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Hampshire County Council

SUMMONS

To the Members of the County Council

You are hereby summoned to attend the County Council Budget & Precept Meeting to be held as a remote meeting at 10.00 am on Thursday, 25th February, 2021 to consider and resolve upon the business set out in the Agenda below.

Enquiries to: Debbie Vaughan, Deputy Head of Governance: members.services@hants.gov.uk

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

AGENDA

1. **APOLOGIES FOR ABSENCE**

   To receive any apologies for absence.

2. **DECLARATIONS OF INTEREST**

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

3. **MINUTES** (Pages 7 - 14)

   To confirm the Minutes of the meeting held on 3 December 2020.

4. **DEPUTATIONS**

   There are no deputations on this occasion.

5. **CHAIRMAN'S ANNOUNCEMENTS**

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

6. **LEADER'S REPORT**

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

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 15 - 16)

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. **CONSTITUTIONAL MATTERS** (Pages 17 - 50)

To consider a report of the Cabinet seeking approval of Constitutional changes: to the allocation of Executive Functions, in the responsibility for scrutiny of Regulatory Services, Deputations at remote meetings and Executive Decision Days and an amendment to Contract Standing Orders.

10. **REVENUE BUDGET & PRECEPT 2021/22 AND CAPITAL PROGRAMME 2021/22 TO 2023/24** (Pages 51 - 232)

To consider the recommendations of Cabinet for the Revenue Budget and Precept for 2021/22 and the Capital Programme for 2021/22 to 2023/24.

11. **HAMPSHIRE COUNTY COUNCIL PAY STATEMENT FOR FINANCIAL YEAR 2020/21** (Pages 233 - 248)

To consider a report of the Employment in Hampshire County Council Committee recommending Hampshire County Council's Pay Statement for the financial year 2021/22.

12. **2020 REVIEW OF THE HAMPSHIRE MINERALS AND WASTE PLAN AND REVISED DEVELOPMENT SCHEME** (Pages 249 - 260)

To consider a report of Cabinet recommending that the County Council resolves the Hampshire Minerals and Waste Development Scheme, which sets out the timetable and programme for the partial update of the Hampshire Minerals and Waste Plan, comes into effect from March 2021 and authorises the work required to undertake this, subject to agreement by the plan-making partner Authorities.

13. **NOTICE OF MOTION** (Pages 261 - 262)

To consider a Notice of Motion, submitted in accordance with Standing Order 18.1:

a) Notice of Motion submitted by Councillor David Harrison, seconded by Councillor Martin Tod.

Please see Item 13 within the agenda pack for the detail of the Motion.

Part II: Matters for Information

14. **HAMPSHIRE FIRE AND RESCUE AUTHORITY / SHADOW HAMPSHIRE AND ISLE OF WIGHT FIRE AND RESCUE AUTHORITY**

a) Hampshire Fire and Rescue Authority 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) Hampshire Fire and Rescue Authority Report (Pages 263 - 264)

To receive a report of the Authority.

c) Shadow Hampshire and Isle of Wight Fire and Rescue Authority Report (Pages 265 - 266)

To receive a report of the Shadow Authority.

15. **CONDUCT ADVISORY PANEL** (Pages 267 - 268)

To receive a Report of the Conduct Advisory Panel on the outcome of the Hearing that took place on 9 December 2020.

16. **EXECUTIVE AND COMMITTEE REPORTS**

To receive for information the reports of the following:

John Coughlan CBE
Chief Executive
The Castle
Winchester

Wednesday 17 February 2021

NB: Debate sequence and time limits in regard to Item 10 on this Agenda are set out overleaf

DEBATE SEQUENCE AND TIME LIMITS:

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

1. Leader of the Council, Councillor Keith Mans to present the report and move the recommendations, assisted by Councillor Stephen Reid, Executive Member for Commercial Strategy, Human Resources and Performance – ***no limit.***

N.B Chairman to invite questions (not debate)

2. Leader of the Liberal Democrat Group to respond to the proposals and move any amendment - Councillor Keith House – ***30 minutes.*** *(NB: any amendment to be in writing and seconded)*

3. Liberal Democrat seconder regarding 2) above (if the right to speak later in the debate ***is not*** reserved) – ***4 minutes.***

4. Leader of the Independent Group to respond to the proposals and move any amendment – Councillor John Bennison – ***30 minutes.*** *(NB: any amendment to be in writing and seconded)*

5. Independent Group seconder regarding 4) above (if right to speak later in the debate ***is not*** reserved) – ***4 minutes.***

6. Any other amendment (Labour and unaffiliated Member, followed by one per group, Conservative, Liberal Democrat, Independent) – ***4 minutes per amendment.*** *(NB: any amendment to be in writing and seconded)*

7. Seconder(s) (for Labour and unaffiliated Member, Conservative, Liberal Democrat, Independent) regarding 6) above (if right to speak later in the debate ***is not*** reserved) – ***4 minutes each.***

8. General debate - each speaker once only - ***4 minutes.***

9. Any seconder (for Labour and unaffiliated Member, Conservative, Liberal Democrat, Independent) regarding 7) above (if applicable and the right to speak later in the debate ***has been*** reserved) – ***4 minutes.***

10. Independent seconder regarding 5) above (if applicable and the right to speak later in the debate ***has been*** reserved) - ***4 minutes.***

11. Liberal Democrat seconder regarding 3) above (if applicable and the right to speak later in the debate ***has been*** reserved) - ***4 minutes.***

12. Leader of the Council - in reply to the debate - ***No limit.***

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

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

Order of Voting:

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

AT A MEETING of the County Council of HAMPSHIRE COUNTY COUNCIL held remotely on Thursday, 3rd December, 2020

Chairman:
* Councillor Melville Kendal

* Councillor Marge Harvey
* 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 Charles Choudhary
* Councillor Daniel Clarke
* Councillor Adrian Collett
* Councillor Mark Cooper
* Councillor Rod Cooper
* Councillor Tonia Craig
  Councillor Roland Dibbs
* Councillor Alan Dowden
* Councillor Peter Edgar MBE
* 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 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 Rupert Kyrle
* Councillor Peter Latham
* Councillor Keith Mans
* Councillor Alexis McEvoy
* Councillor Anna McNair Scott
* Councillor Derek Mellor
* Councillor Floss Mitchell
* Councillor Rob Mocatta
* Councillor Kirsty North
* 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 Elaine Still
  Councillor Robert Taylor
* Councillor Bruce Tennent
* Councillor Tom Thacker
* Councillor Michael Thierry
* Councillor Mike Thornton
* Councillor Martin Tod
* Councillor Rhydian Vaughan MBE
* Councillor Malcolm Wade
* Councillor Jan Warwick
* Councillor Michael Westbrook
* Councillor Michael White
* Councillor Bill Withers Lt Col (Retd)
* Councillor Seán Woodward

*Present

234. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Taylor.

235. **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 Personal 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.

Councillor Reid declared a personal interest with regards item 8 on the agenda by virtue of being the County Council’s representative on the Hampshire Hospitals Trust.

Councillor Forster declared a pecuniary interest with regards to item 7, question 12 by virtue of his involvement in the electric car charging industry and confirmed that he would leave the meeting during that question should it be received in the 30 minutes allocated for the item.

236. **MINUTES**

The Council considered the Minutes of the Meeting held on 24 September 2020, which were agreed as a correct record.

237. **DEPUTATIONS**

The Council received a deputation from Mike Slinn regarding road safety on Andover Road.

238. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman announced that since the previous meeting he had officiated at a Remembrance Day event and laid a Hampshire County Council wreath at the memorial site near the Great Hall. The event was videoed and included a poem read by the Lord Lieutenant of Hampshire. It was issued as a webinar to all staff on the 11th November. He had also recently engaged with the Chief Executive to honour staff who have had 25 years and 40 years of service, again creating a webinar for the occasion.

The Chairman highlighted with pleasure some recent awards achieved by County Council departments and staff:

- Property Services had received national recognition in the Electric Vehicle Innovation and Excellence awards 2020 for the successful establishment and implementation of the Central Southern Regional Electric Vehicle Charging Infrastructure Framework. This innovative framework was the winner in the Public Infrastructure Strategy of the Year category which celebrates the work of public sector bodies that have supported the growth of electric vehicle usage in the UK.

- The Lookout at Lepe beach, which provides a range of visitor services at the heart of the Lepe Country Park, has become a Regional Finalist in the 2021 Civic Trust Awards and will now be considered by a National Judging Panel. It will also be considered by the Selwyn Goldsmith Awards Panel which recognise Universal Design excellence in the built environment. These prestigious awards are granted for building projects which make a valuable contribution to place making and enhance the public visitor experience. We will be notified of the outcomes in January.

- Oakmoor Secondary School in Bordon has also been recognised as a 2021 Civic Trust Awards regional finalist. The County Council's property services designed and managed the delivery of this 750-place secondary school to provide an inspirational learning environment for the Bordon and Whitehill communities. The school is run by the University of Chichester Academy Trust. A strong partnership was developed to enable the new facility to be a state-of-the-art education campus with a full range of curriculum and community spaces. The Council contributed significant funding along with the DfE and local developers to relocate the school into the heart of the expanding town of Bordon.

- David Rose, has been awarded his social work degree with first class honours.

- Lucy Platt (activity co-ordinator) and Fiona Hare (care assistant) both from Westholme achieved their Level 3 diploma in Health and Social Care.

- Anne Dudley, HCC Care's Catering support officer who won the award of Catering Manager of the Year, and Peter Hall, Head of Kitchen at Cranleigh Paddock who won the 'Our catering Hero' award! At the National Association of Care Catering Virtual Awards 2020.

- Claire Jupp from Strategic Procurement was presented with an award at the Chief Constable's Award Ceremony for services to the Constabulary.

- Helen Harris has recently been awarded an Honorary Member of Modeshift.

The Chairman congratulated all staff members who had received or contributed to these awards and repeated his message to those who received recognition for 25 and 40 years loyal service, that the County Council is proud of its staff and proud that they provide the best possible service to residents in Hampshire particularly in the face of the difficulties faced by them in 2020.

239. **LEADER'S REPORT**

The Leader added his thanks to all who had received awards or recognition.

With regards to the ongoing Covid-19 pandemic, the Leader identified the three key priorities of: keeping the objective in sight, working together and looking after each other. Noting that Hampshire had recently been placed in Tier 2, he confirmed that infection rates were falling and that the County Council was working with partners to try to achieve a move to Tier 1. Progress on the vaccine was positive, and the Leader encouraged support for a high uptake, but cautioned that seeing its impact would still take some time.

The Leader highlighted the support that had been given to Hampshire schools and noted that attendance at both primary and secondary level was 6% above the national average.

240. **QUESTIONS UNDER STANDING ORDER 16.1.1**

Executive Members responded to questions 1 to 9 submitted in accordance with Standing Order 16.1.1 as published within the 30 minutes permitted.

The Chairman confirmed that in accordance with Standing Order 16.1.5 written responses for Questions 10-13 would be circulated to all Members.

241. **HEALTH SCRUTINY: DELEGATION OF POWERS TO JOINT HEALTH SCRUTINY COMMITTEE ON THE 'HAMPSHIRE TOGETHER' PROPOSALS**

The Council considered a report of the Health and Adult Social Care Select Committee seeking approval of recommendations in regard to the ‘Hampshire Together’ proposals including delegation of health scrutiny powers to a Joint Health Scrutiny Committee (JHOSC).

The report was introduced by the Chairman of the Health and Adult Social Care Select Committee and welcomed by Members. There were a number of questions relating to local Member engagement with the proposed JHOSC and it was confirmed that meetings would be run in accordance with the County Council’s Constitution.

RESOLVED:

That the County Council:

1. Delegates the County Council’s health scrutiny function in relation to the ‘Hampshire Together – Modernising our Hospitals and Health Services’ programme to a Joint Health Overview and Scrutiny Committee for the purpose of scrutinising this topic.

2. Agrees that five Conservative and two Liberal Democrat Health and Adult Social Care Select (Overview and Scrutiny) Committee members are appointed to the Joint Health Overview and Scrutiny Committee on the

'Hampshire Together – Modernising our Hospitals and Health Services' programme, in line with political proportionality rules.

3. Approves the Terms of Reference of the Joint Health Scrutiny Committee.

242. **APPOINTMENTS**

The Council considered the report of the Chief Executive, presented by the Leader, proposing a number of appointments to the County Council's committees.

RESOLVED:

1. That Councillor Charles Choudhary replace Councillor Roland Dibbs on the Economy, Transport and Environment Select Committee and the Regulatory Committee.

2. That Councillor Pal Hayre replace Councillor Jan Warwick on the Regulatory Committee and that Councillor Ray Bolton be appointed as a Conservative deputy on the Regulatory Committee to fill the vacancy created by Councillor Hayre becoming a full member.

