account known pressures and issues and then building in assumptions which seek to reduce the impact of budget reductions that departments are required to meet.

6.19. The County Council has always remained on the prudent side of this balance, which is evident when considering our position against the symptoms of financial stress as outlined in Section 8. Our reserves and balances stand at approaching £646m at the end of 2017/18 and whilst we fully understand that the majority of this is committed or earmarked for specific purposes as referenced in paragraph 2.17, it still acts as a general barometer for the relative financial health of the County Council.

6.20. The forecasts set out in this Section have followed a similar process to previous years and the risks faced are also common to previous MTFS positions. However, what is particularly relevant for this forecast is the lack of any detail around the Government's intentions beyond 2019/20.

6.21. The key risks within the forecast can therefore be summarised as follows:

- Grant reductions or funding re-distribution are greater than expected following the Fair Funding Review and extended BRR.
- The assumption of ongoing council tax increases at 5%, including the social care precept.
- The assumption that there will be some government funding allocated towards children's social care pressures.
- That growth in adults' and children's social care is greater than forecast (Appendix 2 highlights that continued growth in CLA at the level experienced in the last six months of 2017/18 would add a further pressure of £27m to this forecast).
- Potential changes resulting from the imminent Green Paper on social care for older people and the parallel work being undertaken looking at social care for working age adults.
- Pay and price inflation exceed the provisions contained in the forecast.

6.22. At this stage the £80m target is deemed to be an appropriate mid-case scenario on which to progress. If following the Government's next Spending Review this proves to be optimistic then we would seek to temporarily absorb the impact of any additional deficit through the use of reserves, as we did for the last Spending Review, and then build the ongoing impact into the next change programme.

6.23. Should the position be more favourable then there are clearly more options available to the County Council on how it wishes to proceed.

7. Transformation to 2021/22

7.1. The high level medium term forecast to 2021/22 now requires the County Council to develop a transformation programme that will deliver £80m. Meeting this target on top of the £480m that will have been removed from the budget by 2019/20 clearly represents the greatest financial challenge yet, coming as it does at the end of a decade of funding reductions for local government.

Meeting the Gap

7.2. The County Council has for some time implemented a sophisticated approach to developing its MTFS. It has two strands:

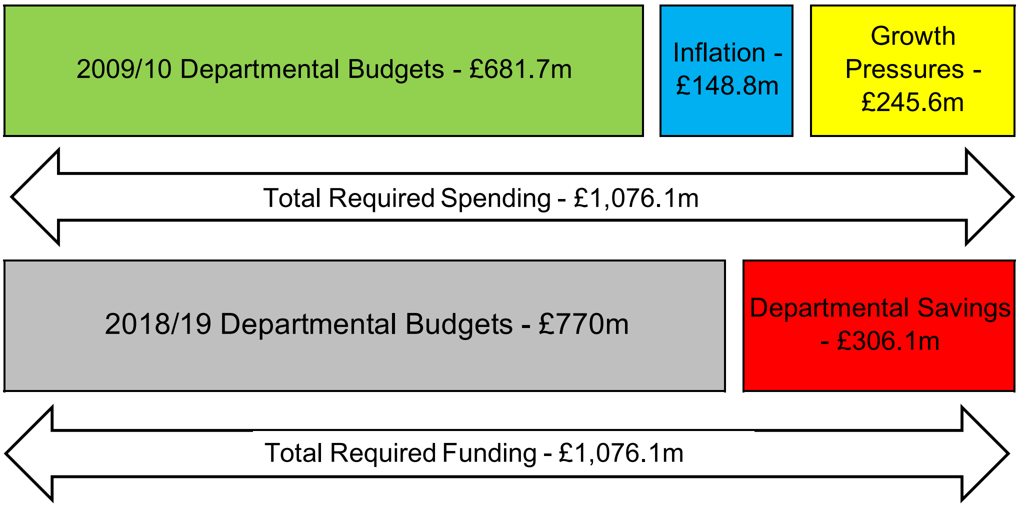
- The first identifies inflationary and growth pressures across services and allocates funding to address these and considers the changes required to also address the loss of government grant income.
- It then applies a straight line target allocation to meet the consequential budget deficit based on net spending to all departments.

7.3. This means that resource allocation overall is directed to the places that need it but importantly it also maintains a strong corporate approach and discipline to delivering the required changes.

7.4. This approach firmly focuses on delivery of resources, removing the distraction of debating the relative merits of different target setting methodologies. This also avoids any subjective debate about the relative merit of specific services and it is recognised that the key pressures, felt within for example demand led social care services, are increasing which is reflected in additional growth in these budgets as appropriate.

7.5. There has always been 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 £1.9bn.

7.6. Over the period since 2010 net departmental budgets have in fact grown by approaching £90m as shown in the diagram below, with the majority of the additional funding allocated to Adults' Health and Care:



7.7. Translating the £80m into departmental targets results in the following allocation which equates to further cash limit reductions of circa 13% over the two years:

	Target £'000
Adults' Health & Care (*)	43,100
Children's Services (Non-Schools)	17,202
Economy Transport and Environment	11,748
Policy &Resources	7,950
Total	**80,000**

(* Public Health included as ring-fence anticipated to end in 2019/20)

7.8. As part of the previous MTFS it was re-iterated that at that stage cash limits had been cut significantly since the period of funding reductions 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%
		-63.5%

7.9. In broad terms bridging a further £80m gap will take the cumulative reduction in cash limits to more than 76% over a ten year period. However as highlighted in the diagram in paragraph 6.15 there has been and continues to be increases in the net departmental budgets; funded primarily from increased council tax income.

7.10. This overall position is predicated on the Council's ability to meet, on a one-off basis, a significant gap in funding in 2020/21 in order to give the longer lead in time for delivery. Even over a two year period, this is clearly a very challenging prospect given the value of resources that have already been taken out of the system and the additional effort and levels of transformation activity that are required to achieve further phases of change. It is likely that further corporate cash flow support may be required and therefore where possible, the County Council will continue to direct spare one off funding into the GER as part of an overall longer term risk mitigation strategy, which has served it very well to date.

7.11. During the coming 18 months there will hopefully be further clarity around a range of issues, including some detail about the plans for BRR and the outcome of the Fair Funding Review, and this along with the future announcement relating to the next CSR will allow us to refine this position.

Timescales

7.12. Looking ahead to the programme to take us to 2021 we would propose a similar timeline to that adopted successfully for both the 2017 and 2019 Transformation Programmes, including a similar approach to consultation.

7.13. In addition, a Budget Peer Review process has also been planned for this summer, which will help to inform the future savings programmes and options. The key dates are set out in the table below:

MTFS to Cabinet and County Council	June / July 2018
Budget Peer Review Process	June / July 2018
Update on Tt2021 to be included in regular Tt2019 report to Cabinet	October 2018
Initial pre-consultation opportunities identified	Spring 2019
First stage Public Consultation	Summer 2019
Executive Member decision making	September 2019
Cabinet and County Council decisions	October 2019
Service Specific consultations as required	Winter 2019 / Spring 2020

7.14. In the past, the County Council has tackled the change programmes by:

- Planning early and ensuring that everyone understands and is focused on what needs to be achieved.
- Giving itself the time and capacity to achieve the changes in services and structures required.
- Supplementing capacity and driving out savings through Corporate Workstream programmes.

- Providing investment for change by allowing departments to keep under spends and providing other targeted funding where appropriate.

7.15. This strategy has served the County Council well throughout the period of government funding reductions and recognising that the time, capacity and investment required to achieve the next phase of transformation will be even greater than before there is an overriding argument to maintain the proven formula at this stage.

7.16. Given that the future programme will increase the cumulative total of savings to £560m it is inevitable that some of the changes will involve more targeted service delivery and service reductions in addition to efficiencies and income generation. As we move towards 2021 we will need to understand more clearly the cost of delivering our core services and therefore the “floor” for our operating costs and work will be undertaken to develop this knowledge through a series of Budget Peer Review sessions over the summer.

7.17. Now is the time to consider the wider strategy for tackling the next phase of change and further detail will then be developed alongside delivery on the Tt2019 Programme, since achievement of that programme is as important as the one to come, if we are to ensure that we do not compound the potential deficit that we face.

7.18. Looking ahead, although there are a number of risks, dependencies and external factors that will require on-going management input and attention, and in a number of areas risks to delivery could actually increase rather than reduce, at least in the immediate term, success with the Tt2019 Programme, over its extended time period will lay very solid and strong foundations for the inevitable and harder successor transformation programme. Alongside this continued management it is anticipated that in the spring of 2019 we will start to map out the broad themes that the Transformation to 2021 Programme may contain.

7.19. On the basis that the planning for the future programme is considered in the spring it would seem reasonable to give departments a period of around six months to develop initial proposals that can be tested and challenged in time for consultation over the summer before formal decision making by Cabinet and Council in October 2019, which follows the same time frame as all the previous transformation programmes.

7.20. It is important that we continue to include time for effective consultation with residents and stakeholders to inform planning on future proposals to bridge the forecast gap of £80m. Where service specific options require further more detailed consultations this will also allow time for these to be carried out and further decisions to be made and implemented with sufficient time to deliver the required savings by April 2021, albeit that the eventual delivery of those savings may take longer depending on the complexity and nature of the proposals put forward by departments, which has been a feature of the Tt2019 Programme which we have also needed to plan for in a sensible and considered way.

Options Arising from Partnerships or Requiring Legislation

7.21. The additional challenge that a further programme of savings will bring inevitably means that we may need to continue to pursue options that require some level of external intervention or changes in the law. Many of these may have wider implications but they are seen as offering a solution to some of the financial problems that we face without requiring new funding to be allocated by the Government, although these are not necessarily within the County Council's gift. These include:

- Nominal charging for entry to Household Waste Recycling Centres which would assist in keeping sites open and would still reduce the net financial cost.
- Consideration of waste disposal arrangements with District and Borough Councils
- Closer co-operation within Local Government in Hampshire which has the potential to achieve efficiencies of between £40m and £100m per annum.
- Changes in Home to School Transport, the legislation for which dates back to the 1940's.
- Use of speeding course income to fund school crossing patrols.
- Continuing to explore income generation opportunities through trading services and partnership arrangements in line with our commercial strategy.

7.22. These options may form part of the potential package that is drawn together for the spring before consulting with the public over the summer months.

8. Financial Sustainability and Resilience

8.1. Financial sustainability and resilience describes the ability of local authorities to remain viable, stable and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment. This is a key issue in light of events unfolding in Northamptonshire.

8.2. In the current environment in which local authorities are operating, achieving financial resilience is a challenge for all and the Chartered Institute of Public Finance and Accountancy (CIPFA) have called on councils to watch out for signs of financial stress. In view of developments in Northamptonshire County Council this is particularly pertinent. In its report entitled "Building Financial Resilience" CIPFA identified five key 'symptoms' of financial stress as follows:

- Running down reserves / a rapid decline in reserves. By definition, using up reserves to avoid cuts can only provide temporary relief.
- A failure to plan and deliver changes in service provision to ensure the council lives within its resources.

- Shortening medium term financial planning horizons, perhaps from three or four years to two or even one. A failure to plan ahead could indicate a lack of strategic thinking and an unwillingness to confront tough decisions.
- A lack of firm objectives for savings - greater ‘still to be found’ gaps in financial plans. Now, not only are planning horizons shortening, but some authorities have only specified how savings will be achieved for the next financial year and even then there may be some with targets rather than firm plans.
- A growing tendency for departments to have unplanned over spends and / or carry forward undelivered saving into the following year. As well as creating a need for greater cuts in subsequent years, unplanned over spends are a sign that an authority is struggling to translate its policy decisions into actions.

8.3. CIPFA have highlighted key areas of focus to support financial resilience and these echo the approach taken to date by the County Council and continued in the plans to take us to 2021/22. These include getting routine financial management right, having clear and realistic plans for the delivery of savings which are monitored and underpinned by adequate investment and managing reserves sensibly to ‘cushion’ the delivery of a transformation programme over the medium term.

8.4. In addition, the report highlights the danger, in the relentless search for savings, of focusing on the “gap” still to be found while failing to take the actions necessary to ensure all the agreed changes have been delivered. The County Council is alert to this potential danger and for Tt2017, and to an even greater extent Tt2019, has taken a very measured approach to the timing of moving focus from one transformation programme to the next.

8.5. Despite the relentless financial pressure and need to deliver savings, the County Council has shown year after year its ability to not only follow through on its agreed strategy but also to respond to unforeseen pressures and invest in service improvements and capital spending where it is felt necessary (this report being a prime example of all of these things).

8.6. At the same time the County Council must not become complacent and must maintain its financial discipline both within the current year and in developing and delivering sustainable changes for the future.

8.7. As difficult as the next phase of activity is likely to be it is still worth reminding ourselves that the County Council remains in a very strong financial position, especially relative to other upper tier authorities, delivering on its change programmes, keeping within cash limits and having the financial capacity to invest in the transformation of continually high performing services.

9. Capital Strategy

9.1. The County Council’s capital programme has been maintained and expanded over recent years, continuing the trend of ensuring that we invest wisely in maintaining and enhancing our existing assets and delivering a programme of new ones.

9.2. The capital programme is reviewed and agreed annually. This sets out the levels of capital expenditure for each service and the main expectations of where the money will be spent, a large proportion of which is in relation to schools, including the provision of school places.

9.3. The County Council's capital aspirations are dependent upon finance being available and the sources of finance to support the capital programme are as follows:

- Government capital grants – The Government has issued all of its support for local authorities' capital expenditure from 2011/12 onwards 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 has 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.

9.4. There is an interrelationship between capital and revenue both directly and indirectly. 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.

9.5. 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.

9.6. 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 an obvious 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.

9.7. Service improvement is at the heart of everything the County Council does and it is also important in the current financial climate that key services are able to continue and prosper. Therefore, whilst it is recognised that prudential borrowing and the resultant impact on revenue must be a key consideration, where there are specific priorities in line with the County Council's focus on service improvement then the programme will continue to be expanded where it is affordable to do so and delivers measurable revenue benefits.

9.8. It was therefore considered important that there was a good corporate understanding of the key capital investment priorities to aid future planning in this area and departments were asked to identify their potential requirements over the medium term.