3. That Councillors Ann Briggs, Fran Carpenter, Rod Cooper, David Harrison, Roger Huxstep, David Keast, and Mike Thornton be appointed to the Hampshire County Council/Southampton City Council Joint Health Overview and Scrutiny Committee (JHOSC) on Hampshire Together – Modernising our Hospitals and Health Services.

4. That the appointments of Mr Peter Moore and Mr Michael Cronin as Independent Persons (Localism Act) are continued to the end of July 2021.

5. That Councillor Cynthia Garton (Eastleigh Borough Council) be appointed to the Health and Adult Social Care Select Committee to replace Councillor Rosemary Reynolds. That Councillor Julie Butler (East Hampshire District Council) be appointed to the Health and Adult Social Care Select Committee to replace Councillor Trevor Cartwright. That Councillor Jonathan Canty (Rushmoor Borough Council) be appointed to the Health and Adult Social Care Select Committee to replace Councillor Alison Finlay.

   NB: These appointments are as recommended by the Hampshire and Isle of Wight Local Government Association at their meeting held on 19 September 2020.

243. **FINANCIAL UPDATE AND BUDGET SETTING AND PROVISIONAL CASH LIMITS 2021/22**

The Council considered a report of Cabinet seeking approval of recommendations in regard to budget setting and provisional cash limits 2021/22.

The Leader and the Executive Member for Commercial Strategy, Human Resources and Performance jointly introduced the report, highlighting the direct and indirect financial impacts of the Covid-19 pandemic and the resulting impact on the County Council's budget. Covid pressures were on top of the savings that the Council already needed to make and meant that the late delivery of savings programmes could not be funded. Urgent expenditure for health and safety reasons was noted and it was confirmed that decisions and recommendations were being made on the basis of thorough analysis and projections. The County Council was in a very difficult position as a result of the pandemic, but strong financial management of reserves in the past meant that others were in greater difficulty. The final financial settlement from government for 2021/22 had not yet been received and therefore the position would be further updated at the February 2021 Council meeting. The recommendations were commended to the Council.

Opposition Group Leaders and other County Councillors responded to the report and to the recommendations and a number of views as to the cause of the Council's current projection for a budget deficit were expressed.

Highlighting promises made by government that had not been met, an Amendment was proposed by Councillor Tod and seconded by Councillor Collett to add a further recommendation, that Council:

"condemns the Government for its failure to do 'whatever it takes' to support local government in meeting COVID costs - and agrees to call on Ministers and MPs to ensure an adequate funding settlement to local government"

The Amendment was debated and a number of points both supporting and opposing the amendment were made around the promises that had been made by government, the evolving severity of the pandemic and the volume of support that government had been able to deliver.

Councillor House requested a recorded vote on the Amendment and this received support in accordance with Standing Order 22.3.

A recorded vote on the proposed Amendment was conducted with the result:

For – 19
Councillors: John Bennison, Peter Chegwyn, Daniel Clarke, Adrian Collett, Mark Cooper, Alan Dowden, David Harrison, Dominic Hiscock, Keith House, Wayne Irish, Gavin James, Jackie Porter, Roger Price, David Simpson, Bruce Tennent, Mike Thornton, Martin Tod, Malcolm Wade and Michael Westbrook,

Against – 53
Councillors: Fred Birkett, Martin Boiles, Ray Bolton, Jackie Branson, Ann Briggs, Ziliah Brooks, Graham Burgess, Adam Carew, Fran Carpenter, Christopher Carter, Roz Chadd, Charles Choudhary, Rod Cooper, Peter Edgar, Keith Evans, Liz Fairhurst, Steve Forster, Andrew Gibson, Jonathan Glen, Judith Grajewski, Marge Harvey, Pal Hayre, Edward Heron, Geoff Hockley, Gary Hughes, Rob Humby, Roger Huxstep, Andrew Joy, David Keast, Mark Kemp-Gee, Peter Latham, Keith Mans, Alexis McEvoy, Anna McNair Scott, Derek Mellor, Floss

Mitchell, Rob Mocatta, Kirsty North, Russell Oppenheimer, Neville Penman, Roy Perry, Stephen Philpott, Lance Quantrill, Stephen Reid, Patricia Stallard, Ellaine Still, Tom Thacker, Michael Thierry, Rhydian Vaughan, Jan Warwick, Michael White, Bill Withers, Seán Woodward

Abstain – 2
Councillors: Jane Frankum, Mel Kendal

The recommendations in the report were considered and it was

RESOLVED:

That County Council

1. Note the updated position for the impact of Covid-19 in this year and for the medium term.

2. Approve the addition of the schemes detailed in Appendix 4 to the Economy, Transport and Environment Capital Programme.

3. Approve the updated departmental savings targets for a successor savings programme, as set out in paragraph 149.

4. Approve the updated timetable for a successor savings programme, as set out in paragraph 150.

244. HAMPSHIRE FIRE AND RESCUE AUTHORITY / SHADOW HAMPSHIRE AND ISLE OF WIGHT FIRE AND RESCUE AUTHORITY

a) Hampshire Fire and Rescue Authority Questions

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

b) Hampshire Fire and Rescue Authority 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.

c) Shadow Hampshire and Isle of Wight Fire and Rescue Authority Report

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

245. CONSTITUTIONAL ARRANGEMENTS: APPOINTMENTS TO THE HEALTH & WELLBEING BOARD FOR HAMPSHIRE

The Council received the report of the Health and Wellbeing Board for Hampshire reporting a number several changes to the membership of the Board taken under delegated authority by the Head of Law and Governance and Monitoring Officer, in consultation with the Chairman of the Health and Wellbeing Board.

246. **EXECUTIVE AND COMMITTEE REPORTS**

The Council received the reports of the following Executive Members:

a) Executive Lead Member for Children's Services and Young People

- Children's Services Capital Programme Update
- School Meal Price from November 2020
- Proposed Changes to the Short Break Activities Programme and Consultation Outcomes

b) Executive Member for Education and Skills

- Expansion of Osborne School on the Site of Kings' School

c) Executive Member for Public Health

- Tier 2 Adult Weight Management Service

d) Executive Member for Adult Social Care and Health

- Basingstoke and Deane Borough Council Social Inclusion Grant Covid-19 Support Payment
- Demand Management and Prevention Grants

The Meeting closed at 13:10

Chairman,

COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Chief Executive

PART I

1. APPOINTMENTS

There are no appointments to be made on this occasion.

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COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Cabinet

PART I

CONSTITUTIONAL MATTERS

1. CHANGES IN RESPONSIBILITY FOR EXECUTIVE FUNCTIONS

1.1 Responsibility for Executive functions is set out in Part 2, Chapter 3 of the Constitution. Part 1, Chapter 11 paragraph 1.6 provides that the Leader appoints members of the Cabinet and that responsibility for Executive Functions may be varied by the Leader at any time.

1.2 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 to the County Council. Following the resignation of Councillor Woodward as Executive Member for Recreation and Heritage, and the combining of this portfolio with the portfolio of the Executive Member for Countryside and Rural Affairs, a Report setting out revised Executive Responsibilities was presented to Cabinet on 9 February 2021. A copy of the revised Executive Responsibilities as reported to the Cabinet is contained as an Appendix to this report.

2 REVISED ALLOCATION OF SCRUTINY FUNCTION

2.1 Consequential upon re-allocation of responsibility for Regulatory Services of from the Executive Member for Policy and Resources to the Executive Member for Recreation, Heritage, Countryside and Rural Affairs at the County Council in July 2019, it is also considered appropriate that responsibility for Scrutiny of Regulatory Services be re-allocated from the Policy and Resources Select Committee to the Culture and Communities Select Committee with effect from 1 April 2021.

3 DEPUTATIONS AT REMOTE MEETINGS AND EXECUTIVE MEMBER DECISION DAYS

3.1 Consequential upon expiry of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panels Meetings) (England and Wales) Regulations 2020 (‘Regulations’) on 6 May 2021, it is considered appropriate should the Regulations be extended or replaced that the present provision at Standing Order 12 in the Constitution enabling deputations to be received at remote meetings be similarly extended. It is also considered appropriate that remote deputations should continue to be received at Individual Executive Member Decision Days open to the public remotely.

4 **EXECUTIVE MEMBER DECISION DAYS**

4.1 In addition, it is considered appropriate that should the Regulations be extended or replaced, or in the absence of any extension or replacement of the Regulations, that the present provision in Executive Procedures in the Constitution enabling remote Individual Executive Member Decision Days be continued.

5 **CLARIFICATION OF ‘10% RULE’**

5.1 It is also considered appropriate for clarification purposes that Contract Standing Orders are amended to include direct provision regarding the 10% rule.

The full report considered by Cabinet is attached at **Annex 1** to this report.

RECOMMENDATIONS

a) That the changes in Executive Responsibilities at Appendix 1 of the Cabinet report are noted.

b) That the revised allocation of Scrutiny Function contained at Appendix 2 of the Cabinet report are approved, to take effect from 1 April 2021.

c) That the amendments to Standing Order 12 and Executive Procedures contained at Appendix 3 and 4 of the Cabinet report are approved.

d) That the amendment to Contract Standing Order 3 contained at Appendix 5 of the Cabinet report is approved.

e) That delegated authority is given to the Monitoring Officer to amend the Constitution to take account of the recommendations in this report.

HAMPSHIRE COUNTY COUNCIL

Report

Decision Maker:	Cabinet
Date:	9 February 2021
Title:	Constitutional Matters
Report From:	Chief Executive

Contact name: Barbara Beardwell

Tel: 03707 793751 **Email:** Barbara.beardwell@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to advise changes to the allocation of Executive Functions.

2. In addition, this report proposes a change in the responsibility for scrutiny of Regulatory Services from the Policy and Resources Select Committee to the Culture and Communities Select Committee.

3. This report also proposes an update to Standing Order 12 and Executive Procedures in order to enable continuation of the ability for deputations to be received remotely, and for Individual Executive Member Decision Days to continue to be held remotely, in consequence of the continued restrictions posed by the Covid-19 pandemic, to provide certainty for the business of the County Council.

4. This report also proposes an amendment to Contract Standing Orders, clarifying the position regarding the ‘10% rule’.

Recommendation(s)

Cabinet is asked to:

5. Note the revised allocation of responsibility for Executive Functions at Appendix 1 of this report to be reported to the County Council at the County Council meeting on 25 February 2021.

6. Recommend the revised allocation of Scrutiny Functions contained at Appendix 2 of this Report for approval by the County Council, to be effective from 1 April 2021.

7. Recommend the amendments to Standing Order 12 and Executive Procedures, as indicated at Appendix 3 and 4 to this Report for approval by the County Council.

8. Recommend the amendment to Contract Standing Order 3 contained at Appendix 5 of the Report for approval by the County Council.

Executive Summary

9. Part 1, Chapter 17, Paragraph 1.3 of the County Council's Constitution requires that changes to the Constitution consequential upon the allocation of responsibility for Executive Functions decided by the Leader, be reported to the Cabinet and then to the County Council. Following the resignation of Councillor Woodward as Executive Member for Recreation and Heritage on 14 December 2020, the Leader has revised the portfolios of Members of Cabinet, combining the previous portfolios of the Executive Member for Recreation and Heritage and the Executive Member for Countryside and Rural Affairs. The title of the revised portfolio is Executive Member for Recreation, Heritage, Countryside and Rural Affairs.

10. This report identifies the portfolios of Members of Cabinet, including the revised portfolio of the Executive Member for Recreation, Heritage, Countryside and Rural Affairs, and the functions, powers and responsibilities around which Executive Members can make decisions.

11. Cabinet will recall that responsibility for Regulatory Services has been reallocated from the Executive Member for Policy and Resources to the Executive Member for Recreation and Heritage (now Executive Member for Recreation, Heritage, Countryside and Rural Affairs). It seems appropriate also that responsibility for scrutiny of Regulatory Services be within the Culture and Communities Select Committee, so that the Culture and Communities Select Committee is able to scrutinise all services within the Executive Member portfolio. It is suggested for budgetary purposes that any change be effective from 1 April 2021.

12. Cabinet will also recall that following the recommendation of Cabinet at its Meeting on 15 May 2020, the County Council approved at its Meeting on 29 May 2020, the application of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panels Meetings) (England and Wales) Regulations 2020 (2020 Regulations), to deputations and Individual Executive Member Decision Days, thereby enabling Individual Executive Member Decision Days to be held remotely and for deputations to be received at Meetings of the County Council, Committees and Standing Panels, Cabinet and Individual Executive Member Decision Days held remotely for the duration of the 2020 Regulations. The 2020 Regulations are due to expire on 7 May 2021, and this report therefore recommends continuation of these provisions.