9.9. A large proportion of the capital investment related to schemes that will lead to reductions in revenue expenditure, for example projects within Adults' Health and Care who will work with health to produce short term stay hubs for re-abling clients so that they can return to their own homes. The County Council will also consider schemes where capital investment can generate new or higher levels of income generation.

9.10. For all of these "Invest to Save" schemes, the expectation is that they will be funded from prudential borrowing (the financing costs of which would need to be met by departments from the savings that are generated by the schemes) or directly from departmental resources.

9.11. Each scheme is expected to produce a business case in its own right which depending on the value of the scheme will then need to be approved by Cabinet or County Council before it can proceed. Schemes and programmes requiring approval as part of this MTFS are outlined below.

Adults' Services Bed Based Programme

9.12. Adults' Services supported by staff from the Transformation Practice and Finance have been undertaking research and analysis to look at what care provision will be needed by the County Council over the medium to longer term. This takes account of predicted market capacity and conditions, as well as demographic changes and changes in the make up and complexity of clients (for example a greater number of dementia clients needing care).

9.13. This is obviously a very complex landscape with many variables and issues to consider, however, the work is important to assess what bed based provision we will need in the future so that we can invest in the right facilities in the right locations. A range of options are being targeted including, short term re-ablement beds, dementia care, nursing care, extension of the extra care programme and the modernisation of our residential homes. The number of beds and the cost will be dependent on the types of schemes taken forward.

9.14. At this stage, detailed work continues to be undertaken to develop an overall Outline Business Case for submission in the autumn but this report requests that an initial sum of £200m is added to the capital programme, which will ultimately be funded from prudential borrowing and repaid from the resources that are released.

9.15. In a similar way to the Extra Care Programme, all proposed schemes will need to produce a Full Business Case that must be signed off by the Executive Member for Policy and Resources before the scheme can commence. More information about the overall aims and scope of the programme will be presented in the autumn.

Country Parks Transformation

9.16. The second of these is the next phase of the Country Parks Transformation Programme and specific proposals for the Empire Room at Royal Victoria Country Park, the farm attractions at Staunton and Manor Farm and for Queen Elizabeth Country Park.

9.17. A report entitled 'Country Park Transformation Phase 2 Business Case and Project Appraisal' was presented to the Executive Member for Culture, Recreation and Countryside on 10 May 2018 and Cabinet is recommended to add £1.8m to the capital programme in 2018/19 and £0.5m in 2019/20 to be funded from departmental reserves.

Replacement Social Care System

9.18. The current social care system which is used by both Adults' Health and Care and Children's Services is due to go out of support in 2019 and therefore a replacement system needs to be procured.

9.19. Changes in technology and the need to ensure that any new system meets the differing needs of adults' compared to children's social care will be important factors in looking at the options available. Options in the market place that look at single or separate systems will be considered and a further report will be brought back to Cabinet in due course.

9.20. A provision of £4m has already been set aside to fund the procurement and implementation costs of any new system or systems, but this report requests that £4m is formally added to the capital programme to enable this work to continue.

Bus Rapid Transit

9.21. The completion of Phase 1 of the Eclipse Busway will provide a southern extension to the award winning Eclipse Busway from Fareham to Gosport. The Scheme is a 0.9 kilometre extension from Hutfield Link / Tichborne Way to Rowner Road at an estimated cost of £9.53m. It forms the final phase of a planned busway forecast to deliver additional time savings, patronage growth, modal shift, access to key development sites and improve air quality. The Scheme will also facilitate a new 'Eclipse Extra' bus service to the Solent Enterprise Zone at Daedalus.

9.22. The existing Eclipse Busway Phase 1A has delivered significant modal shift. Approximately 20% of passengers have transferred from the car, and traffic has reduced by up to 2% on the parallel A32. There has been a 64% growth in patronage on the two Eclipse routes compared with the services they replaced, delivering a 12% increase in public transport use generally on the peninsula. More people are using Eclipse for their daily commute, and more passengers are transferring to rail at Fareham rail station. Approximately 2.4 million journeys each year are now made on Eclipse, the busiest bus corridor wholly within Hampshire.

9.23. Hampshire County Council secured £6.93m from the Government's National Productivity Investment Fund (NPIF) in October 2017 for the Scheme and an additional £100,000 is being provided from the profit share from Phase 1A of the busway. It is intended that further funding bids will be made for the balance of up to £2.5m of funding required. This is likely to include bids to government programmes for air quality improvement, and the Transforming Cities Fund, whilst additional local funding may also become available through the Local Transport Plan capital allocations or developer funding contributions in the area. This report seeks Cabinet and County Council approval to underwrite the funding of £2.5m in order that work can progress immediately on implementation of the project in advance of the outcome of any future Air Quality bid. In the event that further funding is not secured the balance required to complete the project up to the £2.5m stated would be met from the Corporate Policy Reserve

9.24. Once complete, the operator will work in partnership with Hampshire County Council on this project. They will invest £3m in a new fleet of seventeen high specification, low-emission buses to provide fast and high-frequency services on the busway, as well as introducing a new Eclipse Extra service to the Enterprise Zone.

9.25. The County Council's ability to continue to provide significant resources to invest in specific priorities in line with the County Council's focus on service improvement and to generate revenue benefits in future financial years, even in times of tight financial control, is a testament to the strong financial management and rigorous approach to planning and delivering savings that has been applied; and to the benefits that can be achieved from working at scale.

10. Reserves Strategy

10.1. The County Council's reserves strategy, which is set out in Appendix 3, is now well rehearsed and continues to be one of the key factors that underpin our ability not only to provide funding for transformation of services but also to give the time for changes to be properly planned, developed and safely implemented.

10.2. Reserves are available to support:

- Funding of the capital programme.
- Investment in transformation.
- Departmental budgets in the face of pressures and timing delays in the release of resources.
- The overall revenue budget through the GER.

10.3. The County Council has made no secret of the fact that this deliberate strategy was expected to see reserves continue to increase during the period of tight financial control, although it was always recognised that the eventual planned use of the reserves would mean that a tipping point would come and we would expect to see reserves start to decline as they are put to the use in the way that they were intended as part of the wider MTFS.

10.4. As explained in the 2017/18 – End of Year Financial Report to Cabinet presented elsewhere on this Agenda, in overall terms the total value of earmarked revenue reserves has increased as provision is built up in the GER, ahead of planned draws in line with the MTFS.

10.5. The net impact of the changes in the revenue account during 2017/18 mean that the GER stands at £74.9m, which is in line with the financial strategy of supporting the revenue spend position as plans are developed and delivered on a two year cycle. Provision has been made for a draw in 2018/19 in order to give the County Council the time and capacity to implement the Tt2019 Programme and to cash flow the safe delivery of the programme so as we can complete the transformation to take us to 2019/20, and plan sensibly for future years.

10.6. 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 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)
Further Budgeted Additions:	
MRP “Holiday”	21,000
Planned use:	
Cash Flow Tt2019	(40,000)
Unallocated Balance	**29,435**

10.7. Other earmarked reserves have increased due to the receipt of funds in advance of their planned use but they will then fall as these funds are utilised in line with their intended purpose, in particular in funding the capital programme and supporting revenue spend whilst change programmes are put in place.

10.8. While the overall level of reserves currently exceeds £0.5 billion it is anticipated that reserves will fall at the end of 2018/19 and then rise again in preparation for a large draw to support the budget in 2020/21 with the overall trend showing a decline as we move through the next decade. In addition it is also important to consider the level of the available resources in the context of the scale and scope of the County Council’s operations and it is a stark fact that when expressed in terms of the number of days that usable reserves would sustain the authority for it would be less than 30.

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~~

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.)

Document	Location
Revenue Budget and Precept 2018/19 and Capital Programme 2018/19 – 2020/21 http://democracy.hants.gov.uk/ieDecisionDetails.aspx?AIId=6228	Cabinet – 5 February 2018 County Council – 22 February 2018
Medium Term Financial Strategy and Transformation to 2019 Savings Proposals http://democracy.hants.gov.uk/ieDecisionDetails.aspx?AIId=3194	Cabinet – 16 October 2017 County Council – 2 November 2017

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 disproportionally low.

1.2 Equalities Impact Assessment:

a) Equality objectives are not considered to be adversely affected by the proposals in this report but the Council's budget and the services that it provides are delivered in a way that ensures that any impact on equalities issues are fully taken into account.

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:

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

The revenue budget and capital programme contain measures that will assist in reducing our carbon footprint.

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

The County Council in designing its services will ensure that climate change issues are taken into account

Recurring Costs of the Digital and Enabling Productivity Programmes

1. Introduction

1.1 This appendix provides an overview of the ongoing revenue pressures which have been generated as a result of the Transformation to 2019 (Tt2019) portfolio, Enabling Productivity (EP) Programme, Digital 2 and other business driven demand and natural growth.

1.2 The Digital programmes and other IT enablers have formed an integral part of both the Transformation to 2017 (Tt2017) and Tt2019 Programmes and have successfully underpinned a wide range of transformation opportunities.

1.3 The ongoing costs of these enabling programmes has been built into the Medium Term Financial Strategy (MTFS) as a recurring cost from 2019/20 although some elements will need to be funded in the current year, which will be met from general contingencies.

2. Contextual information

2.1 Technology is unique in its cadence of change, and organisations must move to keep apace with new developments in order to remain effective and relevant, as well as to avoid the risk associated with legacy technology. The pace of change is driven as much by the business models of technology companies, as it is by true innovation.

2.2 As technology moves forward, the County Council seeks to exploit the capability offered by these advancements to drive improvements in quality, efficiency, and productivity in way in which services are delivered.

2.3 Tt2019 has seen a significant investment in technology. Whilst the initial investment in this new technology has been funded via one-off funding from Corporate Reserves, there are inherent ongoing revenue costs associated with every technology implementation. These costs must be borne for the lifespan of the technology's use, and include IT support and maintenance effort, service and contract management, third party service costs, hardware maintenance, and annual subscriptions / software licences.

2.4 The use of technology in organisations also generates natural growth in demand. This includes ever-increasing data that requires storage and management, extended and enhanced Wi-Fi, fixed costs associated with peaks in staffing and departments identifying opportunities for minor improvements. This means, that as well as corporate projects, IT also face additional revenue costs as a result of annual growth in the demand for IT services from across the Council.

3. Financial implications

3.1 There are seven key areas contributing to increased ongoing revenue costs in IT, which are summarised in the paragraphs below:

3.2 **Enabling Productivity** – This programme is deploying a range of new devices to staff, including a large number of hybrid laptops. These devices will enable transformational changes in working practices, and facilitate staff to work in a diverse range of work settings. The majority of the devices will have a three year lifecycle and are more expensive than fixed devices, and so device refresh accounts for a large proportion of the additional revenue cost. In addition, the shift of balance away from fixed terminals towards mobile devices requires additional management software, and IT support time. Provision has also been made to refresh and maintain the technology in meeting rooms, pending a review that is currently being undertaken.

3.3 **Mobile Telephony** – As an extension to Enabling Productivity, those staff who have been identified as 'field' workers (i.e. spend more than 50% of their time working away from Hampshire County Council offices), are recommended to be deployed with a (low-mid range) smartphone. This would provide telephony away from the office, as well as connectivity for a hybrid / laptop via 'tethering'. In addition, staff would benefit from other productivity gains offered by smartphones, such as quick access to email and calendar, camera and satnav. With the anticipated growth in demand for mobile data, the increased revenue cost allows for 2GB per user, and also includes the licence costs for the phone management software required to deploy and secure the devices.

3.4 **Fixed Telephony** – Our existing Avaya fixed telephony solution has reached the end-of-life, and requires replacement. A telephony strategy has been produced to consider the near and future-term requirements for telephony in the context of modern ways of working. The best fit and most cost effective solution to our requirements is to migrate to a soft-phone, using Microsoft Skype for Business, which will provide additional collaboration benefits such as peer-to-peer web and video conferencing. The solution would require uplifting revenue costs to cover the third party service charge.

3.5 **Wi-Fi** – The Corporate Wireless Refresh project significantly expanded the Wi-Fi service coverage in key locations, and provided a like-for-like replacement in other locations. However, experience tells us that as building usage changes, we should anticipate a degree of natural growth. The increased revenue cost includes a provision for this growth, incorporating the additional infrastructure that would be required, plus third party installation costs. It also factors in the refresh of this equipment, and the equipment installed under the Corporate Wireless project.

3.6 **Digital 2** – Following from our successful Digital project in 2016/17. The project has expanded the use of SAP C4C as a case management tool into both the IBC and HR operations. Our analytics platforms have been further enhanced to provide additional business intelligence reporting, and a new Robotic Process Automation (a.k.a. Robotics) platform has been acquired, with a number of business processes already successfully deployed. The additional revenue requirement includes software licencing, and additional staff to support the new and expanded platforms.

3.7 **Recruitment & Learning** – New implementations of SAP Success Factors are being undertaken to significantly improve the recruitment and workforce development offer. The recently live recruitment module greatly enhances both the candidate and manager experience, which in turn will lead to more successful campaigns and reduce the need to go back out to market. The Learning module lays the foundation for implementing a 'Digital Learning

Environment' which will more appropriately balance training delivery between face-to-face, online and self study. The additional revenue costs include software subscriptions, and additional technical staff for support of the platform and its integrations.

3.8 **Natural Growth** – Occurring as the organisation creates and consumes more data and technology in the course of conducting business. It includes expanding our data storage capacity, refreshing and expanding elements of the data centre infrastructure, and acquiring software licenses when there are peaks in staffing.

3.9 At this stage a total provision of £5m has been allowed in the forward forecast, the majority of which relates to the cost of the EP Programme. Given the timescales over which this funding will be required and the changing nature of the costs that we face as a County Council, this funding will only be released into cash limits as and when it is needed.

3.10 Whilst this funding underpins a large element of the Tt2019 programme it was not considered appropriate to try to top slice departmental budgets to fund the ongoing costs of the investment in IT, as that would simply add to their targets in a less transparent manner, and therefore these additional costs are being factored into the forecasts in the same way we do for social care pressures.

4. Conclusion

4.1 Technology is fundamental to the council's day-to-day service delivery and business operations, as well as underpinning the transformation and cost reduction agendas.

4.2 The County Council's reliance on technology to deliver change for Tt2017, Tt2019 (and beyond) comes with an associated revenue cost over its lifespan that allow for the refresh of equipment over time.