13. Contained within Financial Regulations is a requirement within the tender process that, if after allowing for inflation tenders/quotations exceed an approved estimate by more than 10%, then further Executive Member approval is required. For clarity and to guard against any potential challenge it is suggested that direct provision for this is included in Contract Standing Orders.

Contextual information

Responsibility for Executive Functions

14. By virtue of Section 9E of the Local Government Act 2000 (as amended) ('the 2000 Act'), and by virtue of operation of a Leader and Cabinet form of Executive Arrangements, Members of Cabinet are appointed by the Leader. Allocation of Executive Functions between individual Members of Cabinet is also the responsibility of the Leader.

15. Responsibility for Executive Functions as allocated by the Leader is set out in Part 2, Chapter 3 of the Constitution. Attached at Appendix 1 to this Report is a revised Part 2, Chapter 3 of the Constitution consequential upon the revised allocation of Executive Functions as determined by the Leader, as referred to at paragraph 4 of this report.

Allocation of Scrutiny Functions

16. Allocation of Scrutiny Functions is the responsibility of the full Council. Attached at Appendix 2 to this report is a revised Part 2, Chapter 5 of the Constitution detailing allocation of responsibility for Scrutiny Functions.

Deputations at Remote Meetings and Individual Executive Member Decision Days

17. As indicated at Paragraph 12 of this Report, at its Meeting on 29 May 2020, the County Council approved provision enabling deputations to be received at Meetings of the County Council, Committees and Standing Panels, Cabinet and Individual Executive Member Decision Days held remotely in accordance with the provisions of the 2020 Regulations, prior to expiry of the 2020 Regulations. At this stage is not known whether or not Government will extend the 2020 Regulations.

18. Cabinet will be aware that provisions in respect of Standing Orders contained within the Constitution are the responsibility of the County Council. Thus, whatever the position might be regarding any extension of the 2020 Regulations, in order that this might apply to deputations after 7 May 2021, specific provision for this needs to be agreed by the County Council.

19. So as to provide certainty in this regard, and bearing in mind that after the Meeting of the County Council on 25 February 2021 the next scheduled Meeting of the County Council is not until the AGM on 27 May 2021, so as to avoid any ‘vacuum’ between expiry of the 2020 Regulations and any subsequent extension amendment to or replacement of the 2020 Regulations, it is considered appropriate that the County Council is asked at its Meeting on 25 February 2021 to approve continuation of the provision in Standing Orders enabling deputations to be received at remote Meetings of the County Council, Committees and Standing Panels, Cabinet, and Individual Executive Member Decision Days held remotely.

20. In addition, and bearing in mind that it is not possible at this stage to link any extension regarding remote Meetings to specific Regulations or Legislation yet to be made, and to avoid any subsequent ‘vacuum’ between the coming into force of any such Regulations or Legislation, it is considered appropriate that in such an event the Chief Executive be authorised to approve arrangements in respect of remote deputations at Individual Executive Member Decision Days, subject to the caveat that any such arrangements are no less accessible to members of the public as the current provisions in Standing Orders.

21. Contained at Appendix 3 to this Report is a proposed revised Standing Order 12.

Executive Member Decision Days

22. Also as indicated at Paragraph 12 of this Report, at the same time as approval of provisions for receipt of remote deputations, the County Council approved amendment to Executive Procedures, enabling Individual Executive Member Decision Days to be held remotely. Again, as with deputations, this provision was time limited to the expiry of the 2020 Regulations.

23. For the same reason as expressed in Paragraph 19 above, so as to avoid any ‘vacuum’ and to enable the business of the County Council to continue efficiently during the course of the pandemic while enabling the same level of public access and scrutiny as currently applies to remote Meetings, it is considered appropriate that the provision in Executive Procedures regarding remote Individual Executive Member Decision Days be similarly extended. Contained at Appendix 4 to the Report is a revised Part 3, Chapter 2, Paragraph 4 of the Constitution.

24. In doing so it is recognised that Individual Executive Member Decision Days are not ‘meetings’ so far as the general legislation relating to Executive Meetings and provisions of the 2020 Regulations go. Rather treating them in a similar way to meetings is the choice of the County Council in its governance arrangements in the Constitution. Therefore, in the absence of extension of specific provision in the Constitution enabling Individual Executive Member

Decision Days to be held remotely, whether or not the 2020 Regulations are extended, should it not be possible under the general Covid-19 legislation to hold Individual Executive Member Decision Days physically in public, the County Council would need to revert to the decision making Protocol it agreed at the start of the Covid-19 pandemic. In addition even if going forward it became possible for Individual Executive Member Decision Days to be held physically in public, some members of the public and individual County Councillors might, notwithstanding progress made in respect of a vaccine, for health reasons understandably be hesitant for some time as regards attending any physical public decision making forum. It is considered therefore in this regard that the ability to hold Individual Executive Member Decision Days remotely not only aids the efficiency of the business, but also promotes generally inclusion and participation in the County Council's business. For this reason, in the absence of extension of the 2020 Regulations it is considered appropriate, subject to paragraph 25 below, that the Chief Executive be authorised to approve arrangements in respect of the continuation of remote Individual Executive Member Decision Days, subject to the caveat that any such arrangements are no less accessible to members of the public as the current provisions in Standing Orders.

25. Cabinet will recall that at its Meeting on 15 May 2020, Cabinet approved a recommendation asking the Chief Executive to undertake in consultation a review of the County Council's governance arrangements at the end of the Covid-19 crisis. This review will include specific consideration as to the success, benefit or any other learning points around the holding of remote Individual Executive Member Decision Days, and recommendations in this regard following the review with be included in the consequential report to Cabinet.

Contract Standing Orders – 10% Rule

26. Since Contract Standing Orders form part of the Constitution, approval of amendment thereof is a responsibility of the full Council. Attached at Appendix 5 is a revised Contract Standing Order 3 including direct provision regarding the 10% rule.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This matter does not link to the Strategic Plan but, nevertheless, requires reporting to Cabinet and full Council in accordance with the requirements of the Constitution.

Other Significant Links	
Direct links to specific legislation or Government Directives	
Title Local Government Act	Date 2000

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 None

EQUALITIES IMPACT ASSESSMENT:

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. **Equalities Impact Assessment:**

It is considered that this report will have no adverse impact or cause no disadvantage to groups with protected characteristics.

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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; strategic land matters. 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.
Deputy Leader and Executive Member for Economy, Transport and Environment	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. 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. 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.
Assistant to the Executive – Climate Change	Primary Departmental link - Economy, Transport and Environment Department, but with engagement across all departments of the County Council. Functional area - supporting the Leader, Deputy Leader and Cabinet on the co-ordination of Climate Change policy, initiatives and projects with particular emphasis on the Climate Emergency Declaration and Action Plan, and the Hampshire 2050 declaration regarding Climate Change. Assisting in the development of and maintenance of political links with key partner organisations, such as Hampshire District, Town and Parish Councils, National Park Authorities, and neighbouring Councils, in relation to Climate Change matters. Assisting in developing and managing engagement with key agencies involved in Climate Change initiatives and activity, such as Natural England, the Environmental Sustainability Agency, and Hampshire Wildlife Trust. Promoting the County Council's objectives policies and priorities and associated partnerships as a key contribution to help mitigate against further Climate Change, and to develop greater resistance to Climate Change across the area of the County Council. N.B. This position does not have Executive decision making powers, but is consulted on Climate Change matter. This position reports to the Executive Member for Economy, Transport and the Environment.
Executive Member for Commercial Strategy, Human Resources and Performance	To assist the Executive Member for Policy and Resources. Overall strategy for human resources and performance matters. Primary department links – Corporate Services and Culture, Communities and Business Services Departments. Service area responsibilities – human resources services within the remit of Corporate Services,

	including strategic workforce development and corporate performance, and otherwise where relevant to the role. Functional areas – Property Services and Facilities Management (excluding strategic land matters), Commercial strategy, including: 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, rural broadband. 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. 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), and Chairman of the Employment in Hampshire County Council (EHCC) Committee.
Executive Lead Member for Children's Services and Young People	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	To support the Executive Lead Member for Children's Services and Young People 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. Primary departmental links – Children's Services Department. Service area responsibilities – education and schools; co-ordination of post 16 skills policies and initiatives. Functional areas – working with the Executive Lead Member for Children's Services and Young People to develop policy and strategy in relation to school improvements and educational standards; where agreed with the Executive Lead Member for Children's Services and Young People determining infrastructure and school organisation matters, in accordance with policies and strategies agreed by the Executive Lead Member for Children's Services and Young People, the Children and Young

	People's Plan, and where relevant the Children's Services Capital Programme. 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.
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. 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. Appointments to relevant outside bodies – not on a proportional basis in consultation with the minority parties.
Executive Member for Communities, Partnerships and External Affairs	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. Emergency Planning functions pursuant to the Civil Contingencies Act 2004. Corporate oversight of the County Council's Grant Management System. Responsibility for the County Council's relationships with the Interfaith Network Community, 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 Community. Appointments to relevant outside bodies not on a proportional basis in consultation with minority parties.
Executive Member for Recreation, Heritage, 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.

	Overall strategy and policy for libraries, museums, archives, arts, outdoor activities and leisure. Primary departmental links – Culture, Communities and Business Services and all departments of the County Council relevant to the responsibilities. Service Area Responsibilities – the Policy Framework for the County Farm Estate, Rural Affairs, Rights of Way and responsibility for the Parish and Town Council Investment Fund and the Rural Affairs Development Fund. Recreation and Heritage Services within the Communities and Business Services Department. Functional Areas – development of rural initiatives into the formulation of major policy. Libraries, museums, archives and records, country parks, countryside sites and nature reserves, sport and culture community support, recreation and all ancillary activities, regulatory services, including registration, coroners' services, trading standards, asbestos and scientific services. 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.

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; 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; Regulatory Services, 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.

Contract Standing Order 12 - Deputations

12.1 Subject to the provisions of this Standing Order, the County Council shall receive deputations at a Meeting of the County Council on any business that is properly within its terms of reference and the deputation shall be allowed to address the Meeting.

12.2 Subject to the provisions of this Standing Order, Cabinet or any Executive Member, Committees or Standing Panels of the County Council shall receive deputations at any Meeting or Individual Executive Member Decision Day relating to business that is properly within the Agenda for such Meeting or Individual Executive Member Decision Day and the deputation shall be allowed to address the Meeting or Individual Executive Member Decision Day.

For the purpose of this Standing Order:

12.2.1 notice in writing shall be given to the Chief Executive (to the Head of Democratic and Member Services via members.services@hants.gov.uk) that a deputation wishes to address a Meeting or Individual Executive Member Decision Day and the notice shall specify the subject on which the deputation wishes to speak. In the case of a County Council Meeting, the notice shall be given at least 10 clear Working Days in advance. In the case of other Meetings or Individual Executive Decision Days, the notice shall be given at least three clear Working Days in advance.

12.2.2 deputations shall consist of not more than four people who shall (except in the case of a deputation to the Regulatory Committee when it is exercising a function within the Functions Regulations, Regulation 2 and Schedule 1) be local government electors for the administrative area of Hampshire County Council, or otherwise and subject to the provisions set out at paragraph 12.2.3 below, have attained the age of seven years or older;

12.2.3 any deputation request received from a child of compulsory school age shall be accompanied by the following:

12.2.3.1. written consent from the parent of or person with Parental Responsibility for the child to the making of the deputation, including in respect of a request to make a deputation at a Meeting of the County Council or Cabinet, to the deputation being recorded and available for broadcast; and

12.2.3.2. in the case of a request to make a deputation within school term time, written consent to the making of the deputation from the Headteacher of the school the child attends, without which consent(s) the deputation shall not be heard.

12.2.4 without prejudice to the provisions of 12.2.3 above, deputations will not be received from children in cases where, in the opinion of the Director of Children's Services, it is not in the best interests of the child to make the deputation.

12.2.5 any member of a deputation may address a Meeting or Individual Executive Decision Day;

12.2.6 deputations shall be taken at the beginning of the Meeting or Individual Executive Decision Day in the order received (after the Minutes) and the total time for all deputations in any Meeting or Individual Executive Decision Day shall not exceed one hour in duration;

12.2.7 the total time taken by a deputation in addressing a Meeting or Individual Executive Decision Day shall not exceed 10 minutes provided that where the number of deputations in any Meeting or Individual Executive Decision Day would otherwise mean that the maximum time for deputations would be exceeded, the time allowed per deputation will be reduced on a proportional basis;

12.2.8 any deputation which has appeared before a Meeting of the County Council, the Executive, a Individual Executive Decision Day or any Committee or Standing Panel of County Council, shall not reappear at any such Meeting or any other Meeting or Individual Executive Decision Day within a period of six months on the same or similar topic (except in the case of a deputation to the Regulatory Committee when it is exercising a regulatory function, in which case a deputation may reappear where an item is adjourned, or when there is another similar application submitted in respect of the same site);

12.2.9 for the avoidance of doubt a deputation to a Meeting of the Executive, a Committee or Standing Panel or an Individual Executive Decision Day must relate to an item on the Agenda for that Meeting or Individual Executive Decision Day;

12.2.10 no discussion shall take place with the presenters of a deputation but the Chairman of the Meeting or the Executive Member may inform the deputation how, if at all, the matter will be dealt with by noting, action or referral. At a Meeting of the County Council, the Chairman may invite the Leader or appropriate Executive Member or Committee Chairman to give this information to the deputation.