4.3 Natural growth is also an unavoidable aspect of technology which brings with it increased ongoing costs but also the benefits of enabling the organisation to continue to function effectively.

Children's Services Demand Projections and Financial Resilience to 2021/22

1. Introduction

1.1 Both nationally and locally pressures relating to the costs (and numbers) of Children Looked After (CLA) continue to grow.

1.2 After a period of relative stability in the 1990s, the number of children that need to be looked after by the state because of neglect and abuse has risen since the mid 2000s. In the period from 2008/9 onwards this has been nationally at around the rate of 5% per year. The Association of Directors of Children's Services (ADCS) has been tracking this increase and the correlating increase in child protection and safeguarding: http://adcs.org.uk/assets/documentation/ADCSSafeguardingPressuresP5REPORTWebFINAL.pdf].

2 Trends and Performance

2.1 Whilst rates of increase have varied across the range of local authorities there is no obvious pattern to be discerned, only that relative rates of increase are often determined by historical rates of children in care (historically too low / too high) and in particular exposure to either a high profile child death (leading to less risk in decision making) or an inadequate Ofsted judgement (ditto).

2.2 In both cases local authorities have had to pay a significant premium for the cost of failure although it should be noted that for most of these authorities, they then have a significant 'cushion' when it comes to making savings.

2.3 Authorities that have maintained an Ofsted rating of 'Good' over the period 2008 - 2017 such as Hampshire are few and far between and their costs tend to be lower given that there has been no premium to pay for failure.

2.4 The national increase in the number of children in care has been driven by a number of factors about which there is a broad consensus:

- 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 ('I don't want it to be me...').
- Some evidence of the impact of recession and austerity on families.
- The discovery of 'new' forms 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 cases to conclude within 26 weeks.
- Policy drivers such as the national redistribution of Unaccompanied Asylum Seeking Children (UASC) arriving from France.

2.5 All of these policy initiatives and changes are arguably good things but they have, it is argued, led to higher rates of awareness and activity across a wider range of risk factors leading to higher numbers of children in care both nationally and in Hampshire.

3 Placement Turnover

3.1 It should also be explained that the number of children in the care of the local authority is never a static figure. Every week, indeed most days, children are coming into our care but equally as important, children leave our care. Every decision to take a child in to care is carefully considered and there is a ‘triple lock’ of accountable decision making.

3.2 Initially, the social worker may have concerns about neglect or abuse of a child based on a risk assessment. If the social worker is sufficiently concerned then they will request that their team manager review the case and, if there are no viable family alternatives, that the child is placed in the care of the local authority in order to protect them. If the team manager agrees then this decision is reviewed by the District Manager to ensure that the decision is sound, the right one for the child and that all alternatives have been exhausted.

3.3 At this point there are only two options that can effectively be pursued: either the child can be placed within local authority care with the agreement of parents (under Section 20 of the Children Act) or the local authority must apply immediately to the court for an interim Care Order in order to safeguard and place the child.

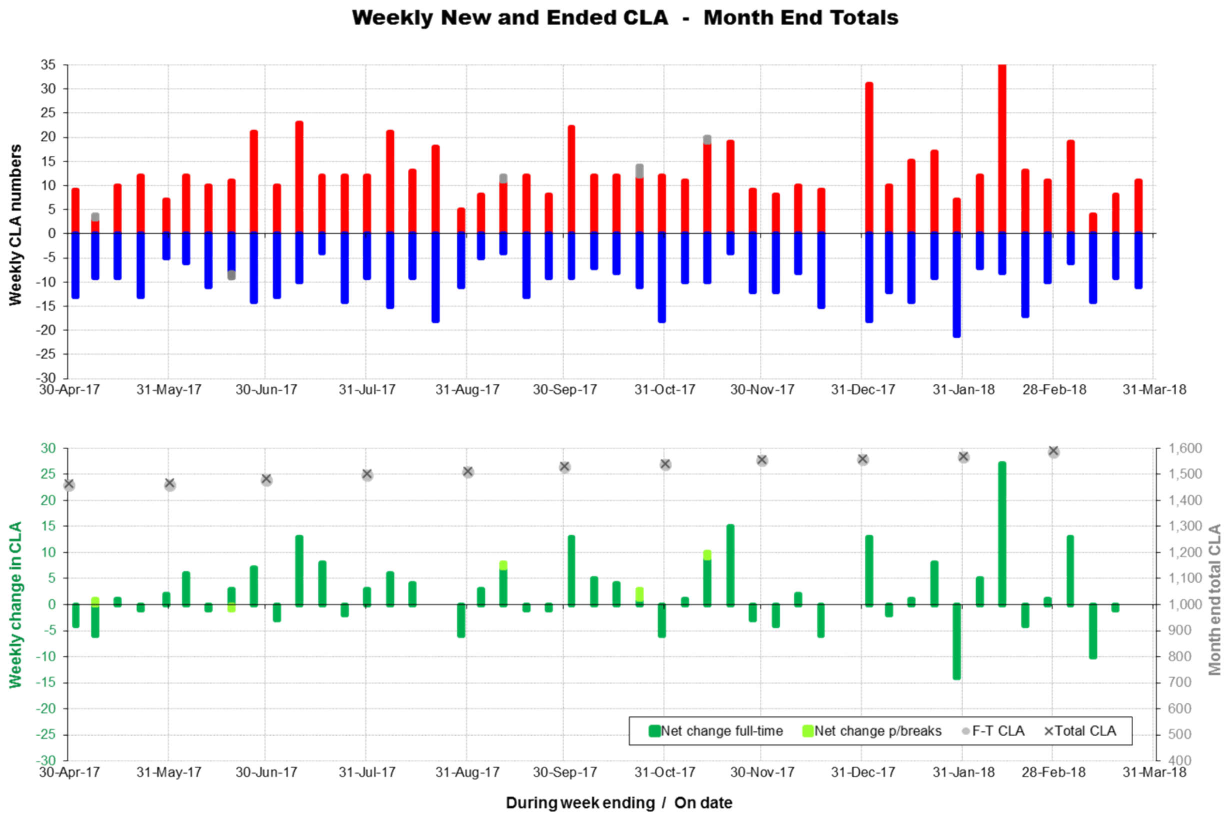
3.4 In the court arena the local authority’s decision making is further scrutinised. Around 70% of placements are now made via the courts, a reversal of the situation of a few years ago, due to several practice rulings by the higher courts: supremecourt.uk/cases/2016-0013-judgment.

3.5 It should be noted that children’s social care are also piloting a gatekeeping panel to agree the non-emergency admission of children into care. This panel will include partner agencies and will look to time limit periods of accommodation with all agencies contributing to the plan to support the child returning home. If successful, this will be rolled out across the county.

3.6 Children also leave care most days. Often this is because they have become 18 and are classified as ‘care leavers’ and will be entitled to ongoing financial and practical support from the local authority. This point about ongoing financial support for care leavers is another area where an undoubtedly positive policy development has led to significant additional costs for the local authority which has now become an ongoing financial pressure.

3.7 New legislation which came into effect from April 2018 extended the local authority’s responsibility for care leavers until they are 25 years old. Other children are adopted (and thus leave the care of the state) and some, particularly teenagers, return home or go to live with a family member under an arrangement such as a special guardianship order which still has a cost associated with it because of the local authority's duty to financially support such arrangements.

3.8 Thus the number of children in care at any one time is always a net figure reflecting new entrants and leavers. Over time the figure can be better understood as the charts below show:



4 Translating Numbers of Placements into Costs

4.1 Historically, officers have always tracked the number of children in care as a proxy measure for total spend. There has been a long established approximation that the 'cost' of a child in care is in the region of £50,000 per annum. Previous detailed trend analysis work undertaken during a period of significant increases in the number of CLA led to recurring base budget increases in Children's Services of £12.5m in 2015/16 and £9.5m in 2017/18 as well as a further £7.2m allocated for 2017/18 to balance the year end position.

4.2 The costs in these estimations are an average of the direct costs of care (i.e. they do not include the costs of social workers, administration etc.). There are a number of types of care placement, the most common of which is a placement with a local authority recruited and trained foster carer. This tends to be the cheapest option at an average of £344 per week. A mixed market applies in fostering and there are numerous Independent Fostering Agencies (IFAs) that supply placements, sometimes specialist or niche placements, usually at a higher average cost of £854 per week.

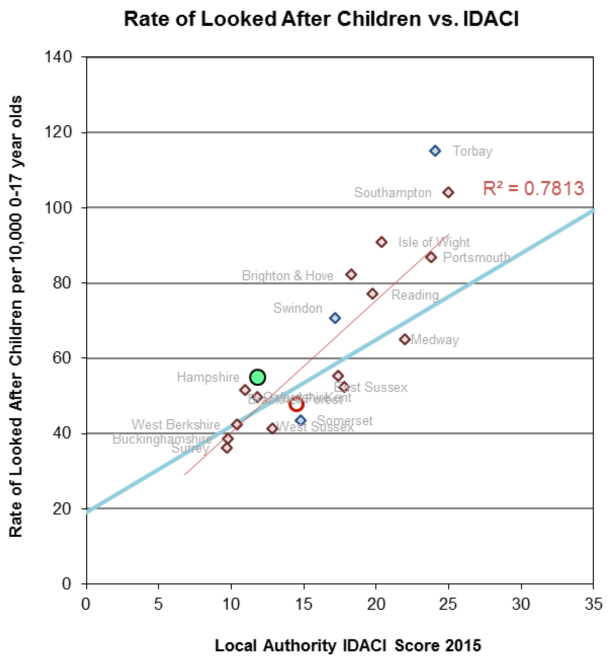
4.3 Similarly, there are in house residential placements and independent residential placements – this latter category being the most expensive with placement packages significantly more expensive than IFAs. There are also a variety of other arrangements, in particular children in care who are placed at home with a parent or family member as part of a reunification plan; this arrangement is becoming more frequent (see below).

4.4 The vast majority of children in care are in foster care (over 70%) with the smallest proportion in residential care (around 12%). However, it is this latter category that is the most expensive. Almost all of the children in these placements (that are not disabled children) will be teenagers – the 'troubled and troublesome' category.

4.5 Given that the national number of children in care has increased incrementally and significantly over the last nine years, it should not be a surprise that nationally, demand has outstripped supply and that prices in the independent sector have risen. Significant effort and intelligence has been applied to reducing the costs of contracts with the independent sector as part of Transformation to 2017 (Tt2017) and further work as part of Transformation to 2019 (Tt2019), however there is undoubtedly an element of swimming against the tide on this issue.

4.6 The net number of children in care has been a useful indicator in the past with regards to costs of placements to the County Council and has been used to forecast future costs with some reliability. Alongside this forecasting, considerable efforts have been made to safely reduce the number of children in care although it should be noted that in the thorough Ofsted inspection of 2014, the regulator noted that 'the right children are in care'.

4.7 This is supported by last year's annual benchmarking data which showed that the rate of children in care per 10,000 of the child population in Hampshire is at 54, significantly below the England average of 62 and close to the 'expected rate' when adjusted for Income Deprivation Affecting Children Index (IDACI) - see graph below:



4.8 A key measure taken to safely reduce the number of children in care has been through Hampshire's involvement in the Department for Education's (DfE) Partners in Practice (PIP) Programme, which underpins the Department's Tt2019 target reduction in CLA costs of £18m.

4.9 This involves focused multi disciplinary interventions with families and especially teenagers, 'on the edge of care' alongside a more family oriented set of interventions focused on promoting parental resilience, targeting parenting deficits and the presence of the 'trigger trio' (domestic abuse, parental substance misuse and parental mental health), whilst increasing the impact of interventions through the implementation of multi disciplinary teams.

4.10 Funding from the DfE for this programme was received in December 2016 and will run until March 2020. The programme is undoubtedly ambitious and seeks to implement an entirely new operating model based on an evidenced based methodology for children's social care.

4.11 The new framework will focus on improving the resilience of children and their families to reduce the numbers of children needing to come into care and thereby increasing the amount of children that can safely live at home. Where children do need to come into the care of the local authority, there will be a greater focus on reuniting them with their families, where it is safe and appropriate to do so. It is anticipated that by implementing this new approach the numbers of children in the care of the local authority will reduce by around 410, albeit that there will be demographic growth and the continued national 5% increase in the number of children in care. Given the size and scale of the changes required it is anticipated the 410 reduction will not be achieved until 2021/22.

4.12 Whilst there is clear evidence that the Department has been able to meet its Tt2017 Programme target for this item, the overall position and future projections are somewhat more complex.

5 Future Projections

5.1 Between 31 March 2017 and 31 March 2018 there was a net increase of 155 children in care. However, there are two main reasons for this.

5.2 Of this number 32 were UASC. Firstly the Government's national redistribution of UASC from France and Kent, which commenced in 2016, has seen Hampshire accepting additional children over the past 18 months. This trend is set to continue longer term.

5.3 Whilst the government set target of 0.7% child population rate for UASC equates to 197 UASC for Hampshire, the average age of unaccompanied children being received 17, meaning they quickly qualify as care leavers and then do not count against the 197 target. UASC now account for over 12% of the care leaver population. The Government has offered additional funding for these children but data from ADCS ('Safeguarding Pressures Phase 5 – Special Thematic Report on Unaccompanied Asylum Seeking and Refugee Children', November 2016) indicates that this meets only around 50% of the actual costs.

5.4 The second reason is the increase (driven by changes in case law) in the number of children subject to interim Care Orders but who are placed with parents under the supervision of the courts. There have been 115 such cases in the last six months, the rate prior to that being negligible. In fact the costs for these children are much less than those in other forms of care as there are effectively no placement costs. Therefore these two factors account for 115 of the increase of 155. The key point here is that although the numbers have increased significantly the relationship between the net number and the overall cost projection is fractured when compared to past predictive models.

5.5 The model is further fractured when the types of placement available are taken into account. The flow of UASCs into the looked after system has strained placement resources nationally, and increasingly fewer IFA placements are available, forcing other placements to be made in higher cost residential settings. Of note is the fact that IFAs increasingly want to receive UASCs, as in the main they present less challenges for their foster carers given the children want to be in care. This then drives a number of local children into higher cost provision, such as Non-County Placements (NCP), simply because of the diminishing level of fostering resource that is available.

5.6 Two obvious conclusions can be drawn from this. Firstly, that a more sophisticated cost prediction model for children in care is needed that takes account of these developing issues. Secondly, that significant resource and capability is applied to reshape the way in which social work with children is carried out to achieve more resilience within families in order that fewer children, especially teenagers who now constitute around 40% of the cohort of children in care, need to enter the care system; and to bear down on the costs of care placements.

5.7 The first aspect of this change programme – the development of a new social work operating model – is the subject of our innovation work as part of the government’s PIP Programme, whilst the latter point is the focus of Children’s Services Tt2019 Programme.

5.8 Following the unfavourable movements in CLA numbers that started in the summer of 2016, significant work has been undertaken to develop a more appropriate costing model to inform the budget for 2018 to 2022. Children’s Services staff have worked with Finance to model scenarios that take into account the changing landscape and the impact that this has on the overall number and mix of placements. Key to this is understanding the market for the different types of placements and how these align to the types of care placements needed (i.e. how supply and demand interact and the consequences for prices / costs).

5.9 Given the significant number of variables there is a danger that projections can become over complicated. A more simplified approach has therefore been applied which initially tracks the movement between total placement numbers and costs for 2016/17 compared to 2017/18 for each of the care groups. This helps to smooth some of the volatility inherent in the comparable numbers over shorter time periods. Adjustments have then been applied, based on what we understand about the capacity of the care market in Hampshire and the impact on price / cost.

5.10 Clearly with so many variables and unknown factors it is impossible to ever predict future trends with certainty, but the actual costs in 2017/18 required £7.2m of the £7.6m additional allocated corporate funding. This was over and above the base budget adjustment of £9.5m and was mainly as a result of a significant growth in NCP's which took place in the year.

5.11 The most recent activity and cost predictions provided by Children's Services on a 'central case' basis indicate that CLA costs will continue to exceed the available budget and require significant further investment. An additional investment of £8.3m corporate funding is anticipated in 2018/19.

5.12 At this stage central contingencies have been allocated within the budget to cover this amount, but inevitably this reduces the County Council's ability to deal with any further financial shocks during the year. Close monitoring of the position will continue throughout the year and any required funding will be released in line with the actual increases experienced.

5.13 Looking ahead to 2019/20 and forecasts for the MTFS, it is predicted that a further ongoing base budget increase of £13.5m on top of the £9.7m that had already been allowed for in the forward forecasts will be required and this will be followed by further annual increases of £8.6m in 2020/21 and £10.3m in 2021/22.

5.14 These forecasts track the rate of increase in costs in the different care groups from 2016/17 to 2017/18 but do not at this stage represent a worst case scenario. The rate of growth in the second half of 2017/18 outstripped that of the first half and were projections to be made using that growth rate, a further £27m per annum would need to be found by 2021/22.

6 Care Leavers

6.1 Finally, attention needs to be drawn to the budget for care leavers. It is an obvious point that if we have had more children in care since 2008 then we will have more young people entitled to care leaver support.

6.2 An analysis of the Local Authority's financial responsibilities towards care leavers highlights a wide set of statutory responsibilities covered by the relevant Legislation and Guidance. There is a requirement to :

- Provide and maintain suitable accommodation.
- Provide a bursary to care leavers going to higher education.
- To give a personal allowance, whilst a benefit claim is being processed.
- To support education, employment and training expenses including travel.
- To give a Setting-up Home allowance, up to £2000 per care leaver.
- Specific requirements for care leavers whilst in custody.
- Responsibilities towards UASC care leavers who have "All Rights Exhausted".

6.3 There are also varying degrees of expectation and guidance that add to the financial burden regarding payments that could be described as discretionary. Many of these payments can be categorised as best practice in terms of corporate parenting.

6.4 There are 759 care leavers aged 18 and over currently receiving a service from Hampshire Children's Services an increase from 2016/17 of 59. Of this increase UASC account for 22 (or 32%). This number continues to rise year on year as a natural consequence of continuing increases in the numbers of children in care.

6.5 In addition, the new extended duties for care leavers up to the age of 25 will further drive up this number and the associated spend. This group of young people receive support from a dedicated Care Leavers service, with every young person having an allocated Personal Adviser whose responsibility is to keep in touch, to ensure that the young person is supported to access and maintain suitable accommodation and is engaged in meaningful employment, education or training, including support to access apprenticeships, and higher and further education

6.6 A particular challenge in Hampshire currently is to identify and support young people in accessing suitable accommodation, particularly where young people need additional support to live independently. Several new pilots are being tested with the aim of better meeting the needs of care leavers and subject to the outcomes of the pilots, the approach will be rolled out across the county.

6.7 In overall terms, the impact of these changes is already affecting the budget for Children's Services. Following a detailed review of costs, £1m was added to the budget to 2017/18 to address these pressures, in conjunction with work to provide efficiencies and reduce costs. Further work is required to model potential costs for next year due to the extended duties to care leavers up to the age of 25 while longer term solutions are developed.

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 measures to reduce the deficit that have seen 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 changes 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 budget gap needs to be met.

1.3 At the end of the 2017/18 financial year the total reserves held by the County Council together with the general fund balance stand 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 time 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 31/03/2017 £'000	Balance 31/03/2018 £'000	% of Total %
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
Total Revenue Reserves & Balances	**448,749**	**503,548**	**78.0**
Capital Grants Unapplied	75,415	142,069	22.0
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 at around 2.5% of the 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 is 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 release of resources (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 provide the time and flexibility to generate new revenues to balance the bottom line in future years.

2.11 Departmental reserves are generated through savings in annual revenue expenditure and Council policy was changed in 2010 to allow departments to retain all of their early delivery 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 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.
- Meet the cost of significant change programmes and restructures.

2.12 By utilising reserves in this way, and allowing departments and trading services to retain resources or surpluses it 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 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.

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 CSR 2010 period from the GER in order 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 in order to be able to continue the sensible policy of smoothing the impact of grant reductions without the need to make 'knee jerk' reactions to offset large decreases in grant.

2.21 The GER currently stands at approaching £79.4m, 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 draw beyond 2020 further additions will be required to the GER. The table below summarises the forecast position for the GER 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)
Further Budgeted Additions:	
MRP "Holiday"	21,000
Planned use:	
Cash Flow Tt2019	(40,000)
Unallocated Balance	**29,435**

2.23 **Invest to Save** – This reserve is earmarked to provide funding to help transform services in order 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 grant, 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 as a result 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 revisited in line with the implementation of the Tt2019 Programme 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 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 £79.4m 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 overleaf.

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 £37m 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 school 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 in order 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 school 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 £142m is held within capital reserves and balances, although of this more than £36m 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 the programme.
- 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 four 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 was able to provide:

- Departmental reserves to pay for the cost of change associated with their own transformation programmes.
- Top up funding to the Organisational Change Reserve to provide resources to continue the very successful voluntary redundancy programme as a means of releasing staff in a sensitive and controlled manner that has helped maintain morale across the Council.
- 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, including significant funding to bridge the unexpected additional budget gap in 2018/19, and give 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 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 also to provide resources to invest in the transformation of services. This further emphasises the value of our reserves strategy.

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.

3.7 This increases the potential necessity to use reserves to alleviate the initial and ongoing financial shocks 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.

COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Cabinet

PART I

1. CHANGES IN THE RESPONSIBILITY FOR EXECUTIVE AND SCRUTINY FUNCTIONS

1.1. Part I, Chapter 17, Paragraph 1.3 of the Constitution requires that changes to the Constitution consequential upon the allocation of responsibility for Executive Functions, as determined by the Leader, be reported to Cabinet and then the County Council. A report setting out revised Executive responsibilities was presented to Cabinet on 18 June 2018. A copy of the revised Executive Responsibilities as reported to Cabinet is contained as Annex 1 to this report.

1.2. In light of specific responsibility for the co-ordination of post-16 skills, policies and initiatives within the revised portfolio of the Executive Member for Education and Skills, Human Resources and Performance, it seems appropriate that there should be specific reference to Skills within the responsibility of the Policy and Resources Select (Overview and Scrutiny) Committee. It is also considered appropriate in the light of the revised portfolio of the Executive Member for Countryside and Rural Affairs, that responsibility for rural Hampshire, Countryside and Rights of Way, be included within the responsibilities of the Culture and Communities Select (Overview and Scrutiny) Committee, and consequentially reference to rural affairs deleted from the responsibilities of the Policy and Resources Select (Overview and Scrutiny) Committee. Revised scrutiny responsibilities incorporating the changes are contained at Annex 2 to this report.

RECOMMENDATION

That the County Council:

a. Notes the changes in responsibility for Executive Function set out at paragraph 1 of this report.

b. Approves the amendment of the responsibilities of the Policy and Resources Select (Overview and Scrutiny) Committee to include responsibility for Skills.

c. Approves the amendment of the responsibilities of the Culture and Communities Select (Overview and Scrutiny) Committee to include responsibly for Rural Hampshire and Countryside and Rights of Way.

d. Delegates authority to the Monitoring Officer to amend the Constitution to give effect to the recommendations at (b) and (c) above.

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Part 2: Chapter 3

Executive Functions

1. Responsibility for Executive Functions

1.1 The following table sets out the allocation of responsibilities within the Executive. The portfolios are expressed in broad terms and may be varied, as provided for in the Executive Procedure Rules set out in Part 3 Chapter 2 of this Constitution.

1.2 The principles of responsibility are as follows:

1.2.1 unless a function, power or responsibility is specifically reserved to the County Council or a Committee of the County Council, the Executive is authorised to exercise the function or power.

1.2.2 the Executive collectively will be responsible for those decisions falling appropriately to it.

1.2.3 all decisions will be recorded.

1.2.4 if a decision is made by an individual Member of the Executive, this will be stated openly and clearly.

1.2.5 the Executive or individual Members of the Executive will normally be making Key Decisions, as defined at Part 3, Chapter 2, Paragraph 3 of this Constitution, or decisions which are significant (even though they may not be Key Decisions).

Responsible Person	**Functions**
Leader and Executive Member for Policy and Resources	Leader of the County Council and Chairing and managing the Executive and its work. Overall strategy (including Serving Hampshire - Strategic Plan), policy and co-ordination 'across the board', and the direction and utilisation of resources. Primary departmental links – Corporate Services, and Culture, Communities and Business Services departments. Service area responsibilities – services within the above departmental remit areas; except where any area has been specifically allocated within the remit

	of another Executive Member. Functional areas – policy; strategic overview; overall performance; budget strategy; and personnel policies, including strategy for pay and remuneration, asset management, and IT services. Monitoring and developing the sustainability of the natural environment and heritage of rural Hampshire. Appointments to relevant outside bodies not on a proportional basis in consultation with minority parties.
Executive Member for Economic Development	To assist the Executive Member for Policy and Resources. Primary department links – Corporate Services, Economy, Transport and Environment and Culture, Communities and Business Services Departments. Service area responsibilities – within the remit of the above departments, and otherwise where relevant to the role. Functional areas – Procurement policies and outcomes; Corporate Services and Culture, Communities and Business Services business units and trading arrangements; business and trading arrangements in other departments where relevant; development of income generation policies across the board, energy related matters. Monitoring and developing the County Council's economy; co-ordinating and developing the County Council's involvement in European projects sponsored or led by the Economy, Transport and Environment Department. Advisory areas – to advise the Executive Member for Policy and Resources on revenue and capital related matters, property matters, and major land policy and disposal matters and programmes; to develop with the Director of Corporate Resources relevant financial plans for approval by the Executive Member for Policy and Resources. Appointments to relevant outside bodies not on a proportional basis in consultation with minority parties.

	N.B. This Executive Member is also Chairman of the Buildings, Land and Procurement Panel. (BLAPP).
Deputy Leader and Executive Lead Member for Children's Services	Deputy Leader and Designated Lead Member for Children's Services pursuant to Section 19 of the Children Act 2004. Overall strategy and policy for all Children's matters, i.e. Education, Children and Families pursuant to the requirements of the Children Act 2004. Approval of the Children and Young People's Plan. Primary departmental link – Children's Services Department. Service area responsibilities – all services within the remit of the above department. Functional areas – statutory Social Services functions of the County Council relating to children, and all education functions exercisable by the County Council as Local Education Authority. Responsibility for building relationships with businesses in Hampshire, the Corporate Apprenticeship Programme. Primary Department links – Corporate Services and Culture, Communities and Business Services Departments. Service area responsibilities – services within Corporate Services and Culture, Communities and Business Services Departments relevant to the role and relevant external and International links. Appointments to relevant outside bodies not on a proportional basis in consultation with the minority parties.
Executive Member for Education and Skills, Human Resources and Performance	To support the Executive Lead Member for Children's Services because of the breadth of the portfolio, by providing additional capacity at Executive level to drive improvements in school standards and educational attainment and liaising with schools, academies, colleges and other representatives of the education sector. Overall strategy for human resources and corporate performance matters.