12.2.11 Deputations in respect of Individual service concerns will not be received where, in the opinion of the Chief Executive in consultation with the Monitoring Officer, the subject matter of the deputation relates to issues which are more properly dealt with through the County Council's Corporate Complaints Procedure, or which might cause the County Council to breach confidentiality rules.

12.3 Without prejudice to the generality of Paragraph 12.2 above, where a Meeting of the County Council, Cabinet, Committees or Standing Panels is held remotely in accordance with the provisions of the Local

Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (Regulations) (the 2020 Regulations) or any amendment thereof, successor Regulations or Legislation (together Successor Provisions) enabling Meetings of the County Council to be held remotely, then deputations will also be received remotely at such Meetings in accordance with the provisions of the 2020 Regulations or Successor Provisions.

12.4 Deputations will also be received remotely at Decision Days of Individual Executive Members open to the public remotely, in accordance with the provisions of Part 3, Chapter 3, Paragraph 4 of the Constitution.

NB: The Purpose of Standing Order 12 is to give members of the public an opportunity to address the County Council, the Executive, its Committees or Standing Panels. Elected members (including those of other Councils), political parties, trade unions and members of staff have other opportunities to bring matters to the County Council's attention and will not be received under the provision of Standing Order 12.

Additional arrangements apply in respect of Regulatory Committee or when the County Council is otherwise exercising a function within the Functions Regulations. These arrangements are set out within the Local Protocol on Planning, Rights of Way and Commons Registration, Paragraph 9, contained at Appendix B.

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Decision Meetings and Individual Executive Member Decision Days

4.1 All Executive Meetings and Executive Decisions taken will be conducted in accordance with the Access to Information Regulations.

4.2 Decision Meetings of Cabinet and Committees of Cabinet Meetings will be held in public, except when dealing with confidential or exempt matters.

4.3 Decisions of Individual Executive Members will also be held in public, except when dealing with confidential or exempt matters.

4.4 For the purposes of Paragraph 4.3 above, 'public' shall include Decision Days of Individual Executive Members held remotely in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (Regulations) (the 2020 Regulations) or any amendment thereof, successor Regulations or Legislation (together Successor Provisions), or held in accordance with other arrangements which the Chief Executive may determine appropriate, provided always that any Individual Executive Member Decision Day held remotely pursuant to such other arrangements shall be no less accessible to members of the public entitled to attend a remote Meeting of the County Council pursuant to the provisions of the 2020 Regulations, or as the case may be Successor Provisions.

4.5 The quorum for a public Meeting of Cabinet shall be three, one of whom shall be the Leader or the Deputy Leader. The quorum for a public Meeting of a Committee of Cabinet shall also be three, one of whom shall be the Chairman or Vice-Chairman of the Committee or other Executive Member appointed by the Leader or Deputy Leader to act as Chairman.

4.6 Non-Executive Members will be allowed to speak at Cabinet and Committees of Cabinet Meetings and Individual Executive Member Decision Days by prior arrangements with the Chairman of the Meeting or Individual Executive Member as appropriate.

4.7 Advance notice of public Meetings of the Executive and Individual Executive Member Decision days will be published in accordance with the requirements of Part 2 of the Access to Information Regulations, and in accordance with the Access to Information Procedure Rules in Chapter 4 of this Part. A link to Executive decision Reports will also be sent electronically to all Members. Decisions will be recorded by the Chief Executive and his staff, and records of decisions and Reports considered will be made public in accordance with the Access to Information Procedure Rules. Where a decision is taken this should be clear on the face of the record of the decision, together with the implications of action arising from the decision, in order to facilitate effective scrutiny. Where the Executive is developing 'a position' (e.g., budget priorities for the coming year), a minute will record the general area under discussion, but Cabinet shall be not be obliged to disclose the detail of their discussion unless and until it results in either (a) a decision Cabinet is able to take and implement without further reference, except for scrutiny, or (b) a decision which must be presented to the County Council as a recommendation before any action can be taken.

4.8 Individual Executive Members will be spokespersons for their particular areas of responsibility.

4.9 Records of Executive decisions taken will be sent electronically to all Members of the County Council within five clear Working Days of the decision having been made.

4.10 The Leader may call additional Meetings of Cabinet at any time if it would be conducive to the conduct of business of the Executive to do so.

4.11 Individual Executive Members may also hold additional Individual Executive Member Decision Days at any time if they consider it would be conducive to the conduct of their Executive responsibilities to do so.

Contract Standing Order 3: Approval to spend

3.1 The procurement of a Contract (not including a Framework Agreement) is subject to the approval of the relevant decision maker who has the authority to give approval for the relevant expenditure under the Constitution. The giving of approval is subject to the expenditure involved having been included in approved estimates and sufficient budgetary provision having been made in the County Council’s capital programme or revenue budget.

3.2 In estimating the value of the Contract, the principles of CSO 4 shall be applied

3.3 In all cases, the Chief Officer within whose Area of Responsibility the Contract falls shall designate a Senior Officer as Contract Lead Officer for the Contract. It shall be the responsibility of the Contract Lead Officer to ensure that the processes followed in relation to the procurement and award of the Contract are compliant with these CSOs.

3.4 Any increases in value up to 10% of the relevant expenditure approved shall not require further approval.

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COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Cabinet

PART I

1. REVENUE BUDGET AND PRECEPT 2021/22

1.1. The Cabinet considered the proposed Revenue Budget and Precept for 2021/22 at its meeting on 9 February 2021 and resolved to make a number of recommendations to the County Council. The report considered by Cabinet is attached as Annex A to this Part I report and is referenced in recommendations a to m below.

1.2. The main changes that have been made to the figures presented to Cabinet are technical and relate to notifications from District Councils of final tax base, collection fund and business rates figures. These changes have been reflected in an amended Summary Revenue Budget for 2021/22 presented at Annex 1 to this Part I report.

1.3. In summary, as a consequence of the figures confirmed by the Districts the net deficit due to the Covid-19 pandemic in 2020/21 has increased marginally from £3.8m to £4.9m and the total unfunded cost and losses have fallen from £88.3m to just over £87m. In addition, in 2021/22 there is a net increase in income, compared to that previously assumed, of almost £4.7m which can be added to the Budget Bridging Reserve (BBR).

1.4. The impact of the figures provided by the Districts is set out in more detail below along with an explanation of how this feeds through to the Covid-19 financial response package.

Council Tax Base

1.5. The final council tax base figures provided by the Districts for 2021/22 result in a small increase in the total tax base over and above that set out in the report to Cabinet and lead to an increase in the council tax income to be included in the budget of more than £0.3m.

Council Tax Collection Fund

1.6. Each year the Districts determine and declare the estimated surplus or deficit on their Collection Fund which is made up of the final outturn position for the preceding year and the latest current year forecast. A share of this surplus or deficit is then passed back to the County Council to be reflected in budget setting for the coming year.

1.7. The outturn council tax collection position declared for 2019/20 by the Districts is a surplus of more than £4.4m.

1.8. However, the Covid-19 pandemic has impacted the in-year collection of council tax across Hampshire and the full estimated deficit forecast by the Districts for 2020/21 is approaching £6.7m.

1.9. In recognition of the impact Covid-19 has had on collection, the Government confirmed as part of the settlement announcement that they will put in place a Local Tax Income guarantee as follows:

- The repayment of collection fund deficits arising in 2020/21 can be spread over the next three years (2021/22 to 2023/24) rather than the usual period of one year to ease immediate financial pressures.
- The Government will fund 75% of the irrecoverable losses in this deficit in the form of a Section 31 grant which will be paid during 2021/22. However, a significant amount of the losses, such as those caused by bad debts, are not eligible for this funding as the Government consider them to be recoverable.

1.10. The net council tax collection fund surplus which is included within the 2021/22 budget is almost £2.2m as shown below:

	£'000	**£'000**
Balance of 2019/20 Surplus		4,417.9
Full Forecast Deficit for 2020/21	(6,674.4)	
Allocate 1/3 of the deficit to 2021/22		(2,224.8)
Net Surplus		**2,193.1**

1.11. The level of government funding, which the Districts are anticipating will be provided for irrecoverable losses, to be received by the County Council in 2021/22 is forecast to be £406,355.

Business Rates Collection Fund

1.12. As for council tax, each year the Districts determine and declare the estimated surplus or deficit on their business rates Collection Fund and this year an approach similar to that set out in paragraph 1.9 above has been applied.

1.13. The impact of the Covid-19 pandemic on business rates is anticipated to be material, but this is mainly due to the granting of additional reliefs (which are reimbursed by the Government), and the net business rate collection fund deficit which is included within the 2021/22 budget is almost £21.1m, as shown below:

	£'000	**£'000**
Balance of 2019/20 Deficit		(762.0)
Full Forecast Net Deficit for 2020/21	(1,198.6)	
Allocation of the deficit to 2021/22 (*)		(280.3)
Additional Covid Reliefs		(20,049.8)
Net Deficit		**(21,092.1)**

* Note that whilst the full net deficit forecast by the Districts for 2020/21 is approaching £1.2m this is made up of both surpluses and deficits at individual District Council level and as only deficits are spread across three years, the amount that is included for 2021/22 is not a third of this figure.

1.14. The Government will provide grant funding to fully meet the cost of the additional reliefs (£20.0m) and the level of government funding, which the Districts are anticipating will be provided for irrecoverable losses, to be received by the County Council in 2021/22 is forecast to be £157,656.

Business Rates Income

1.15. The final figures provided by the Districts for 2021/22 result in a small increase of almost £0.1m in business rate income compared to that originally assumed (excluding the impact of the pandemic) and an additional £0.6m in the form of Section 31 grants for non-Covid reliefs in the coming financial year.

Impact on the County Council

1.16. Due to the strategy that the County Council has adopted, managing the financial impact of the Covid-19 pandemic as a separate one-off event, some of the changes set out in the paragraphs above feed through to the financial response package, whilst others impact the 2021/22 budget position and therefore the contribution that can be made to the BBR.

1.17. This position is quite complex, but the following tables summarise the changes to the Covid-19 position and therefore the required financial response package in the current year and in total:

	£'000
Original Current Year Deficit	**3,760**
Lower Council Tax Income Losses	(826)
Lower Business Rate Income Losses	(1,201)
Lower Council Tax Grant	2,407
Lower Business Rate Support	742
Updated Current Year Deficit	**4,882**

	£'000
Original Total Gap	**88,305**
Increase in Current Year Deficit	1,122
Lower Business Rates Income Loss 2021/22	(2,385)
Updated Total Gap	**87,042**

1.18. This is a relatively small change given the overall scale of the impact of the pandemic and still sees the County Council needing to put in place a response package of more than £87m in order to meet the one-off financial consequences of Covid-19 over the medium term.

1.19. It is also worth reiterating that, the improvement in the council tax position has raised fears that there may be a lag in this area due to the support that has been put in place by the Government for businesses and individuals alike. It is possible therefore that this position (along with that for business rates) could decline as we move through 2021/22 and government support comes to an end. It is not possible to predict this at this stage, but it will be kept under review and could lead to an increase in the Covid figures as the next financial year progresses.

1.20. With the impact of the pandemic being managed as a one-off event through the use of the financial response package, taking account of all of the remaining budget changes outlined in this report, the County Council can set a balanced 2021/22 budget as follows:

	£'000
Further Tax Base Growth	337
Council Tax Collection Fund Surplus 2019/20	4,418
Business Rate Collection Fund Deficit 2019/20	(762)
Additional Business Rate Income	83
Additional Non-Covid Business Rate Relief Grants	586
Contribution to BBR	(4,662)
Balanced Budget	**0**

1.21. The table shows that in 2021/22, because of the changes, the County Council can make a further contribution to the BBR to build the sum available for future years in line with the approved Medium Term Financial Strategy (MTFS). This will reduce the forecast deficit in the BBR from £7.3m as set out in the report to Cabinet to just over £2.6m, but the need to continue to make contributions remains, particularly due to the uncertainty surrounding the outcome of the next Comprehensive Spending Review (CSR).

1.22. Local authorities are required to report a formal council tax requirement as part of the budget setting process and the recommendations to Council in this report show that the Council Tax Requirement for the year is £707,383,847.

1.23. The recommendations from Cabinet to County Council are unchanged, although final figures reflect the technical adjustments that have been made.