	Primary departmental links – Children's Services and Corporate Services Departments. Service area responsibilities – education and schools; co-ordination of post 16 skills policies and initiatives, human resources services within the remit of Corporate Services, including strategic workforce development and corporate performance. Functional areas – working with the Executive Lead Member for Children's Services to develop policy and strategy in relation to school improvements and educational standards; where agreed with the Executive Lead Member for Children's Services determining infrastructure and school organisation matters, in accordance with policies and strategies agreed by the Executive Lead Member for Children's Services, the Children and Young People's Plan, and where relevant the Children's Services Capital Programme. Personnel policy formulation and skills development in relation to the County Council's directly employed workforce (excluding schools), and review of corporate performance through the Annual Performance Report. Determining appeals in respect of exceptions to school transport policies, other than appeals relating to the safety of walking routes. Appointments to relevant outside bodies not on a proportional basis in consultation with the minority parties. N.B. This Executive Member is also Chairman of the Education Advisory Panel, and Chairman of the Employment in Hampshire County Council Committee (EHCC)
Executive Member for Recreation and Heritage	Overall strategy and policy for libraries, museums, archives, arts, outdoor activities and leisure. Primary departmental link – Culture, Communities and Business Services Department Service area responsibilities – Recreation and Heritage Services within the Culture, Communities and Business Services Department

	Functional areas – libraries, museums, archives and records, country parks, countryside sites and nature reserves, sport and culture community support, recreation and all ancillary activities. Appointments to relevant outside bodies, not on a proportional basis in consultation with the minority parties.
Executive Member for Adult Social Care and Health	Overall strategy and policy for all Adult Social Care matters. Primary departmental links – Adults, Health and Care Department. Service area responsibilities – all services within the remit of the above department including all duties relating to adult social care including safeguarding, including under (inter alia), the Care Act 2014, the Mental Capacity Act 2005 and the Mental Health Act 1983. Primary responsibility for liaison with the National Health Service. Functional areas – services for adults, including older people, learning disability, physical disability, mental health and all ancillary services. Appointments to relevant outside bodies – not on a proportional basis in consultation with the minority parties. N.B. This Executive Member is also Chairman of the Health and Wellbeing Board.
Executive Member for Public Health	Overall strategy and policy for Public Health matters and emergency planning. Primary Department links – Adults', Health and Care, and Children's Services Departments. Service area responsibilities - all services within the remit of the County Council's public health responsibilities pursuant to the National Health Service Act 2006. All duties relating to the County Council's responsibilities to improve public health. Functional areas – Development of the County Council's strategy and policy in relation to public health. Functions related to the Supporting Troubled Families Programme. Emergency

	Planning functions pursuant to the Civil Contingencies Act 2004. Appointments to relevant outside bodies – not on a proportional basis in consultation with the minority parties.
Executive Member for Communities, Partnerships and External Affairs including Brexit	Primary departmental links – Culture, Communities and Business Services and Corporate Services Departments. Service area responsibilities – services within Corporate Services and Culture, Communities and Business Services Departments relevant to the role. Functional Areas - Co-ordinating County Council representation on District Local Strategic Partnerships (LSP's) and Community Safety Partnerships (CSP's); Functions related to Community Safety, and Equalities. Corporate oversight of the County Council's Grant Management System. Responsibility for the County Council's relationships with the Interfaith Network, the Voluntary and Community Sector, and other partners. Corporate oversight of external and International policy and activities; championing the County Council's relationship with external and international/national bodies. Responsibility for the County Council's relationship with the Armed Forces. Appointments to relevant outside bodies not on a proportional basis in consultation with minority parties.
Executive Member for Environment and Transport	Overall strategy and policy for all environmental matters (including planning and transportation, and mineral and waste), but excluding regulatory matters within the remit of the Regulatory Committee. Primary departmental link – Economy, Transport and Environment Department. Service area responsibilities – within the remit of the above department. Functional areas - Transport strategy; spatial

	planning; minerals and waste planning; waste management, re-cycling; highways and bridges; highway maintenance; winter maintenance; structural maintenance; passenger transport; traffic and road safety; highways lighting; integration of public and private transport; environmental and information services; flood and coastal erosion risk management; and all ancillary activities. Appointments to relevant outside bodies not on a proportional basis in consultation with the minority parties. NB: This Executive Member is also the County Council's Executive appointment to Project Integra Strategic Board Joint Committee and Solent Transport.
Executive Member for Countryside and Rural Affairs	Overall strategy for promoting the Hampshire rural estate and partnerships with the focus on rural initiatives, to the benefit of Hampshire. Primary departmental links – Culture, Communities and Business Services and all departments of the County Council relevant to the responsibilities. Service Area Responsibilites – Countryside (excluding Country Parks, Countryside Sites and Nature Reserves), Rural Affairs and Rights of Way. Functional Areas – development of rural initiatives into the formulation of major policy. Developing links with other agencies and other local authorities regarding the development of rural activity. Overall responsibility for the County Council's relationships with Parish, Town and District and Borough Councils. Promoting Hampshire rural interests, countryside estate and partnerships with the focus on rural initiatives, to the benefit of Hampshire. Appointments to relevant outside bodies not on a proportionate basis in consultation with the minority parties

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Part 2: Chapter 5

Scrutiny
Select (Overview and Scrutiny) Committees

1. Responsibilities for Scrutiny Functions

1.1. The following table sets out the allocation of responsibilities within the Select (Overview and Scrutiny) Committees.

Committee	Scope
Policy and Resources	Coordinating Scrutiny: To ensure resources of all scrutiny functions are being effectively targeted. To ensure the outputs and outcomes of Scrutiny are having impact and being evaluated. To prioritise topics for scrutiny task and finish groups (thematic reviews). To create an annual work programme. To identify where each thematic review on the work programme should be considered. To provide an annual report to the County Council outlining the effectiveness, outcomes and learning of the scrutiny function (i.e. Select (Overview and Scrutiny) Committees and overall work programme). To monitor the operation of the provisions relating to call-in and urgency submitting a report to Cabinet if necessary. Scrutinising Corporate functions:

	Reviewing how policies, services and decisions ensure effective use and management of all resources; how effectively is cross-cutting/corporate policy developed, implemented and performance evaluated and improved. Efficiency; Human Resources; Skills; Partnership Working (internal and external); Procurement; Relevant Financial Management (e.g. budget setting and monitoring final accounts, capital programme, capital receipts); asset and estate management; information management (including records management); communications; use of IT; Health and Safety; corporate policy and performance; Business Units; crime prevention; crime and disorder; Regulatory Services; Emergency Planning. Reviewing and scrutinising decisions made, or other actions taken, in connection with the discharge of crime and disorder functions by the authorities responsible for crime and disorder strategies in relation to the County Council's area, and making reports or recommendations with respect to the discharge of those functions. Makings reports or recommendations to the County Council with regard to any matter which is a local crime and disorder matter in relation to a member of the County Council (i.e. a matter concerning crime and disorder which affects all or part of the electoral Division for which the Member is elected or any person who lives or works in that area). Departments covered; - Corporate Services - Culture, Communities and Business Services - County Council as a corporate entity. - Any other relevant functions in other Departments
Children and Young People	Reviewing how the needs and interests of children and young people are met by all Departments, policies, services and decisions;

	and how performance is evaluated and improved. Universal, targeted and specialist services for children and young people: prevention and management of risk; social care; children's and young people's wellbeing; education – supporting and enabling learning for all children and young people; internal and external partnership working re Children and Young People; supporting parents and families; relevant financial management. Departments covered: - Children's Services - Culture Communities and Business Services - Any other Department doing work with or impacting on children or young people.
Health and Adult Social Care	Reviewing how policies, services and decisions support safe, well, independent and continuously developing people (adults and older persons) and Public Health; how they are implemented and how performance is evaluated and improved. Focus on how the County Council is contributing to delivering the Wellbeing agenda for adults; adult social care; promoting independence and quality of life for older people; healthy and safe families; Public Health: the integration of Health and Care services and relevant financial management. Scrutiny of the provision and operation of health services in Hampshire. Departments covered: - Adults' Health and Care - Culture, Communities and Business Services - Any other relevant functions in other Departments

Culture and Communities	Reviewing how policies, services and decisions support thriving culture and sustainable, inclusive communities and rural Hampshire; how they are implemented and how performance is evaluated and improved. Culture and recreation; heritage; community development; countryside and rights of way; developing sustainable communities; supporting diversity and inclusion; community engagement and consultation; lifelong learning for adults; relevant financial management. Departments covered: - Culture Communities and Business Services - Corporate Services - Adults' Health and Care - Environment - Any other relevant functions in other Departments.
Economy, Transport and Environment	Reviewing how policies, services and decisions support a positive and sustainable environment, accessibility to services for all and effective management of natural resources; how they are implemented and how performance is evaluated and improved. Passenger transport; transport policy; road infrastructure; access; protection of the environment; flood and coastal erosion risk management; economic development; sustainable development; climate change; land management; waste management; relevant financial management. Departments covered: - Environment - Culture, Communities and Business Services - Children's Services

	- Any other relevant functions in other Depts

Specific Functions

1.2. **Policy development and review**

Select (Overview and Scrutiny) Committees may:

1.2.1. assist the County Council and the Executive, at their request, to develop the budget and policy framework by in-depth analysis of policy issues

1.2.2. conduct research in the analysis of policy issues and possible options

1.2.3. question members of the Executive or Senior Officers, about their views on issues and proposals affecting their remit

1.2.4. liaise with external organisations as appropriate

1.3. **Scrutiny**

Select (Overview and Scrutiny) Committees may:

1.3.1. review and scrutinise Executive decisions

1.3.2. review and scrutinise the County Council's service delivery and performance, performance concerning its policy objectives, performance targets and particular service areas

1.3.3. question members of the Executive or Senior Officers about their decisions and performance; whether compared to service plans and targets, or related to particular decisions, initiatives or projects

1.3.4. make recommendations to the Executive or County Council arising from the scrutiny process

1.3.5. review and scrutinise the performance of other public bodies in the area; invite reports from them by asking them to address the relevant Select Committee

1.3.6. question and gather evidence from people and organisations that can inform the scrutiny process.

1.4. **Health Scrutiny Functions of the Health and Adult Social Care Select (Overview and Scrutiny) Committee**

The Health and Adult Social Care Select (Overview and Scrutiny) Committee will have the following additional roles and functions in relation to health matters:

1.4.1. To review and scrutinise any matter relating to the planning, provision and operation of the health service in Hampshire.

1.4.2. To make reports and recommendations to relevant NHS bodies and to relevant health service providers (as defined in the Local Authority (Public Health, Health and Wellbeing Board and Health Scrutiny) Regulations 2013) on any matter that it has reviewed or scrutinised.

1.4.3. To act as consultee to relevant NHS bodies or relevant health service providers on issues of:

a) Substantial developments of the health service in Hampshire; and

b) Any proposals to make any substantial variation to the provision of such services.

1.4.4. Subject to the approval of the County Council to report contested proposals for major health service changes to the Secretary of State;

1.4.5. To scrutinise the social care services provided or commissioned by relevant NHS bodies or relevant health service providers exercising local authority functions under Section 75 of the National Health Service Act 2006;

1.4.6. To review or scrutinise health services commissioned or delivered in Hampshire within the framework set out below:

a) Arrangements made by relevant NHS bodies or relevant health service providers to secure hospital and community health services to the inhabitants of Hampshire;

b) The provision of such services to those inhabitants;

c) The provision of family health services, personal medical services, personal dental services, pharmacy and NHS ophthalmic services;

d) The public health arrangements in Hampshire; e.g. arrangements by the County Council for public health promotion and health improvement (including addressing health inequalities) in Hampshire.

e) The planning of health services in Hampshire, including plans setting out a strategy for improving both the health of the local population and the provision of health care to that population; and

f) The arrangements made by relevant NHS bodies and relevant health service providers for consulting and involving patients and the public.

1.5. **Delegation of Health Scrutiny Functions**

1.5.1. The County Council may delegate health scrutiny powers to a joint Scrutiny Committee and appoint Members to that Committee when there is an intention by a relevant NHS body or relevant health service provider to consult on a substantial variation or development to health services that extend beyond Hampshire.

1.5.2. The Chief Executive, in consultation with the Chairman of the County Council and the Chairman of the Health and Adult Social Care Select (Overview and Scrutiny) Committee, may agree to the formation of such a committee, its membership and terms of reference, if there is insufficient time for that decision to be taken by the County Council, subject to the details being submitted for approval to the next meeting of the County Council.

1.5.3. Any joint committee so convened should work to a specific proposal and with clear terms of reference, which would be restricted to consideration of and agreeing a response to the proposal on which the committee had been consulted.

1.6. **Petitions**

Select (Overview and Scrutiny) Committees must, when required to do so by a petition organiser, review the adequacy of the steps taken or proposed to be taken in response to a petition.

1.7. **Finance**

Select (Overview and Scrutiny) Committees may exercise overall responsibility for any money made available to them.

1.8. **Annual Reports**

1.8.1. The Policy and Resources Select (Overview and Scrutiny) Committee will submit to the County Council as soon as reasonably practicable in each financial year an account of the activities and outcomes of the scrutiny function for the last year and a tentative list of intended scrutiny inquiries for the following year.

1.8.2. The Health and Adult Social Care Select (Overview and Scrutiny) Committee will submit to the County Council as soon as reasonably practicable in each financial year an account of the activities and outcomes of the health scrutiny function for the last year and a tentative list of intended health scrutiny inquiries for the follow year.

1.9. **Proceedings of Select (Overview and Scrutiny) Committees**

Select (Overview and Scrutiny) Committees will conduct their proceedings in line with the Overview and Scrutiny Procedure, set out in Part 3, Chapter 3 of this Constitution.

COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Conduct Advisory Panel

PART I

1. CONSTITUTIONAL MATTER – DELEGATION OF APPROVAL OF ABSENCE OF AN ELECTED MEMBER OF THE COUNCIL

1.1. Approval of absence of an Elected Member pursuant to the legislative framework set out at Section 85 of the Local Government Act 1972 ('the 1972 Act') is currently exercised by the full Council. Whilst requests for absence in practice are extremely rare, approval needs to be done within strict time limits as set out in the 1972 Act, being six consecutive months from the date of a Members last attendance. Bearing in mind the timescale between full Council meetings, and also the fact from time to time Council meetings may be cancelled / rescheduled for good business reasons, an unintended consequence might be that a Member absent through extended illness or some other good reason may through no fault of his own run into difficulty in consequence of these time limits.

1.2. On 19 July 2018 the Conduct Advisory Panel considered a report outlining the background to the legislation set out at Section 85 of the 1972 Act. A copy of the report considered by the Conduct Advisory Panel is contained at Annex 1 to this report.

1.3. The Conduct Advisory Panel resolved to recommend to full Council that responsibility for approval of absence of an elected Member of the County Council pursuant to Section 85 of the 1972 Act be delegated to the Conduct Advisory Panel. Delegation of the function to the Conduct Advisory Panel does not prevent the full Council from exercising the function itself. However in delegating the function to the Conduct Advisory Panel this means that in exceptional cases the Conduct Advisory Panel would be able to approve an absence, where there might otherwise be a difficulty in bringing the matter before full Council within the required six month period.

RECOMMENDATION

a) That the County Council agrees that the responsibility for approval of absence of an elected Member of the Council pursuant to Section 85 of the Local Government Act 1972 be delegated to the Conduct Advisory Panel.

b) That delegated authority be given to the Monitoring Officer to amend the Constitution to give effect to the recommendation at a) above.