1.24. The final local government finance settlement was published on 4 February 2021 and confirmed the figures which were released in December last year.

2. CAPITAL PROGRAMME 2021/22 TO 2023/24

2.1. The Capital Programme report was presented to Cabinet on 9 February 2021 and recommendations were made to the County Council. The report is attached as Annex B to this Part I report and is referenced in recommendations n to p below.

2.2. There have been no changes to the report since Cabinet however, the County Council's final bids seeking grant funding from the Public Sector Decarbonisation Scheme have not been successful at this stage but have been placed on a reserve list for the time being and may be considered for funding should other approved schemes drop out. On this basis it will remain in the Programme until a final decision is received.

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

Cabinet

RECOMMENDATIONS

A. Revenue Budget and Precept 2021/22

That the County Council approve:

a. The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 8 of the Cabinet report) and take this into account when determining the budget and precept for 2021/22.

b. The Revised Budget for 2020/21 set out in Appendix 1 of the Cabinet report.

c. The Revenue Budget for 2021/22 as set out in Appendix 5 of the Cabinet report and Annex 1 to this Part I report.

d. Funding for one off revenue priorities totalling £11.6m as set out in paragraphs 113 to 128 of the Cabinet report.

e. The re-alignment of grant budgets as set out in paragraphs 135 to 141 of the Cabinet report.

f. That the **council tax requirement** for the County Council for the year beginning 1 April 2021, be £707,383,847.

g. That the County Council's band D council tax for the year beginning 1 April 2021 be £1,350.45, an increase of 4.99%, of which 3% is specifically for adults' social care.

h. The County Council's council tax for the year beginning 1 April 2021 for properties in each tax band be:

	£
Band A	900.30
Band B	1,050.35
Band C	1,200.40
Band D	1,350.45
Band E	1,650.55
Band F	1,950.65
Band G	2,250.75
Band H	2,700.90

i. Precepts be issued totalling £707,383,847 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

Basingstoke and Deane	66,627.20
East Hampshire	51,407.07
Eastleigh	47,774.37
Fareham	43,804.50
Gosport	26,722.80
Hart	41,055.21
Havant	41,448.02
New Forest	71,538.70
Rushmoor	32,309.09
Test Valley	50,316.00
Winchester	50,810.47

j. The Capital & Investment Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 9 of the Cabinet report.

k. The Treasury Management Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 10 of the Cabinet report.

l. An increase to the allocation targeting higher yields from £235m to £250m (as set out in the Treasury Management Strategy in Appendix 10) partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market.

m. The delegation of authority to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

B. Capital Programme 2021/22 to 2023/24

That the County Council approve:

n. The Capital Programme for 2021/22 and the provisional programmes for 2022/23 and 2023/24 as set out in Appendix 1 of the Cabinet report.

o. An increase in the value of the Stubbington Bypass scheme from £34.495m to the value of £39.295m, noting that the increase of £2m associated with the impact of Covid-19 is to be funded from the allocation previously approved for that purpose by the County Council in July 2020, with the balance to be funded from a mix of Section 106 developer contributions and local resources.

p. The addition of further decarbonisation schemes up to the value of £5.64m to the Culture, Communities and Business Services capital programme for 2020/21 funded by grants from the Public Sector Decarbonisation Fund.

ANNEX 1:

Revenue Budget 2021/22

	Original Budget 2020/21 £'000	Adjustment £'000	Proposed Budget 2021/22 £'000
Departmental Expenditure			
Adults' Health and Care	421,336	(11,791)	409,545
Children's – Schools	901,977	40,571	942,548
Children's – Non Schools	208,613	6,243	214,856
Corporate Services	54,218	(1,700)	52,518
Culture, Communities and Business Services	43,496	(1,383)	42,113
Economy, Transport and Environment	109,553	(5,886)	103,667
	1,739,193	**26,054**	**1,765,247**
Capital Financing Costs			
Committee Capital Charges	141,035	0	141,035
Capital Charge Reversal	(143,314)	0	(143,314)
Interest on Balances	(13,436)	485	(12,951)
Capital Financing Costs	42,101	6,860	48,961
	26,386	**7,345**	**33,731**
RCCO			
Main Contribution	6,839	516	7,355
RCCO from Reserves	1,045	(1,045)	0
	7,884	**(529)**	**7,355**
Other Revenue Costs			
Contingency	71,349	47,046	118,395
Dedicated Schools Grant	(813,368)	(64,363)	(877,731)
Specific Grants	(235,617)	(31,141)	(266,758)
Levies	2,428	436	2,864
Coroners	1,998	393	2,391
Business Units (Net Trading Position)	136	(551)	(415)
	(973,074)	**(48,180)**	**(1,021,254)**
Net Revenue Budget	**800,389**	**(15,310)**	**785,079**
Contributions to / (from) Earmarked Reserves			
Transfer to / (from) Earmarked Reserves	(4,807)	28,880	24,073
Trading Units Transfer to / (from) Reserves	5	558	563
RCCO from Reserves	(1,045)	1,045	0
	(5,847)	**30,483**	**24,636**
Contribution to / (from) General Balances	900	0	900

	Original Budget 2020/21 £'000	Adjustment £'000	Proposed Budget 2021/22 £'000
NET BUDGET REQUIREMENT	**795,442**	**15,173**	**810,615**
NET BUDGET REQUIREMENT	**795,442**	**15,173**	**810,615**
Funded by			
Business Rates and Government Grant	(122,047)	(83)	(122,130)
Business Rates Collection Fund Deficit / (Surplus)	104	20,988	21,092
Council Tax Collection Fund Deficit / (Surplus)	(3,284)	1,091	(2,193)
COUNCIL TAX REQUIREMENT	**670,215**	**37,169**	**707,384**

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	9 February 2021 25 February 2021
Title:	Revenue Budget and Precept 2021/22
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Carolyn Williamson

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

Section A: Purpose of this Report

1. The purpose of this report is to set out the County Council's proposals for the revenue budget and precept for 2021/22. It also provides an update on the financial position for 2020/21 including the impact of Covid-19, both in the current financial year and beyond.

Section B: Recommendation(s)

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

2. Notes the current position in respect of the financial resilience monitoring for the current financial year.

3. Approves that £1.2m of existing corporate funding in 2022/23 is brought forward to 2021/22 to support resourcing within the Transformation Practice focussing additional resources necessary in support of Transformation to 2021.

4. Approves the Revised Budget for 2020/21 contained in Appendix 1.

5. Approves the updated cash limits for departments for 2021/22 as set out in Appendix 4.

6. Delegates authority to the Deputy Chief Executive and Director of Corporate Resources, following consultation with the Leader and the Chief Executive to

make changes to the budget following Cabinet to take account of new issues, changes to figures notified by District Councils or any late changes in the final Local Government Finance Settlement.

7. Recommends to County Council that:

a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 8) be taken into account when the Council determines the budget and precept for 2021/22.

b) The Revised Budget for 2020/21 set out in Appendix 1 be approved.

c) The Revenue Budget for 2021/22 (as set out in Appendix 5 and Appendix 6) be approved.

d) Funding for one-off revenue priorities totalling £11.6m as set out in paragraphs 113 to 128 be approved.

e) The re-alignment of grant budgets as set out in paragraphs 135 to 141 be approved.

f) The **council tax requirement** for the County Council for the year beginning 1 April 2021, be £707,046,869.

g) The County Council's band D council tax for the year beginning 1 April 2021 be £1,350.45, an increase of 4.99%, of which 3% is specifically for adults' social care.

h) The County Council's council tax for the year beginning 1 April 2021 for properties in each tax band be:

	£
Band A	900.30
Band B	1,050.35
Band C	1,200.40
Band D	1,350.45
Band E	1,650.55
Band F	1,950.65
Band G	2,250.75
Band H	2,700.90

i) Precepts be issued totalling £707,046,869 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

Basingstoke and Deane	66,627.60
East Hampshire	51,407.07
Eastleigh	47,774.37
Fareham	43,804.50
Gosport	27,182.90
Hart	41,055.21
Havant	41,448.02
New Forest	71,538.70
Rushmoor	32,060.06
Test Valley	49,855.00
Winchester	50,810.47

j) The Capital & Investment Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 9 be approved.

k) The Treasury Management Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 10 be approved.

l) An increase to the allocation targeting higher yields from £235m to £250m (as set out in the Treasury Management Strategy in Appendix 10) partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market be approved.

m) Authority is delegated to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

RECOMMENDATIONS TO COUNCIL

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

County Council is recommended to approve:

a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 8) and take this into account when determining the budget and precept for 2021/22.

b) The Revised Budget for 2020/21 set out in Appendix 1.

c) The Revenue Budget for 2021/22 (as set out in Appendix 5 and Appendix 6).

d) Funding for one-off revenue totalling £11.6m as set out in paragraphs 113 to 128.

e) The re-alignment of grant budgets as set out in paragraphs 135 to 141.

f) That the **council tax requirement** for the County Council for the year beginning 1 April 2021, be £707,046,869.

g) That the County Council's band D council tax for the year beginning 1 April 2021 be £1,350.45, an increase of 4.99%, of which 3% is specifically for adults' social care.

h) The County Council's council tax for the year beginning 1 April 2021 for properties in each tax band be:

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i) Precepts be issued totalling £707,046,869 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

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j) The Capital & Investment Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 9.

k) The Treasury Management Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 10.

l) An increase to the allocation targeting higher yields from £235m to £250m (as set out in the Treasury Management Strategy in Appendix 10) partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market.

m) The delegation of authority to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council's investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

Section C: Executive Summary

8. The purpose of this report is to set out the County Council's proposals for the revenue budget and precept for 2021/22. It also provides an update on the financial position for 2020/21.

9. The current year has clearly been dominated by the impact of Covid-19. Whilst in some areas (such as the initial costs and losses arising from the first lockdown) information has become clearer throughout the year, there are still some elements such as council tax base and collection fund deficits which up to now have been based on high level estimates.

10. Following the receipt of information from District Councils, we now predict total gross costs and losses in 2020/21 will reach nearly £176m. The recent announcements by the Government in the Spending Review and the provisional Local Government Finance Settlement means that we now predict the majority of the £176m will be met by government funding schemes,

together with around £31m of budgeted market underwriting costs and consequential savings as a result of the Covid pandemic (for example travel costs). This leaves a net deficit of £3.8m to be covered by the financial response package.

11. The medium term impact of Covid-19 has also been revised as a result of the latest information and government announcements and it is predicted that unfunded costs and losses will reduce from £210.7m to £88.3m due to additional government funding and revised forecasts, notably in relation to council tax and business rates. This significantly reduces the level of the financial response package that the County Council needs to provide and indicates that the Government has been responding to the forecasts that have been submitted to them. For clarity, the outlook therefore appears to be 'less negative' albeit it is important to note that we are still in financially negative territory to the tune of over £88m.

12. However, we remain extremely concerned at the continuing need to underwrite over £88m of costs and losses due to the financial consequences of Covid-19 from County Council resources and we must continue to impress upon the Government the need to make further provision to cover those costs. We must also be alert to the ongoing financial uncertainty and therefore the potential for the financial consequences to worsen further, particularly for council tax and business rate income where it is thought that the full financial consequences are yet to be felt.

13. Business as usual financial performance in the current year remains strong. Indications are that all departments will be able to manage the large-scale investment required to deliver their planned transformation activity and meet service pressures through the use of cost of change and other reserves, along with appropriate corporate funding.

14. The pressures within social care are well known but in 2020/21 Adult's Health and Care are likely to contribute around £12.9m on a one-off basis to cost of change reserves as a result of early delivery of savings and the impact of Covid on some activity levels, alongside a short term change in NHS funding supporting early discharges from hospital. Outside of this, the cumulative impact of numerous savings programmes, coupled with a relentless business as usual agenda and rising demand and expectations from service users, mean that pressures are being felt in all departments.

15. Savings targets for 2021/22 were approved as part of the Medium Term Financial Strategy (MTFS) in 2018 and detailed savings proposals have been developed through the Transformation to 2021 (Tt2021) Programme which were agreed by Cabinet and County Council during October and November 2019. The impact of the agreed savings has been reflected in the detailed budgets approved by Executive Members and presented in this report.

16. During January individual Executive Members have been considering their revenue budget proposals with the Leader and Cabinet and Select Committees who provide overview and scrutiny. This report consolidates these proposals

together with other items that make up the total revenue budget for the County Council in order to recommend a budget, precept and council tax to the meeting of full County Council on 25 February 2021.

17. On 25 November 2020 a further one year Spending Review was announced by the Government for 2021/22 which has provided additional resources to local government. Whilst the settlement was positive in terms of the continuation of temporary funding and the allocation of additional funding for social care growth and to cover the financial impact of Covid-19, in line with extensive lobbying, it is only for one year at this stage. The Spending Review also set out core council tax of 2% and a further 3% to fund growth in adult social care costs, in recognition of the demographic pressures local authorities are facing.

18. The provisional Local Government Finance Settlement was announced on 17 December 2020 and confirmed the grant figures and council tax thresholds for 2021/22 in line with the Spending Review.

19. In line with the MTFS, this report recommends that council tax is increased by 4.99% in 2021/22, of which 3% is specifically for adults' social care, reflecting government policy. This will generate around £35m additional income and it is likely that Hampshire will remain one of the lowest county level council tax in the country, certainly remaining well within the lowest quartile.

20. This report also considers a number of investment priorities. The key additions are shown in the following table and more detail is set out in paragraphs 113 to 128:

	£M
Increased investment in Operation Resilience	3.0
Funding for major highways project development	1.5
Children's Services Managing Placements Programme (MPP) and other pressures	5.0
IT Growth Pressures	2.1
Total	**11.6**

21. In addition, it is proposed to re-align grant budgets from 2021/22 that will re-instate on an ongoing basis the £8,000 devolved grant budget for each Elected Member, create a one-off funding pot of over £1.2m for County Council climate change initiatives and will over time generate substantial savings as part of the Savings Programme 2023 (SP23). More details are provided in paragraphs 135 to 141.

22. It should be noted that the figures in this report in respect of government grant levels and figures notified to the County Council by District Councils are provisional at this stage and will be subject to change. Revised figures will

therefore be presented to full County Council and this report seeks delegated authority for the Deputy Chief Executive and Director of Corporate Resources in consultation with the Leader and Chief Executive to make these changes as appropriate.

23. The County Council's Reserves Strategy, which is set out in Appendix 7, 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. Our prudent forward planning and level of reserves have been a key factor in being able to develop a Covid-19 financial response package.

24. In addition, this report includes both the County Councils Capital and Investment Strategy and the Treasury Management Strategy (TMS) for 2021/22 (and the remainder of 2020/21), set out in Appendix 9 and Appendix 10 respectively.

25. The Capital and Investment Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The TMS supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and investments, and the associated risks.

26. Longer term, the County Council is still in the position of having no confident visibility of its financial prospects beyond the 2021/22 financial year, which clearly makes any accurate financial planning difficult to achieve. Whilst there are some signs that the key messages on funding requirements are getting through, local government as a sector will continue to push the Government for a programme of multi-year rolling settlements that avoid the inevitable uncertainty that we face at the end of every Spending Review period.

27. The Treasurer's report under Section 25 of the Local Government Act 2003, which has to be taken into account when the Council determines the budget and precept for 2021/22, is set out in Appendix 8 and also considers the future financial resilience of the County Council in this context and in light of the current and ongoing impact of Covid-19.

28. Beyond 2021/22 we have consistently said that we face an additional year on year annual pressure of at least £40m, as a result of inflation and demand growth, and in the absence of a multi-year settlement which addresses that pressure it continues to be difficult to make any changes to these forecasts. Therefore, the requirement to deliver a 2023 Savings Programme by 1 April 2023 to bridge the forecast deficit of £80m remains.

29. In addition, it has been previously highlighted that if we are to remain financially sustainable beyond 2021/22 there needs to be a significant change in the way in which growth in adults' and children's social care is funded, since it is not possible to sustain that growth in demand and cost indefinitely.

Section D: Contextual Information

30. The financial landscape for this and future years has been dominated by the impact of Covid-19. Whilst the County Council already faced medium term financial challenges, the additional burden of Covid-19 threatened to speed up the impending financial ‘cliff edge’.

31. With this in mind, the strategy that the County Council adopted was to deal with the impact of Covid-19 as a separate one-off event in order to leave the County Council in the same position it would otherwise have been to tackle the next savings programme after Transformation to 2021 (Tt2021). In essence, as a minimum this meant leaving sufficient funding within the Budget Bridging Reserve (BBR) to fund the interim year of the next savings programme.

32. This was consistent with the current financial strategy that the County Council operates, which works on the basis of a two year cycle of delivering departmental savings targets to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the BBR and with any early delivery of resources retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.

33. The County Council’s strategy placed it in a very strong position to produce a ‘steady state’ budget for 2020/21 and safely implement the next phase of changes through the Tt2021 Programme to deliver further savings totalling £80m.

34. The Tt2021 Programme is progressing to plan (as revised in response to the delays as a consequence of the Covid-19 pandemic) but as we have repeatedly stressed bridging a further gap of £80m is extremely difficult and was always going take longer to achieve in order to avoid service disruption. The anticipated later delivery of some elements of the programme has been factored into our medium term planning to ensure that enough one-off funding exists both corporately and within departments to meet any potential gap over the period.

35. Taking longer to safely deliver service changes rather than being driven to deliver within the two year financial target requires the careful use of reserves as part of our overall financial strategy and further emphasises the value of our Reserves Strategy. Furthermore, as reported in November, the impact of Covid-19 has meant that around £38.4m of the Transformation to 2019 (Tt2019) and Tt2021 Programmes have slipped, which will require further cash flow support, as part of the financial response package.

36. On 25 November 2020 a further one year Spending Review was announced by the Government for 2021/22 which has provided additional resources to local government. Whilst the settlement was positive in terms of the continuation of temporary funding and the allocation of additional funding for social care growth and to cover the financial impact of Covid-19, in line with extensive lobbying, it

is only for one year at this stage. The Spending Review also set out core council tax of 2% and the continuation of a further 3% to fund growth in adults' social care costs.

37. The provisional Local Government Finance Settlement was announced on 17 December 2020 and more detail about the provisional settlement is set out in Section H of this report.

38. The final grant settlement for 2021/22 is not due out until this report has been dispatched, however it is not anticipated that there will be any major changes to the figures that were released in December 2020.

39. In November 2020 Cabinet received a budget update report that set provisional cash limit guidelines for departments, taking into account inflation, savings and base changes. This report confirms the cash limits that will be applied to departments next year and the individual reports approved by Executive Members during January all show that the proposed budgets are within the cash limit guidelines that have been approved.

40. Beyond 2021/22 we have consistently said that we face an additional year on year annual pressure of at least £40m, as a result of inflation and demand growth, and in the absence of a multi-year settlement which addresses that pressure it continues to be difficult to make any changes to these forecasts. Therefore, the requirement to deliver a 2023 Savings Programme by 1 April 2023 to bridge the forecast deficit of £80m remains.

Section E: Covid Update

41. Throughout the year, updates have been provided to Cabinet and County Council on the impact of Covid-19 on our current and medium term financial position.

42. As the year has progressed, certain elements of this monitoring have become clearer, and ongoing government announcements have helped to reduce the overall impact on the County Council's bottom line. Some aspects however have been impossible to predict, in particular the impact on Business Rates (BR) income, the council tax base and the council tax collection fund deficit.

43. Based on the limited information received from Districts and the forecasts of other county councils a very high level estimate of 5% income losses in the current year and a 3% reduction in the council tax base from 2021/22 were built into the anticipated losses from very early on in the process. It is only in December that initial figures have been received from the District Councils (many of which have also come with a health warning given the difficulties of producing forecasts in such unprecedented times).

44. These figures show that losses on council tax in the current year are significantly lower than originally predicted and have been offset to some extent from gains made in previous years (2019/20). Similarly, the predicted decrease in the council tax base as a consequence of greater levels of council tax

support has not materialised, and in fact a small increase is predicted next year (albeit at much lower levels than would normally be expected).

45. In addition, announcements of further government funding have also helped to reduce the overall impact, and this is reflected in the updated tables shown below:

	September Return	December Return	Change
	£'000	**£'000**	**£'000**
Response and Recovery Costs	81,121	103,387	22,266
Lost Savings – 2020/21 only	10,421	10,421	0
Council Tax Losses – 2020/21 only	32,200	7,500	(24,700)
Business Rate Losses – 2020/21 only	2,400	2,400	0
Lost Sales Fees and Charges Income	14,164	14,197	33
Commercial / Other Income	11,129	11,267	138
Total Costs and Losses	**151,435**	**149,172**	**(2,263)**
Add Back:			
Market Underwriting Costs	26,184	26,554	370
Gross Costs and Losses for 2020/21	**177,619**	**175,726**	**(1,893)**

46. The increase in response and recovery costs relates to the spend associated with new government grants, namely Infection Control (Tranche 2 - £15.6m), Contain Outbreak Management Fund (first tranche - £11.1m) and CEV Response (for the November lockdown - £760,000). This has been offset by reductions in the anticipated costs of Home to School Transport (based on actual data) and social worker costs directly associated with the pandemic response.

47. The net position is shown overleaf and partly reflects the fact that the Government previously announced that it will fund 75% of collection fund losses arising from the pandemic in 2020/21. However, more recent clarification (mid-January) on what is eligible for this grant funding indicates that the criteria are limited, and this adds further complexity into what is already a very difficult year for billing authorities in terms of producing reliable forecasts.

48. Given this position and in the absence of detailed information from billing authorities on the likely level of grant claims for losses incurred in the current financial year, the table overleaf assumes that we will only receive 50% of the 75% grant funding towards the gross losses for council tax and business rates shown above:

	September Return	December Return	Change
	£'000	**£'000**	**£'000**
Gross Costs and Losses	**177,619**	**175,726**	**(1,893)**
Service Specific Funding (CCG's & Gov.)	(7,808)	(10,568)	(2,760)
Covid-19 Grant Allocations	(70,395)	(70,395)	0
Test and Trace, Infection Control and Emergency Assistance Grants	(24,174)	(51,704)	(27,530)
Income Reimbursement	(2,500)	(4,995)	(2,495)
Council Tax Grant (50% of 75%)		(2,813)	(2,813)
Business Rate Support (50% of 75%)		(900)	(900)
Forecast Savings	(6,860)	(4,037)	2,823
Market Underwriting (Budgeted)	(26,184)	(26,554)	(370)
Total Savings and Funding	**(137,921)**	**(171,966)**	**(34,045)**
Net Unfunded Costs and Losses	**39,698**	**3,760**	**(35,938)**

49. The additional grants of £27.5m offset the increased expenditure for these items outlined above and the income reimbursement scheme is based on the latest return submitted in December. The reduced savings are a result of the removal of £3m of assumed savings in highways maintenance works which are now not expected to be delivered due to the pressure on the network following several bouts of severe weather over the winter.

50. The table shows that in overall terms, the forecast position for 2020/21 is now only a deficit of £3.8m, accepting that some of the figures around council tax and business rates may still change significantly prior to County Council. Given the difficulties experienced over this year, the latest position shows that the Government appears to have responded to the requests from local government to meet the costs and losses associated with Covid-19 in full.

51. Turning to the medium term position, this has been updated to reflect the latest demand pressures, together with the announcements of new government funding.

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Current Year Deficit	3,760				3,760
Slipped Tt2019 and Tt2021 Savings		22,714	4,688	596	27,998
Departmental Pressures		38,703	28,498	15,000	82,201
Business Rates		2,385			2,385
Lost Investment Income		2,500	1,500		4,000
Covid Grant - Tranche 5		(23,979)			(23,979)
Council Tax Support Grant		(8,060)			(8,060)
Updated Total Gap	**3,760**	**34,263**	**34,686**	**15,596**	**88,305**

52. The table shows that the net unfunded costs and losses are now expected to be £88.3m. This is a movement of £122.4m compared to the position reported in November and can be explained by the following changes, which have been split between those relating to additional government funding and those where revised forecasts have been prepared based on the latest information:

	Gov. Grant £M	Revised Forecast £M
Council tax and business rate losses are significantly lower than anticipated and the Government will meet 75% of current year eligible losses	3.6	24.7
There has been no reduction in the council tax base (originally expected to create losses over 3 years)		42.0
Reduced costs and additional sales fees and charges reimbursement	2.5	2.6
Increased specific grant funding (Bus services and cultural support grant)	2.8	
Reduced demand costs within adults' social care		8.0
SEN recurring pressure built into base budget		5.1
Additional Government grant for 2021/22	32.1	
Other Net Changes		(1.0)
Total	**41.0**	**81.4**

53. Whilst this overall position has changed significantly with the outlook now being less negative, it is important to note that we are still in financially negative territory to the tune of £88.3m. Therefore, this does still require the County Council to put in place a response package of over £88m in order to meet the

one-off impact of Covid-19 over the medium term. This does reduce our capacity to respond to any further financial shocks, but it does at least mean that the County Council's financial sustainability is much more assured than reported in November 2020.

54. However, the improvement in the council tax position has raised fears that there may be a lag in this area due to the support that has been put in place by the Government for businesses and individuals alike. It is possible therefore that this position (along with that for Business Rates) could decline as we move through 2021/22 and government support comes to an end. It is not possible to predict this at this stage, but it will be kept under review and could lead to an increase in the Covid figures as the next financial year progresses.