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AT A MEETING of the Conduct Advisory Panel of HAMPSHIRE COUNTY COUNCIL held at the castle, Winchester on Thursday, 19th July, 2018

Chairman:
* Councillor Mark Kemp-Gee

* Councillor Keith Evans
  Councillor Adam Carew
* Councillor Peter Chegwyn
* Councillor Andrew Gibson
* Councillor Keith House
* Councillor Gavin James
* Councillor Peter Latham
* Councillor Tom Thacker
* Councillor Rhydian Vaughan

13. **APOLOGIES FOR ABSENCE**

No apologies for absence were received.

14. **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.

15. **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the meeting held on 1 December 2017 were confirmed as a correct record and signed by the Chairman.

16. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman confirmed that meetings of the Panel were convened from time to time to deal with a specific matter related to the Panel's remit.

17. **DEPUTATIONS**

There were no deputations on this occasion.

18. **CONSTITUTIONAL MATTER - DELEGATION OF APPROVAL OF ABSENCE OF AN ELECTED MEMBER OF THE COUNCIL**

The Panel considered a report of the Monitoring Officer (Item 6 in the Minute Book) seeking approval of the Panel to recommend to full Council that the responsibility for approval of absence of an elected Member of the County Council pursuant to Section 85 of the Local Government Act 1972 be delegated to the Conduct Advisory Panel.

In presenting the report the Monitoring Officer confirmed that very few requests for a period of absence of six months or more are received. However, statutory provisions require that such an absence is approved prior to the end of that period and the delegation to the Conduct Advisory Panel is proposed as a practical solution. The Monitoring Officer confirmed that reference to the six month absence disqualification rule is included in the Constitution and is brought to Members attention through the Members Induction Programme.

Members of the Panel reflected on the proposed way forward and were supportive. Furthermore Members considered that it was not appropriate to expect officers to monitor Members' attendance; such monitoring to be carried out by Group Leaders.

RESOLVED:

That the Conduct Advisory Panel recommend to full Council that responsibility for approval of absence of an elected Member of the County Council pursuant to Section 85 of the Local Government Act 1972 be delegated to the Conduct Advisory Panel.

The meeting closed at 10.53am.

Chairman,

COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Chief Executive

PART I

1. CONSULTATION ON THE PROPOSED CREATION OF A NEW COMBINED FIRE AUTHORITY FOR HAMPSHIRE, ISLE OF WIGHT, PORTSMOUTH AND SOUTHAMPTON – DRAFT RESPONSE

1.1. On 6 August 2018 a consultation was opened seeking views on proposals to create a new Combined Fire Authority for Hampshire, Isle of Wight, Portsmouth and Southampton. The consultation closes on 26 October 2018. As a key stakeholder, the County Council has been asked for its views.

1.2. Following consultation with the political Group Leaders a draft response has been prepared and is attached as an Annex to this report.

Background information to this consultation can be found at the following link:

- *Meeting of the Hampshire Fire & Rescue Authority - 13 June 2018*

RECOMMENDATION

That the County Council approves the draft response set out in the Annex to this report.

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CONSULTATION ON THE PROPOSED CREATION OF A NEW COMBINED FIRE AUTHORITY FOR HAMPSHIRE, ISLE OF WIGHT, PORTSMOUTH AND SOUTHAMPTON – DRAFT RESPONSE

1. The County Council welcomes the opportunity to respond to the consultation on the proposal to create a new Combined Fire Authority for Hampshire, Isle of Wight, Portsmouth and Southampton. Hampshire County Council's response represents the views of the County Council as whole; the proposal was discussed at a meeting of the Full Council on 20 September 2018.

2. The County Council has carefully considered the evidence provided by the Hampshire Fire and Rescue Authority and the Isle of Wight Council and believes that the proposal to create a new Combined Fire Authority for Hampshire, Isle of Wight, Portsmouth and Southampton should be submitted to Government.

3. In reaching its conclusion, the County Council is mindful of and fully respects the perspective of the Isle of Wight Council and that local authority's duty to reach its own conclusion based upon its own analysis of the pros and cons of the proposal for the Island and its residents.

4. The County Council understands that there is increasing pressure on Fire and Rescue Authorities to ensure that Fire and Rescue Services are efficient, effective and maintain high standards to keep our communities safe. The County Council is of the view that a new Combined Fire Authority is the next logical step to relieve some of the pressure on the Fire and Rescue Authorities, while maintaining and improving services. This is, in part, due to the success over the past three years of the strategic partnership between Hampshire Fire and Rescue Authority and the Isle of Wight Council which has delivered significant financial and operational benefits. The County Council is also of the view that the proposal would help reinforce the functional area of Hampshire and the Isle of Wight and could encourage further harmonisation across the same geography.

5. One of the County Council's four strategic aims is that People in Hampshire live safe, healthy and independent lives; the impact on the safety, health and wellbeing of residents has therefore been a key consideration. The County Council believes that the creation of a new Combined Fire Authority would not have any negative effects on the safety of Hampshire residents and is more likely to increase their safety due to greater operational efficiency. The creation of a single Combined Fire Authority for the four local authority areas would also allow for the alignment of safety campaigns and greater consistency of safety messages to the public and could allow for enhanced cutting-edge delivery of services. It is also unlikely that Hampshire residents would experience any financial impacts such as changes to the level of council tax currently paid across the county. However, the County Council recognises that Government would ultimately determine the Council Tax harmonisation.

6. The County Council understands that the Isle of Wight Council, similarly to most councils across the country, is facing financial challenges. Moving to a single fire authority would ease financial pressure on the Isle of Wight Council and establishing a new Combined Fire Authority should secure a budget

capable of providing the resilience and capacity required across the area. However, the County Council is concerned that the cost of implementing a new Combined Fire Authority is not yet fully known and account would need to be taken of the Isle of Wight Council's property maintenance liability which would be transferred to a new Combined Fire Authority. The County Council will therefore seek to gain assurance from Government that the property maintenance liability would not disadvantage Hampshire and that the transition arrangements are fair.

7. The County Council favours the proposal over other considerations, such as the Police and Crime Commissioner taking on responsibility for the Fire Service. While the emergency services work together effectively at incidents, the County Council is not of the view that there is an operational reason for the Police and Fire services to merge. The roles and powers of the Police and the Fire services are distinct and the County Council believes it is vital to maintain the public's trust in the impartiality of the Fire Service. Therefore, the County Council welcomes the Police and Crime Commissioner's current participation in Hampshire Fire and Rescue Authority meetings as an invited guest and believes that this invitation should continue under a new Combined Fire Authority.

8. A new Combined Fire Authority would provide simpler governance arrangements which the County Council believes could lead to clearer accountability. The County Council is resolute that that the reduction to a single point of governance should not dilute the representation or accountability that meets the needs of local communities. It is clear that creating a new Combined Fire Authority would build capacity, increase resilience and deliver further economies of scale. This could allow for enhanced cutting-edge delivery of services which would benefit residents and businesses across the whole of Hampshire and the Isle of Wight.

COUNCIL MEETING, 20 September 2018

REPORT OF THE

HAMPSHIRE FIRE and RESCUE AUTHORITY

PART II

1. CHAIRMAN'S REPORT

1.1. At its meeting of 12 July 2018, the Hampshire Fire and Rescue Authority endorsed the work of the post Grenfell working group and reviews that have come about as a result of Dame Judith Hackett report. The Authority also noted the revised Fire and rescue National Framework, which includes additional information to reflect the changing landscape in which Fire and Rescue Authorities are governing in. It furthermore noted the Annual Statement of Equality (Workforce Demographics) and approved the listed equality objectives, which would move the Fire Authority closer towards the vision outlined in the People Strategy.

Further details on these items can be found at the following links:

- HFRA 12 July 2018

COUNCILLOR CHRIS CARTER
Chairman of Hampshire Fire and Rescue Authority

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COUNCIL MEETING, 20 SEPTEMBER 2018

ANNUAL REPORT OF THE

Policy and Resources Select Committee

PART II

1. SUMMARY

1.1 This report provides an annual update on the work of the following Hampshire County Council Select Committees from April 2017 to March 2018: Children & Young People Select Committee, Culture & Communities Select Committee, Economy Transport & Environment Select Committee and Policy & Resources Select Committee. The work of the Health and Adult Social Care Select Committee is reported elsewhere on this agenda.

2. CHILDREN AND YOUNG PEOPLE SELECT COMMITTEE

2.1 **Chairman for this period:** Councillor Ray Bolton

2.2 **Light Touch Reviews undertaken / outcomes being monitored:** None this period

2.3 **Statutory Duties Undertaken:** None this period

2.4 **Pre-scrutiny of Significant Executive Decisions:**

2.5 Overnight Residential Respite Homes for Children with Disabilities: The Select Committee scrutinised prior to decision, the proposals to close two overnight residential respite homes for children with disabilities as the County Council moves towards a wider range of overnight respite services. The report set out the outcomes of the public consultation to close Merrydale and Sunbeams and the proposals to offer a wider sustainable overnight residential respite service to disabled children and their families. Significant questioning and debate was held, with the Select Committee resolving to support the proposals (later agreed by the Executive Lead Member for Children's Services).

2.6 **Call-in of Significant Executive Decisions:**

2.7 Amalgamation of Fort Hill Community School and Cranbourne Business and Enterprise College, Basingstoke - The call-in of the Amalgamation of Fort Hill Community School and Cranbourne Business and Enterprise College, Basingstoke decision was requested by a quorum of the Select Committee on 10 July 2017, but not recommended following a vote by the Select Committee.

2.8 Proposals to close two overnight residential respite homes for children with disabilities - The call-in of proposals to close two overnight residential respite homes for children with disabilities was requested by a quorum of the Select Committee on 30 January 2018, but not recommended following a vote by the Select Committee.

2.9 **Referrals:** None this period

2.10 **Scrutiny of Budgets and Performance:**

2.11 Transformation to 2019 – Revenue Savings Proposals**:** The Select Committee considered the savings proposals for Children's Services, developed as part of the Transformation to 2019 programme, including feedback from the Balancing the Budget consultation, and an overview of the Department's success in the Transformation to 2017 savings. Following debate, the Select Committee agreed to support the submission to Cabinet of the proposed savings options.

2.12 Revenue Budget for Children's Services 2018/19**:** The revenue budget for Children's Services for 2018/19 outlined the overall County Council financial position, and reviewed the savings made as part of 'Transformation to 2019'. The position in relation to the local government grant settlement was reviewed, as well as other budget-related matters. The priorities and challenges for the Department were highlighted for the coming year, and the Select Committee resolved to support the recommendations being proposed to the Executive Lead Member for Children's Services.

2.13 Capital Programme for Children's Services 2018/19 – 2020/21**:** The capital programme for Children's Services for 2018/19 – 2020/21 was considered by the Select Committee, where the approaches to funding the demand for additional school places were focused upon. Members explored the impact on the capital programme of additional need, inflation challenges and concerns regarding construction. The Select Committee resolved to support the recommendations being proposed to the Executive Lead Member for Children's Services.

2.14 **Policy Review:** None this period

2.15 **Questioning and exploring areas of interest and concern:** The Select Committee received items on the following issues:

- Attainment of Children and Young People in Hampshire Schools
- Changes to Early Years Free Hours Entitlements
- Changes to the School Funding Formula
- Children with Disabilities Services
- Special Educational Needs and Disability Reforms – Hampshire Area Post-Implementation Update

2.16 **Upcoming topics:** The following topics feature on the Select Committee's Work Programme:

- Child and Adolescent Mental Health Services (CAMHS)
- Family Support Service
- Hampshire Ethic Minority and Traveller Achievement Service
- Home to School Transport
- Religious Education in Hampshire and Living Difference III
- Revenue and Capital Budgets 2019/20

- School Attainment
- Special Educational Needs and Disability (SEND) Reform – Implementation Update
- Short Breaks

3. CULTURE AND COMMUNITIES SELECT COMMITTEE

3.1 **Chairman for this period:** Councillor Anna McNair Scott

3.2 **Light Touch Reviews undertaken / outcomes being monitored:** None in this period

3.3 **Statutory Duties Undertaken:** Not applicable to this committee

3.4 **Pre-scrutiny of Significant Executive Decisions:**

3.5 Grant Funding for Culture and Community Organisations in Hampshire 2018/2019: In November 2017 the Select Committee considered the proposed major grant funding for cultural and community organisations in Hampshire for 2018/19. The Committee supported the recommendations to the Executive Member for Culture Recreation and Countryside.

3.6 **Call-in of Significant Executive Decisions:** None in this period

3.7 **Referrals:** None in this period

3.8 **Scrutiny of Budgets and Performance:**

3.9 2018/19 Revenue Budget for Culture, Recreation and Countryside: The revenue budget for Culture, Recreation and Countryside for 2018/19 outlined the overall County Council financial position, and reviewed the savings made as part of 'Transformation to 2019'. The position in relation to the local government grant settlement was reviewed, as well as other budget-related matters. The priorities of the services were highlighted for the coming year. Members resolved to support the recommendations being proposed to the Executive Member for Culture, Recreation and Countryside.

3.10 **Policy Review:** None in this period

3.11 **Questioning and exploring areas of interest and concern:** The Committee received items on the following issues:

- Country Parks Transformation Programme
- Energise Me update
- Future Management of the Countryside Estate
- Hampshire Cultural Trust update
- Basingstoke Canal – Future Direction
- Library Strategy to 2020

3.12 **Upcoming topics:** The following topics feature on the Select Committee's Work Programme:

- Records Office and Archiving update

- Energise Me Update
- Revenue and Capital budgets 2019/20
- Hampshire Cultural Trust update

4. ECONOMY TRANSPORT AND ENVIRONMENT SELECT COMMITTEE

4.1 **Chairman for this period:** Councillor Floss Mitchell

4.2 **Reviews undertaken / outcomes being monitored:**

4.3 Concessionary Fares – In November 2016 the Select Committee scrutinised a proposed change in policy that included stopping the automatic renewal of older persons passes that had not been used for 6 months. The Committee asked to review the impact of this change after it was implemented, and received a report in November 2017. The Committee was satisfied that only a small number of people whose passes were not renewed had subsequently applied to renew their passes, and therefore a saving had been made.

4.4 Road Safety – Following scrutiny of a change in policy in 2016 regarding road casualty reduction, the Select Committee resolved to set up a task and finish group to look in to road safety. This coincided with a referral of this topic from the Policy & Resources Select Committee, following consideration of performance information in June 2017 that showed an increase in the number of people killed and seriously injured on the roads. A cross party group of members was established in September 2017, and held meetings between November 2017 and March 2018. Recommendations arising from this review were put forward to the Select Committee at its April 2018 meeting.

4.5 **Statutory Duties Undertaken:** Not applicable to this committee

4.6 **Pre-scrutiny of Significant Executive Decisions:**

4.7 Strategic Transport: Hampshire's Priorities – At the September 2017 meeting the Select Committee considered a report regarding strategic transport funding and policy prior to a decision of the Executive Member for Environment and Transport. Following debate, the Select Committee supported the recommendations being made to the Executive Member.

4.8 **Call-in of Significant Executive Decisions:** None in this period

4.9 **Referrals:** Road Safety topic referred from Policy & Resources Select Committee (see above).

4.10 **Scrutiny of Budgets and Performance:**

4.11 Economy Transport & Environment Department Transformation to 2019 Revenue Savings Proposals – At the September 2017 meeting the Select Committee pre-scrutinised the proposed savings under the Transformation to 2019 programme within the remit of this Committee. Following debate, the Select Committee supported the proposals to the Executive Member for Economic Development and Executive Member for Environment and Transport.

4.12 Economy Transport & Environment Department Revenue and Capital Budget – at the January 2018 meeting the Select Committee pre-scrutinised the 2018/19 budget proposals for the Economy Transport and Environment Department. Following debate, the Select Committee supported the proposals to the Executive Member for Economic Development and Executive Member for Environment and Transport.

4.13 **Policy Review:**

4.14 Waste Strategy – At the November 2017 meeting, the Select Committee considered a report regarding a revised overall strategic direction for waste management in Hampshire. Following debate the Select Committee supported the proposed direction to the Executive Member for Environment and Transport. A follow up briefing on waste management was provided in March 2018, to update Members on the latest thinking.

4.15 **Questioning and exploring areas of interest and concern:** The Committee received items on the following issues:

- Introduction to Scrutiny – at the June 2017 meeting the Select Committee received a presentation on scrutiny, as it was the first meeting of the Committee in a new administration.
- Introduction to Economy Transport and Environment Department Functions – at the June 2017 meeting the Select Committee received a presentation on the services within the Committee's remit, as it was the first meeting of the Committee in a new administration.
- Air Pollution and Air Quality – at the November 2017 meeting the Select Committee received a report on air pollution and air quality.
- Highway Maintenance – in December 2017 a briefing was held for Select Committee Members regarding managing a declining highway network

4.16 **Upcoming topics:** The following topics feature on the Select Committee's Work Programme:

- Transformation to 2019 savings for Economy Transport & Environment Department
- Review of 20mph speed limit pilots
- Update on Fly Tipping, following strategy agreed in March 2017

5. POLICY AND RESOURCES SELECT COMMITTEE

5.1 **Chairman for this period:** Councillor Jonathan Glen

5.2 **Light Touch Reviews undertaken / outcomes being monitored:** None this period

5.3 **Statutory Duties Undertaken:**

5.4 Crime and Disorder - This Select Committee has the remit to cover the statutory duty to scrutinise Crime and Disorder issues as per the Police and Justice Act 2006 (However, this does not cover the Police and Crime

Commissioner, who is held to account by the Police and Crime Panel). At the November 2017 meeting, the Select Committee considered crime and disorder issues. The Select Committee received an update on Phase Two (2015-20) of Hampshire's Supporting Families Programme (SFP), part of the national Troubled Families Programme.

5.5 **Pre-scrutiny of Significant Executive Decisions:** None this period

5.6 **Call-in of Significant Executive Decisions:** None this period

5.7 **Referrals:** None this period

5.8 **Scrutiny of Budgets and Performance:**

5.9 End of Year Financial Report – At the June 2017 meeting the Select Committee considered the 2016/17 End of Year Financial Report

5.10 Transformation to 2019 – At the June 2017 meeting the Select Committee considered a report setting out the overall Transformation to 2019 Programme. The Select Committee made a recommendation to Cabinet to lobby central government to re-consider the austerity measures impacting on local government. At the September 2017 meeting the Select Committee considered the Transformation to 2019 revenue savings proposals for the Policy & Resources budgets prior to decision by the Executive Member for Policy & Resources. Following debate the Select Committee supported the proposals to the Executive Member.

5.11 Annual Corporate Performance Report – At the June 2017 meeting the Select Committee considered the Shaping Hampshire 2016/17 Year End Performance Report. The number of people killed or seriously injured on Hampshire roads was identified as a performance concern, and the Select Committee referred this issue to the Economy Transport & Environment Select Committee for further consideration.

5.12 Serving Hampshire Strategic Plan for 2017 To 2021 – At the June 2017 meeting the Select Committee considered the Strategic Plan for the period of this administration.

5.13 Medium Term Financial Strategy – at the November 2017 meeting the Select Committee received an update on the Medium Term Financial Strategy

5.14 Budget Setting – At the January 2018 meeting the Select Committee considered a report on budget setting and provisional cash limits for 2018/19 that had been considered by Cabinet in December 2017.

5.15 Revenue Budget for Policy and Resources for 2018/19 and the Proposed Capital Programme for Policy and Resources for 2018/19 to 2020/21– At the January 2018 meeting the Select Committee pre-scrutinised the proposed revenue budget for policy and resources for 2018/19 and the proposed capital programme for policy and resources for 2018/19 to 2020/21. Following debate the proposals were supported to the Executive Member for Policy and Resources.

5.16 **Policy Review:** None this period

5.17 **Questioning and exploring areas of interest and concern:** The Committee received items on the following issues:

- Introduction to Scrutiny – at the June 2017 meeting the Select Committee received a presentation on scrutiny, as it was the first meeting of the Committee in a new administration
- Annual IT Update – at the January 2018 meeting the Select Committee received an update on IT developments
- Trading Standards – at the January 2018 meeting the Select Committee received a presentation on how the Trading Standards Service was approaching making savings under Transformation to 2019, as requested by the Select Committee when the Policy & Resources Transformation to 2019 savings were considered

5.18 **Management of the Scrutiny Function/Oversight of Other Scrutiny Committees:** The Policy & Resources Select Committee has a remit to manage the work taking place across the scrutiny function. One of the ways this is achieved is through oversight of proposals to establish task and finish groups by other Select Committees.

5.19 **Upcoming topics:** The following topics feature on the Select Committee's Work Programme:

- Annual Corporate Performance Review
- Annual Budget Scrutiny
- Annual IT Update
- Annual Crime and Disorder Scrutiny
- Transformation to 2019 monitoring
- Local Enterprise Partnerships
- Vision for Hampshire to 2050
- GDPR monitoring

6. CONCLUSION

6.1 Since the period to which this report relates, membership and in some cases Chairmanship and Vice Chairmanship of the Select Committees has changed. Tribute is paid to all Members who played such an important scrutiny role through the Select Committees over the 2017/18 year.

COUNCILLOR JONATHAN GLEN
Chairman, Policy & Resources Select Committee

COUNCIL MEETING, 20 SEPTEMBER 2018

ANNUAL REPORT OF THE

Health and Adult Social Care Select Committee

PART II

1. SUMMARY AND LEGISLATIVE CONTEXT

1.1 This report provides an update on the work of Hampshire County Council's Health and Adult Social Care Select Committee from April 2017 to March 2018.

1.2 For 2017-18, the Health and Adult Social Care Select Committee held the Local Government statutory responsibility for health scrutiny powers. These powers are intended to ensure that decisions about health services are taken with due regard to the people affected. The legislative framework within which the Committee functioned in this year allowed Members to consider any aspect of health that affects the population of Hampshire. It also placed very specific duties on the NHS with regard to consultation, information and responses to any recommendations made by the Committee.

1.3 The Committee was a statutory consultee on any potential substantial change being considered by the NHS, and had the power to refer contested decisions about health services to the Secretary of State for Health or to Monitor for Foundation Trusts.

1.4 In accordance with the Constitution of Hampshire County Council, the Health and Adult Social Care Select Committee also focuses on how the County Council is contributing to delivering the Wellbeing agenda for adults; adult social care; promoting independence and quality of life for older people; healthy and safe families; Public Health; the integration of Health and Care services and relevant financial management.

2. WORK OF THE COMMITTEE

2.1 The annual report of the Health and Adult Social Care Select Committee is appended to this report.

COUNCILLOR ROGER HUXSTEP
Chairman, Health and Adult Social Care Select Committee

Scrutiny Annual Report: April 2017 to March 2018

Select Committee: Health and Adult Social Care

Report of Chairman: Councillor Roger Huxstep

1. **In-depth or Light Touch Reviews undertaken / outcomes being monitored:**

   Social Inclusion Working Group: In July 2017 as a result of the item about savings proposals under the Transformation to 2019 programme, the Committee agreed to the establishment of a HASC Member Working Group to specifically provide oversight and scrutiny to a forthcoming review of Social Inclusion Services. The Terms of Reference were agreed at the September 2017 meeting of HASC. The Working Group has held meetings since, and is due to report back to the full Committee later in 2018.

   Sustainability and Transformation Partnerships Working Group: In September 2017 Terms of Reference for a Working Group to consider the STP programmes in further detail was agreed. The Working Group has held meetings since, and will report back to the full Committee as required in 2018/19.

2. **Statutory Duties Undertaken (actions, monitoring and information on proposals to develop or vary services) have included:**

   a) Dorset Clinical Commissioning Group (CCG) and West Hampshire CCG: Dorset Clinical Services Review:

      Three members of the HASC are appointed by County Council in line with proportionality to a Joint Health Overview and Scrutiny Committee (JHOSC) on the Dorset Clinical Services Review.

      Following meetings of the JHOSC in 2016/17, the JHOSC met in August 2017 and a further meeting took place in December 2017, where updates were heard from Dorset Clinical Commissioning Group (CCG), the affected Hospitals, Ambulance Trust and Local Authority, on the progress of work undertaken on the CCG's agreed option to centralise urgent care at Bournemouth Hospital, and planned care at Poole Hospital. The Dorset HOSC had made an outline decision to refer the review to the Secretary of State, and had put a recommendation before the JHOSC to support this referral (as all local authorities making up the JHOSC had not delegated their powers to refer to the Secretary of State for Health). At the end of discussion on the issues, the JHOSC voted not to support the referral. The Hampshire Members on the JHOSC supported the CCG's planned option.

      The Committee's representatives will continue to contribute to this work, with the JHOSC due to meet again later in 2018.

b) NHS Guildford and Waverley and NHS North West Surrey CCGs: West Surrey Stroke Services

In June 2017 the Committee received details of a proposed change to specialist stroke services that would impact on some Hampshire patients. The proposals were to consolidate specialist stroke services at two hospital sites in West Surrey (Frimley Park Hospital in Camberley and St. Peter's Hospital in Chertsey). Under the plans specialist stroke care would no longer be provided at Royal Surrey County Hospital in Guildford. Of the 344 recorded strokes in the South Eastern Hampshire area in 2015/16, approximately 30 to 40 of these patients would have previously been conveyed to Royal Surrey County Hospital. Following scrutiny of the proposals, the Committee supported the proposals.

An update was received in November 2017, which showed an improvement in ambulance response time for those living in the Bordon area being transported to Frimley Park instead of the Royal Surrey. The HASC is continuing to monitor implementation of the new service model in 2018.

c) NHS North Hampshire Clinical Commissioning Group and NHS West Hampshire Clinical Commissioning Group: Transforming Care Services in North and Mid Hampshire

In January 2018, the Committee received an update on proposals relating to the future of hospital care from the sites run by Hampshire Hospitals NHS Foundation Trust. The Committee heard that the two Clinical Commissioning Groups (CCGs) had taken a decision at the end of November 2017 that building a new Critical Treatment Hospital was not the preferred option for the future of services in North and Mid Hampshire, with the approach agreed to instead centralise services within the three Hampshire Hospitals sites already in existence.

Further work was needed to assess the existing estate and determine where best to centralise services. Members received reassurance that in the short term there were no safety concerns with continuing existing service provision while proposals were further developed. The HASC is continuing to receive updates on developments in 2018.

3. **Responses to Health Inquiries received have included:**

3.1 Care Quality Commission (CQC) Inspection Outcome and Monitoring

a) *Portsmouth Hospitals NHS Trust:*
In September 2017 Members received an update on CQC inspections undertaken in May 2017 focused on the key question of 'well led', following their inspection of the emergency medical pathway in February 2017 which highlighted concerns regarding culture, governance and leadership within the Trust. A new Chief Executive had started since the time of the inspection, and was taking steps to address the issues raised.

A further update was received in November 2017, when it was heard that a new Chair had been appointed, and a number of Executive and non Executive Directors were appointed. A Quality Improvement Plan had been developed and published at the end of October 2017, outlining actions the Trust planned to take across five domains in order to improve. This item is still subject to the Committee's monitoring during 2018.

b) *Southern Health NHS Foundation Trust:*
In June 2017 Southern Health presented an update report on the progress against the recommendations made by Mazars and the CQC during their inspections of the Trust's services. A further update was received in November 2017, at which time the Committee heard that a new Chief Executive and Chair had been appointed. The Committee were satisfied that the Trust was improving and making progress implementing actions resulting from recommendations. These issues are subject to ongoing monitoring through the Committee.

3.2 Temporary and Permanent Closures or Restriction of Hours of Services

a) *Hampshire Hospitals NHS Foundation Trust – Andover Minor Injuries Unit*
The Committee received updates in July and November 2017 on the temporary reduction in opening hours of the Minor Injuries Unit in Andover War Memorial Hospital due to issues safely staffing the Unit. The Committee heard that despite efforts to recruit, staffing issues remained, therefore the minor injuries unit continued to operate fewer opening hours than commissioned. This item is still subject to the Committee's monitoring.

4. **Pre-scrutiny of Significant Executive Decisions:**

a) Older People and Physical Disability Service Day Opportunities

The Committee received a briefing in December 2017 on proposals subject to consultation regarding the future of two older peoples' day services; Bulmer House Day Service in Petersfield and Masters House Day Service in Romsey. The Committee then pre-scrutinised the proposals in February 2018 prior to a decision of the Executive Member for Adult Social Care.

The Committee received a deputation from a carer who opposed the proposals. Members also heard that the majority of responses to the consultation on the proposals were against the day services closing. Members heard from officers that service users would be supported to find alternative opportunities to meet their needs. Closure of the services was recommended as they were under utilised and inefficient, and increasingly service users were choosing more personalised options instead.