Section F: Business as Usual Financial Monitoring

55. The financial landscape in the year is obviously complicated by Covid-19. However, even after excluding this (as the impact will be managed through a separate financial response package) complexity remains due to a range of one-off impacts arising from transformation activity, previously planned late delivery of savings, use of cost of change and corporate cash flow support.

56. The business as usual (i.e. excluding Covid-19) forecast position for 2020/21 as at the end of November (Month 8) indicates that all departments will be able to manage the large scale investment required to deliver their planned transformation activity and meet service pressures through the use of cost of change (and other) reserves along with currently agreed corporate funding.

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

Adults' Health and Care

58. The latest forecast is a net under spend of £12.9m, which is dependent on securing Tt2019 cash savings of £47.8m and Tt2021 early savings of more than £6.7m. This position is mainly the result of changes in activity levels for older person's services throughout the year due to Covid-19 and the impact of NHS funding supporting early discharges from hospital. At the end of the year £12.9m will be transferred to the Cost of Change reserve, bringing the reserve balance to £15.7m by the end of 2020/21. This sum will be utilised within the following years to help fund planned delays in savings and one-off project costs.

59. It should be noted that the Department continues to benefit in 2020/21 from the additional recurring funds announced in 2019/20 from the Improved Better Care Fund (IBCF), that now includes Winter Pressures, of £11.5m. Ordinarily however, these funds and the additional corporate support would still be insufficient to match the underlying pressure. For 2020/21 whilst this pressure

has been reduced negotiations are continuing with Clinical Commissioning Groups (CCGs) to see what extra support may be required and whether there are other joint initiatives that can be pursued for the remainder of the year to minimise pressure on the health and care system, which could see additional funds flow into the County Council.

60. The impact Covid-19 has had on transformation savings delivery for both Tt2019 and Tt2021 has been significant within Adults' Health and Care. This is primarily due to resources being redirected toward responding to the pandemic. In addition, the ability to affect care package prices and volumes into the long term, to which most of the planned saving relate, has been severely impacted by the need to support the NHS to discharge patients from hospital freeing sufficient acute capacity to cope with the demands of the pandemic.

61. The longer term position for the Department is likely to present greater challenges than have been forecast previously and this is, in the main, an indirect consequence of Covid-19. Whilst the current year position on care packages has been managed, this is largely due to additional financial support from the NHS in respect of discharges and reduced demand for Residential and Nursing care.

62. The budget for Public Health originally planned use of £0.7m of the Public Health reserve. The expected outturn forecast for 2020/21 is a saving of £0.7m against this position and it is for this reason that the planned draw from the Public Health reserve is no longer required.

63. A significant proportion of the forecast saving reported is due to the impact of Covid-19 on the volume of contracted services delivered. Where applicable it has been agreed to pay reduced contracted amounts to providers that recognises there has been a reduction in their service level whilst providing them with adequate support to meet a proportion of their costs to keep them financially viable during the pandemic.

64. After not drawing the £0.7m previously intended from the reserve in year and the expected saving of £0.7m, the latest forecast is that the reserve balance at year end will be more than £6.1m

Children's Services

65. The expected outturn for 2020/21 on the non-schools' budget is a balanced position following the additional corporate support provided to Children's Services. There has been significant focus on Children Looked After (CLA) numbers and costs over recent years and trends for average costs, numbers and the mix of placement type have been tracked. Based on this analysis and tracking, additional corporate support has been agreed to address the pressures arising from this growth.

66. Children's Services are facing a range of further pressures as follows.

- With regards to the pressure on staffing budgets in Children's Social Care the service continues to develop social workers through the Graduate Employment Trainee Scheme (GETS), although there is still a significant reliance on agency staff. This is being well managed in collaboration with Connect2Hampshire but plans to reduce agency numbers has been impacted by the Covid-19 pandemic.
- Home to School Transport (HtST) reflects a balanced budget in this financial year based on the activity levels since September 2020. Whilst no additional growth funding is required for 2020/21, pressures have been forecast in future years in relation to activity growth, mainly within Special Educational Needs (SEN), including unfunded post 19 growth. Whilst this is being monitored and is under regular review, the analysis has been further complicated by the pandemic which means further refinement is still required.
- Every new Education, Health and Care Plan (EHCP) has to be informed by advice from an Educational Psychologist and the increase in EHCPs has resulted in a need to direct staff towards providing this statutory advice. Consequently, there has been a decline in income from sold services to schools and the use of agency staff in order to address the increased volumes has exacerbated this pressure.
- Swanwick Lodge, our in-house secure unit, continues with its period of financial recovery following the refurbishment as planned, albeit with Covid-19 impacts. This remains under close review.

67. Proposals for additional support are set out in Section I to enable the Department to manage these issues in the year to come.

Corporate Services

68. Since 2010, Corporate Services have been required to deal with increasing work pressures at a time when staffing resources and other budgets are reducing significantly. Furthermore, as savings become harder and more complex to deliver (linked for example to IT system changes) the cost and timeframes to deliver savings increase, placing additional strain on the resources available to deliver business as usual.

69. The forecast position for 2020/21 is that savings will still allow a contribution to cost of change balances even after substantial transformation costs have been met in year. Early delivery of savings in the current year will help as part of the overall strategy for delivering savings in the longer term, but the continued need for additional resources against a backdrop of reducing budgets should not be underestimated.

70. This puts the Department in a strong position for next financial year to deliver good quality services to other departments within the County Council and to the many partner organisations who receive our services. In addition, Corporate Services teams will begin planning their savings programme for 2023 and continue to provide critical support to other departments during the delivery of

their own transformation programmes. It will be important for the Department to manage this further pressure to service delivery.

71. In particular, the Transformation Practice is supporting the large and complex Tt2019 and Tt2021 Programmes across Children's Services and Adults' Health and Care, both of which required significant resources to make the necessary progress, requiring additional resources to be brought forward from future years funding. Both departments have seen significant delays due to the Covid-19 pandemic and one-off corporate funding has also been provided to support the additional resources employed on the Programmes.

72. Given the complex nature of the Programmes coupled with delays, it is considered essential that a full complement of resources is in place throughout the year and it is therefore recommended that corporate funding of £1.2m approved in previous years be brought forward from 2022/23 to keep the team in place.

Culture, Communities and Business Services (CCBS)

73. CCBS delivers a wide range of services and business as usual activities have been affected by resources being diverted to deal with the Covid-19 response and recovery and the Department has been mindful of the need to avoid non-essential spending in the light of the County Council's overall financial position resulting from the pandemic response.

74. It is anticipated that in 2020/21 the Department will be able to contribute to cost of change balances, even after substantial transformation costs have been met in year, in line with the County Council's financial strategy, to be used to support the delivery of future savings programmes or offset service pressures. It is also proposed to use this funding to meet the anticipated deficit in the Repairs and Maintenance budget for next year as outlined in the last financial update report.

Economy, Transport and Environment (ETE)

75. The Department's long-standing approach of minimising non-essential spend, seeking to develop a broader client base for sold services and adopting a prudent approach to vacancy management has a heightened importance against the backdrop of the Council's current financial position and the increased delay in delivering the Department's Tt2021 savings from the Waste budget which will need cash flow funding from Cost of Change. This approach has therefore continued to feature strongly in the Department's overall financial management.

76. The majority of the Department's Tt2019 savings have been fully delivered with the balance of two programmes, Waste and Parking, still to be completed. The outstanding balance of £0.9m of the Parking saving is now expected to be achieved in 2021/22 with aspects of the programme having been delayed due to the pandemic. The balance on the Tt2019 Waste saving of almost £1.8m is

also expected to be fully achieved by 2021/22 following decisions taken by the Executive Member for Economy, Transport and Environment in October 2020. The cash flow impact of these timing shortfalls has been met from the Department's Cost of Change Reserve.

77. Despite the challenges of the Covid-19 response and recovery the Department has made progress in delivering the Tt2021 target of more than £11.7m with early achievement of over £1.0m now expected in 2020/21.

78. It is anticipated that at the end of the year the Department will be able to contribute to cost of change balances in line with the County Council's financial strategy to be used to support the delivery of future savings programmes or offset service pressures.

Schools

79. The financial pressures facing schools have been highlighted for some time, driven in part by an increasing requirement for pupils with SEN, which exceeds the available funding and is mirrored nationally. Pressures have mainly arisen due to significant increases in the number of pupils with additional needs and as a result of the extension of support to young people with high needs up to the age of 25. There are also increases in the amount of funding required due to increasing complexity of need, resulting in a pressure on the top-up budgets for mainstream schools, resourced provisions and Post 16 colleges. There is also significant pressure due to more pupils requiring placements in independent and non-maintained schools.

80. In 2020/21 the current forecast is for a further over spend of £13.6m, as reported to School's Forum in December, with the majority relating to the high needs pressure of £14.9m. The over spend will be added to the Dedicated Schools Grant (DSG) deficit reserve at the end of the year, increasing the cumulative deficit to £36.4m.

81. Whilst this sum sits as a 'negative reserve' on the County Council's balance sheet, it in effect represents an overdraft for schools which they (and the Government) need to address over the longer term.

82. The next section outlines the expected general outturn position for the current year in more detail.

Section G: Revised Budget 2020/21

83. During the current financial year there have been a number of changes to the original budget that need to be taken into account, some of which have already been reported to Cabinet. In addition, it is also timely to review some of the high level numbers contained within the revenue budget to assess the likely impact on the outturn position for the end of this financial year.

84. Appendix 1 provides a summary of the original budget that was set for 2020/21 together with adjustments that have been made during the year. The proposed Revised Budget for 2020/21 is then set out for information. The variance between the adjusted and revised budget gives an indication of any one-off resources which may be available at the end of the year and could be used to fund one-off investment or provide additional contributions to the BBR, although for this year all available funding has been diverted to the Covid-19 response package.

85. The following paragraphs explain the main adjustments that have been made to the budget during the year:

Adjusted Budget 2020/21

86. **Departmental Spending** – Budgeted departmental spending has increased by more than £104.2m and the reasons for this are highlighted in the following table:

	£M
Net increase in grants	58.7
Use of cost of change reserves	19.9
2020/21 Pay Award	8.9
In Year Adults' social care draw from central contingency	4.0
In Year Children's Service's draw from central contingency	1.7
Approved Winter Maintenance Funding	2.0
Approved funding for Major Schemes Development	2.2
In Year Corporate Service's draw from Corporate Policy and Invest to Save Reserve	0.7
Approved funding for Strategic Land Development and School Feasibility	5.7
Other Net Changes	0.4
Total	**104.2**

87. The increases in budgeted departmental spending are mainly because of increased government grants, the allocation of approved funding (for example from contingencies) or the one-off use of cost of change reserves. The true value of recurring increases is much smaller and relates to the allocation of funding from contingencies to Children's Services and funding for the pay award, but these reflect transfers rather than new unanticipated spend.

88. The paragraphs below outline changes to the other items that make up the overall revenue account.

89. **Capital Financing Costs** – The decrease reflects the latest estimates and 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 profit of about £2.9m was generated on the Transport for London bond sale and this has been credited to the investment income budget.

90. Separately, Covid-19 has adversely affected investment income (£3.5m) and this will be addressed through the financial response package. Depending on the end of year position, there may be an option to add to the Investment Risk Reserve in line with the agreed strategy of seeking to reach 2.5% of the total amount invested.

91. **Revenue Contributions to Capital Outlay (RCCO)** – The increase in RCCO reflects changes made to the Capital Programme and its financing during the year but this is entirely offset by other funding changes in budgets or to earmarked reserves so that there is no bottom line impact in 2020/21.

92. **Contingencies** – The increase in contingencies is the result of building resources to provide for the financial response package to Covid-19 and reflects £70.4m of government emergency funding received to date. This will be utilised in line with the strategy of dealing with the Covid-19 pandemic as a one-off extraordinary event.

93. **Dedicated Schools Grant (DSG) and Specific Grants** – The increase in DSG reflects amendments that have been made to the final grant during the year. The increase in specific grants is mainly due to the receipt of a wide range of government funding in relation to Covid-19, including the Adult Social Care Infection Control Fund, the Test and Trace Service Support Grant, the School Catch Up Grant, the Covid Winter Grant Scheme and compensation for lost Sales Fees and Charges.

94. **Levies** – The increase reflects the full transfer of Inshore Fisheries from what was the Policy and Resources cash limited budget to be held corporately, adopting a consistent approach to the treatment of all levies.

95. **Coroners** – The increase largely reflects known changes in cost apportionment reported previously and changes to the structure of the service across the wider coronial area already provided for.

96. All of these changes have had no overall impact on the bottom line of the revenue account as they mainly represent transfers between different areas of the budget or represent matching changes to expenditure and income as is the case with specific grants.