Following questioning, debate and discussion, the Committee supported the recommendations to the Executive Member for Adult Social Care and Health.

The Committee requested an update on finding alternative options for service users and the status of the staff affected, to be received later in 2018.

5. **Call-in of Significant Executive Decisions:** none this period

6. **Referrals:** At the Council meeting in July 2017, a number of topics were referred to the HASC for consideration. The following action was taken:
   - Mental health in schools: Councillor Harrison had been contacted about this topic, which the Children and Young People Select Committee would review should there be any progress on this area from central government.
   - Motor Neurone Disease Charter – Councillor Fairhurst was due to consider this at a future decision day, following Councillor Dowden's request.

7. **Scrutiny of Budgets and Performance:**

   a) Revenue Budget for Public Health 2018/19
   The Committee reviewed the revenue budget for Public Health in January 2018 and resolved to support the recommendations being proposed to the Executive Member for Public Health.

   b) Revenue Budget for Adults' Health and Care 2018/19
   Capital Programme for Adults' Health and Care 2018-19 – 2020/21
   The Committee reviewed the revenue and capital budgets for the Adults' Health and Care Department in January 2018 and resolved to support the recommendations being proposed to the Executive Member for Adult Social Care and Health.

   c) Transformation to 2019
   The Committee received an overview in July 2017 of the savings the Adults Health and Care Department would be required to make by April 2019. The Committee pre-scrutinised the savings proposals in more detail in September 2017 and resolved to support the recommendations being proposed to the Executive member for Adult Social Care and Health.

8. **Policy Review:**

   Framework for Assessing Substantial Change
   In January 2018 the Committee reviewed the framework by which they ask NHS bodies and providers of NHS services to consider potential substantial changes in service. An amendment had been made to reflect additional requirements announced nationally and the revised document was agreed.

9. **Questioning and exploring areas of interest and concern:**
   - Adult Safeguarding
   - Hampshire and Isle of Wight Sustainability and Transformation Plan
   - Introduction to Scrutiny, Adults Health and Care and the NHS (at the first meeting of the new administration)

10. **Upcoming topics:** The following topics feature on the Select Committee's Work Programme:
   - Adult Safeguarding
   - Andover Minor Injuries Unit monitoring
   - Budget Scrutiny
   - CQC Local System Review of the Hampshire Health and Care System
   - Care Quality Commission inspections of NHS Trusts serving the population of Hampshire
   - Dorset Clinical Services review
   - Frimley Sustainability and Transformation Plan
   - Hampshire and Isle of Wight Sustainability and Transformation Plan
   - Chase Community Hospital service provision changes
   - North and Mid-Hampshire 'new models of care' clinical services review
   - Joint procurement of services for 0-19 year olds
   - West Surrey Stroke Services monitoring

COUNCIL MEETING, 20 SEPTEMBER 2018

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:

- Dr Peter Bibawy, Medical Director, appointed as the main member for North East Hampshire and Farnham Clinical Commissioning Group, and Dr Andrew Whitfield changed to the substitute member.
- Councillor Philip Raffaelli, Gosport Borough Council, appointed as the second District and Borough Council Elected Member Representative
- Councillor Lisa Griffiths, Winchester City Council, appointed as the substitute District and Borough Council Elected Member
- Carol Harrowell, Head of Client Services at the Home Group (previously the substitute) appointed as the Voluntary Sector Representative
- Mark Cubbon, Chief Executive of Portsmouth Hospitals Trust, appointed as the substitute Acute Trusts Representative
- David Radbourne, Director of Commissioning Operations, appointed as the NHS England representative
- Bennett Low, Director of Assurance and Delivery, appointed as the substitute NHS England representative
- Dr Rory Honney GP, appointed as the substitute member for West Hampshire Clinical Commissioning Group

1.4 The following positions are currently vacancies:

- The substitute position to the second district Member (nominated by the Hampshire and Isle of Wight Local Government Association)
- The substitute Voluntary Sector Representative
- The substitute to the Police and Crime Commissioner for Hampshire

Councillor Liz Fairhurst
Chairman, Health and Wellbeing Board

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COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Leader/Cabinet

PART II

1. SERVING HAMPSHIRE – 2017/18 PERFORMANCE REPORT

1.1. On 18 June 2018 Cabinet agreed a report on the County Council's performance during 2017/18 against its Serving Hampshire Strategic Plan.

1.2. Performance highlights for 2017/18 included:

- In March 2017, the Department for Education published an independent evaluation of the Hampshire Innovation Programme evidencing: an increase in the percentage of children's social worker time spent with families from 34% to 58%; estimated notional savings through increased productivity of social workers of £9,000 per social worker; and an increase in the percentage of time spent on the initial engagement of families from 30% to 70% as a result of the new Family Intervention Team.

- A new short-term reablement service at the Hampshire Hospitals NHS Foundation Trust in Basingstoke was introduced by the County Council. The Firs, located within the hospital site, provides specially adapted accommodation for up to 17 people who receive tailored support from social care staff. This additional capacity is helping to reduce the number of delayed hospital discharges by supporting more effective patient flow and discharge through improved multi-professional and multi-agency working.

- 98% of parents were offered a place for their child in one of their three preferred secondary schools for September 2018, with over 92% receiving their first choice of secondary school. Almost 99% of pupils transferring from Infant to Junior school received a place at one of their preferred schools – with 97% obtaining a place at their first choice school (consistent with the previous year).

- 65% of Hampshire's students taking Key Stage 2 assessments in 2017 achieved the expected level in reading, writing and mathematics, compared with 61% nationally. Hampshire outperformed its statistical neighbours in these results.

- Overall attainment in Hampshire secondary schools in 2017 remained above national attainment: 25% of pupils achieved the English Baccalaureate against 24% nationally; 68% of pupils achieved "The Basics" (a grade 9 to 4 in both English and mathematics) against 64% nationally.

- CO2 emissions from Local Authority operations1 have fallen to 83,992 tonnes in 2016/17 from 86,684 the previous year (a reduction of 33.30%

since 2011/12), keeping the County Council on track to meeting its target of 79,080 tonnes by 2020.

- The County Council secured £12.9 million funding from Highways England which, together with a £6.6 million investment from the County Council, will enable improvements to Junction 9 of the M27 and Parkway South Roundabout, Whiteley.

- £2.8 million is being invested in energy programmes, including LED Lighting, Electric Vehicles and Battery Technology, which will deliver at least £450,000 of revenue savings. The first phase of the LED lighting installation has been completed in 2017/18, with the rest of the programme to be completed in the next two years.

1.3. The annual report which is published by the Local Government and Social Care Ombudsman (LGO) in July each year with assessment decisions on Complaints received was highlighted. Evidence from the latest period available (2016/17) demonstrated that the LGO received significantly fewer complaints regarding Hampshire County Council than those received relating to comparator councils, and also less findings of fault in cases where the Ombudsman accepts a complaint for investigation.

1.4. Members were also made aware of the small number of determinations received from the LGO in 2017/18 regarding the County Council, following reference to the LGO.

Further details on this item can be found at the following link:

- Cabinet - 18 June 2018

COUNCILLOR ROY PERRY
Leader and Executive Member for Policy and Resources

COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Executive Member for Public Health

PART II

1. LOCAL WELFARE ASSISTANCE (LWA) FUNDING (2018-20)

1.1 On 23 May 2018 the Executive Member for Public Health gave approval to make grants from the Local Welfare Assistance (LWA) budget totaling £80,500 over 2 years to local Borough and District Councils to support families in crisis. The Executive Member also delegated authority to the Director of Children's Services in consultation with the Executive Member to award grants over £5,000 to any of the Borough and District Councils identified, from any underspend of the original grant allocation to facilitate the full distribution of the total grant funding of £80,500.

1.2 The provision of on-going Government funding for LWA ceased in March 2015. A finite budget has been identified utilizing unspent funds of delivering LWA over a period of 3 to 5 years. This funding is required to support vulnerable families so there is a clear link with those families who are part of the Supporting Families Programme (SFP) cohort.

1.3 LWA funding has been used by the County Council to fund and support innovative solutions to welfare concerns throughout Hampshire. Through the continued commitment of the County Council to deliver crisis support to vulnerable residents, providing funding to families in crisis has remained a key priority focus. Current SFP funding has been used by local groups to fund some small one off crisis payments to support and engage families within the Programme. The focus of this collaboration would be to ensure that LWA is meeting the crisis needs of families engaged in support from Hampshire's SFP and that support provided is in line with the agreed family plan.

2. NHS HEALTH CHECKS

2.1 On 25 July 2018 the Executive Member for Public Health agreed to procure and spend up to £9,100,000 for the NHS Health Checks Programme for adults aged 40-74, with a maximum contract term of 7 years (5 years with an option to extend for a period or periods of up to 2 years). The Programme is due to commence from 1 April 2019.

2.2 Under the Health and Social Care Act 2012 responsibility for commissioning and monitoring the Programme moved from the NHS to local authorities. The County Council is redesigning the NHS Health Check service to ensure it delivers an effective programme and improved outcomes for those eligible and who take up the offer.

2.3 The Programme aims to prevent heart disease, stroke, type 2 diabetes and kidney disease, and to raise awareness of dementia. The cost of social and health care from the rise in levels of obesity, type 2 diabetes and dementia make the prevention and risk reduction of these conditions key drivers of the Programme.

2.4 A new service specification will be developed in accordance with the NHS Health Check Best Practice Guidance. It will describe the population needs, key service outcomes, scope of the service, quality standards and performance measures, pricing and include patient pathways for risk assessment and management. The service specification will retain the universal invitation element which is essential to meet the 100% target.

3 APPROVAL TO SPEND FOR DOMESTIC ABUSE SERVICES

3.1 On 25 July 2018 the Executive Member for Public Health gave approval to spend up to £13,459,800 for Domestic Abuse Victim and Perpetrator Services for a maximum contract term of 7 years (5 years with an option to extend for a period or periods of up to a total of 2 years). The Services will be funded by the County Council and The Office of the Police and Crime Commissioner. Perpetrator Services will be funded by Southampton City Council.

3.2 Public Health has the opportunity to transform and redesign domestic abuse services to ensure that they deliver effective and improved outcomes that meet our population's changing needs whilst also making efficiencies within the system. Currently there are a number of separate contracts with different providers delivering domestic abuse victim/survivor and perpetrator services to Hampshire residents. Priorities for the new Domestic Abuse Service for Hampshire have been identified following a local mapping of services, needs analysis and stakeholder engagement.

3.3 Reducing the impact of violence in Hampshire is a key strand of work outlined in the public health strategy, and investing in domestic abuse services makes a difference for victims and their families. A small number of perpetrators are participating in prevention and/or behavioural change programmes and a large proportion of both victims and perpetrators are repeat cases, resulting in multiple victims over time.

Further details can be found at the links below:

Executive Member for Public Health - 23 May 2018

Executive Member for Public Health - 25 July 2018

COUNCILLOR PATRICIA STALLARD
Executive Member for Public Health

COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Executive Lead Member for Children's Services

PART II

1. REGIONAL ADOPTION AGENCY

1.1. On 12 July 2018 the Executive Lead Member for Children's Services approved a model for delivery of adoption services through a Regional Adoption Agency (RAA), including making a financial contribution to its operation from existing budgets. Delegated authority was given to the Director of Children's Services to enter into the final partnership agreement.

1.2. The new agency comprising Hampshire County Council, Isle of Wight Council, Portsmouth City Council and Southampton City Council is in line with Government policy, deriving from the Education and Adoption Act 2016, which required authorities and voluntary adoption agencies to join together to form Regional Adoption Agencies. The DfE expects the RAA programme to deliver consistently good and innovative adoption practice that ensures improved life chances for children. The model seeks to build on the current good practice within each authority to deliver a more cohesive, efficient and effective service for some of our most vulnerable children and their families. The service will be delivered at no extra cost to the taxpayer. The RAA, to be known as Adopt South, will continue to work with its existing voluntary adoption agency partners and other key stakeholders to help shape the new service.

1.3. It is estimated that there are approximately 100 (65fte) staff across the partnership that are in scope of the RAA as a whole. Most will remain within their home authority and between 5-10 staff are likely to be either seconded or transferred in to HCC as the lead organisation for the Regional Adoption Agency. Services provided through three centralised teams will be located in HCC and those teams will coordinate service delivery within the partnership. The other services undertaken by the partnership will be delivered locally.

1.4. Adoption in Hampshire County Council is rated an 'Outstanding' service by Ofsted and the model proposed will build on this track record.

Further details on these items can be found at the following links:

- Regional Adoption Agency

Councillor Keith Mans
Executive Lead Member for Children's Services

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COUNCIL MEETING, 20 SEPTEMBER 2018

REPORT OF THE

Executive Member for Adult Social Care and Health

PART II

1. TECHNOLOGY ENABLED CARE PARTNERSHIP ARRANGEMENTS PERMISSION TO SPEND

1.1 On 25 July 2018 the Executive Member for Adult Social Care and Health gave approval to spend in order to procure a new Technology Enabled Care (TEC) service to commence on 10 December 2018. Approval was also given to extend the existing TEC contractual arrangements from 31 July 2018 for a period of up to six months. This will provide a continuity of service during the procurement period, and allow for an implementation and handover phase, should this be required.

1.2 Through positive working and improved outcomes for service users, the current Hampshire TEC partnership has been recognised as a successful strategic collaboration between the public and private sector, reducing costs in social care by investing in innovative technology, whilst also improving quality of life and maintaining service user independence in their own homes for longer. The intention is for the future TEC contract to extend and build on these outcomes.

1.3 The new TEC contract would build on existing achievements, whilst delivering the innovation, commercial capability and significant and meaningful strategic input that is required in future years. TEC services deliver multiple benefits, including enhanced peace of mind and reassurance and additional support in the caring role that realise specific and tangible benefits for individuals and families. In addition, the benefit to the social care system cannot be underestimated through supporting carers; helping people use their own assets to support their families and loved ones more effectively which in turn increases longevity of informal care and maintains independence for longer.

Further details can be found at the link below:

Executive Member for Adult Social Care and Health - 25 July 2018

COUNCILLOR LIZ FAIRHURST
Executive Member for Adult Social Care and Health