Revised Budget 2020/21

97. The fourth column of figures shown in Appendix 1 outlines the proposals for the revised revenue budget for the County Council for 2020/21. At this stage, the revised budget for departments matches the adjusted cash limits that they have

been given for the year and therefore no variances are shown for the end of the year.

98. As set out in Section E it is anticipated that there will be early delivery of savings in the majority of departmental budgets by the end of the year. However, in line with current policy this can be transferred to departmental earmarked reserves to be used to fund the cost of change in future years and will therefore have no impact on the bottom line position of the revenue account.

99. For all departments the forecast position has been presented as break even against the revised cash limits reflecting this policy and the fact that departments are managing their bottom line positions to contain spending pressures and are using cost of change in the year as required.

100. At this time of year we normally review other budgets to assess whether any savings can be released, for example from contingencies. This year due to the impact of the Covid-19 pandemic we have already critically reviewed all budgets in order to develop a financial response package. In addition, due to the high level of financial uncertainty across all aspects of the County Councils areas of operation, it is not possible to release any further funding. Therefore, the revised budget matches the adjusted budget.

Section H: Local Government Finance Settlement

101. The Spending Review announcement took place on 25 November 2020 and the key elements were as follows:

- For salaries set by the Government (such as teachers and police) there will be a public sector pay freeze in 2021/22. The exceptions are for those earning less than £24,000 (who will receive a minimum £250 increase) and the NHS. The Government does not set pay for most council staff.
- Councils with social care responsibilities will be allowed to increase council tax by up to 5% in 2021/22 without holding a referendum. This consists of 2% for main council tax and 3% for the adult social care precept.
- The business rates multiplier will be frozen in 2021/22 (with local authorities fully compensated for the lost income). Further Covid-19 business rates reliefs may be announced in the new year.
- The Government expects to provide local authorities with over £3bn more to help with Covid-19 pressures in 2021/22. It comprises:
    - £1.55bn to help with expenditure pressures.
    - £670m additional funding for council tax support schemes (which reduce council tax bills for households on low incomes).
    - £762m (estimate) to compensate local authorities for 75% of council tax and business rates losses resulting from 2020/21.

- Extending the Covid-19 sales, fees and charges reimbursement scheme for three months until the end of June 2021.

- An additional £300m for adults' and children's social care and continuation of the existing £1bn annual grant put into social care previously will be maintained, along with £2.1bn provided through the IBCF (pooled with the NHS). Proposals for reforming adults' social care will be brought forward next year.
- The New Homes Bonus scheme will continue for a further year, with no new legacy payments. Reforms to the New Homes Bonus will be consulted on shortly, with a view to implementing changes in 2022/23.
- The Chancellor also announced how the Government would deliver the next stages of its infrastructure investment plans to drive the UK's recovery with £100bn of capital spending next year and a £4bn Levelling Up Fund.

102. The provisional Local Government Finance Settlement was announced on 17 December. This set out in more detail the funding allocations for 2021/22 as follows:

- The business rates multiplier will be frozen in 2021/22 (rather than increase by CPI inflation), so business rates bills will not increase – County Council allocation £6.3m.
- Funding to help meet Covid-19 pressures in 2021/22, comprising the following for Hampshire County Council:
  - £24.0m to help with expenditure pressures.
  - £8.1m additional funding for council tax support schemes (which reduce council tax bills for households on low incomes).
- An additional £1.2m for social care, bringing the total to almost £26.2m. This is less than we were originally anticipating as most of the funding has been given to areas with low council tax bases.
- £3.9m from the New Homes Bonus scheme.

103. At this stage, the 2021/22 pay award has yet to be agreed and the budget originally contained a 3% provision held within contingencies to cover the April 2021 pay award, including a factor to deal with any changes arising from the National Living Wage (NLW).

104. Following the Government's announced intention to implement a public sector pay freeze in 2021/22 this has been revisited. The Government does not set pay for most council staff but in previous years such a government announcement has resulted in similar outcomes for local authority pay bargaining. Given that it has been stated that those earning less than £24,000 will receive a minimum £250 increase, the provision held has been reduced to 1%, releasing £6m which has been applied as set out in Section I. This 1% provision will be held in contingencies until any pay award is agreed.

Council Tax

105. The provisional Settlement also reaffirmed the maximum permissible increases to council tax without the need for a referendum – namely 2% for main council tax and 3% for the adult social care precept.

106. In 2016/17 the Government implemented a clear shift in council tax policy following five years of freezing council tax, which was initially supported by the allocation of Council Tax Freeze Grant. The Government ended this support and have presumed that local authorities would increase their council tax by the maximum they are allowed each year since that point - that assumption is affirmed by the way it is built into the calculation of Core Spending Power.

107. The MTFS approved by the County Council in November 2019, and updated subsequently, assumes that council tax will increase by the maximum permissible without a referendum in line with government policy. This will mean a council tax increase of 4.99%, of which 3% will contribute towards the increased costs of adults' social care, as recommended in this report, in line with the Government's policy and as set out in the County Council's MTFS.

108. This additional 1% for adult social care will generate in the region of £7m which will be allocated against adult social care growth, for which we need to provide £13.5m per annum based on current forecasts. In total, the adult's social care precept will generate around £21m in additional revenue against total increased costs of £29.4m arising from growth and inflation.

109. Past financial updates to Cabinet and County Council have highlighted the need to make savings every two years to offset the costs of growth and inflation and the Chief Financial Officer has indicated that this is not a sustainable position and that new resources to help fund these costs are needed if we are to remain financially sustainable. The additional 1% council tax flexibility will help in this regard and the full 4.99% increase is therefore being recommended and is assumed within the content of this report.

110. This proposed increase will see the council tax for a Band D property increase by £64.17 per annum (approximately £1.23 per week) to £1,350.45.

111. This will generate around £35m of additional income but it is anticipated that Hampshire will continue to have one of the lowest levels of council tax in 2021/22 of any county across the country and with this position continues to maintain strong performance both within its financial management and service provision. The average council tax across all counties in 2020/21 was more than £1,361, more than £75 higher than Hampshire's level in that year. If the County Council set its council tax at this average amount, it would receive around £40m a year more income than current levels.

112. Total income from council tax in 2021/22 is expected to be more than £707m and represents 85.3% of the total funding of the County Council's net budget. This compares to 73.6%% which was the position for 2011/12.

Section I: Unavoidable Revenue Pressures and Investment Priorities

113. The November financial update report highlighted a number of items that were either unavoidable revenue pressures or potential areas of investment that needed to be considered as part of budget setting for 2021/22. Very often it has been possible to meet these items from money released from contingencies in the latter part of the financial year. However, given the impact of Covid-19 on the County Council's finances it was not possible to fund them in this way and it was decided to postpone consideration of the unavoidable pressures and the future investment priorities (over which there is some choice) until after the provisional Settlement was announced.

114. The announcements in the Settlement, together with other changes in the budget position, means that there is now greater scope to fund these items, details of which are provided in the following paragraphs:

115. **Children's Services Pressures and Initiatives** – The November report outlined a number of pressures across Children's Services in HtST, Educational Psychology and social worker agency costs, together with an invest to save initiative around managing social care placements. Following the Spending Review announcement it was anticipated that Hampshire could receive around £5m of the £300m social care grant provided nationally. This would have provided the opportunity to passport these funds to Children's Services in order for them to address all of the spending pressures and give sufficient resources to fund the Modernising Placement Programme (MPP), more details of which are outlined in Appendix 2.

116. The Appendix highlights that whilst the programme is expected to generate savings in the medium term, building successfully on the foundations laid in both the Tt2019 and Tt2021 Programmes, there is the risk that if these were less than expected, the County Council could be left with an increased cost as it is not possible to revert back to the previous arrangements once the changes had been made. Sensitivity analysis suggests that the programme would break even if 60% of the expected additional foster carers were recruited. Whilst there is a financial risk it is felt that the overall potential benefits of the programme outweigh this.

117. As highlighted above, the distribution methodology for the social care grant was changed such that funding was heavily weighted towards low council tax base areas. As a result, Hampshire received only £1.2m of new funding. Despite this position it is considered that the strategy of enabling Children's Services to manage their pressures and take forward the MPP initiative, without the need to seek corporate support throughout the year would be a positive change in the approach to the financial management of the Department.

118. It is therefore proposed that the £1.2m social care grant together with £3.8m of the released pay award provision from next year is allocated to Children's Services on an ongoing basis.

119. **IT Pressures** – As in previous years it is necessary to increase the forward budget for the IT service to take account of several factors associated with the IT infrastructure and the provision of equipment. A total of up to £2.1m per annum is required to meet amongst other things, the future refresh of the new equipment provided to staff and Councillors to facilitate homeworking during Covid-19, increased resilience against cyber-attacks, renewals of vital software at an increased cost above inflation and growth in IT capacity in areas such as disk space and wireless networks. It is proposed to use £1.2m of the released pay award provision for next year (as mentioned above) together with £0.9m of existing contingency provisions to fund this expenditure on an ongoing basis.

120. **Coroner's Service** – There continues to be pressure within the Coroner's Service in the current year, partly driven by the impact of Covid-19, on the number of cases and delays in progressing inquests during the first lockdown. However, longer term there are further pressures associated with an increase in activity generally, the change in cost apportionment reported previously and changes to the structure of the service across the wider coronial area. Following a more detailed review of the pressures and predicted levels of activity it is anticipated that the increased costs can all be met from the additional funding that was previously set aside to cover the change in cost apportionment methodology.

121. **Corporate Estate Repairs and Maintenance** – The November report identified that there is a funding gap of £1.13m for the very highest priority critical works that need to be carried out in 2021/22 along with a longer term funding gap for other essential works in later years. Culture, Communities and Business Services (CCBS) have been looking at their current year monitoring and, on the assumption that Covid-19 costs and losses are met from government grant, they predict that they will have sufficient savings available to meet the costs in 2021/22.

122. Looking ahead, the changes to the funding of repairs and maintenance across the adults' services estate will hopefully free up some existing annual funding but it is still likely that additional resources will be required to meet essential liabilities in future years, and if possible further allocations for planned repairs to continue the previous programme would help to maintain assets to the appropriate standards. This will be considered as part of the next update of the MTFS.

123. **Strategic Land Programme** – An annual amount is usually provided to continue activity on this Programme. Following a review of the key sites that need to be taken forward and taking into account money that was previously committed to funding the forward programme for Manydown, it is expected that the key sites can be progressed from existing resources at this stage. Longer term, due to the nature of the programme an alternative funding solution will be put in place reflecting the multi-year profile of the programme and the need to flex resources as required to respond to market conditions or opportunistic approaches linked to specific sites.

124. **Operation Resilience** – In the current financial year an additional £3m was provided to this programme on a one-off basis to increase planned works and provide extra flexibility to transfer funding to the reactive maintenance programme in the face of rising demand. It was hoped that a multi-year settlement would have provided the opportunity to consider the increased funding on a longer term basis, but in the face of a single year settlement it is proposed to agree a further £3m for 2021/22 to be funded from the allocation for the New Homes Bonus which was previously expected to finish after the current year. It is also proposed to extend into 2021/22 the flexibility to transfer up to £3m of funds to reactive maintenance during the year if required.

125. **Major Schemes Development** – A recent feature of capital investment priorities has been to provide feasibility funding for highways schemes in particular so that detailed planning and design can be carried out for priority schemes that are then 'oven ready' to be submitted should there be a call for bids by the Government or Local Enterprise Partnerships (LEPs).

126. This methodology has proved very successful in the past at attracting major investment into the county (such as the Stubbington Bypass, Whitehill Bordon Green Grid Green Loop and A30 corridor improvements in Basingstoke) and protects the Council's own capital resources. Funding of around £169m has been secured since 2018/19, highlighting the excellent return on investment that is created. In the past a sum of around £1.5m has been approved on an annual basis, although any activity would clearly need to be contained within whatever figure might be able to be provided.

127. There is £3.9m of New Homes Bonus funding for next year, £3m of which is proposed to be allocated to Operation Resilience, a further £0.4m is required to meet past prudential borrowing commitments, leaving £0.5m spare for next year. It is therefore proposed to allocate on a one-off basis, this £0.5m together with the balance of the released pay award provision of £1m in 2021/22 to enable further major scheme development to take place.

128. The importance of this allocation and the additional funding provided towards Operation Resilience is outlined in the Highways Status Update provided at Appendix 3.

129. The items detailed above address all of the pressures and initiatives that were outlined in the last financial update report presented to Cabinet and County Council. As part of the development of the final budget proposals there are two further areas of investment priority to consider.

130. **Climate Change** – The corporate Climate Change Team was allocated £600,000 from the Investing in Hampshire Fund which provided funding for the team for two years (2019 - 2021). A further £2m operational budget allocation was also made to support delivery of climate change actions based on the targets to reduce emissions and improve resilience across Hampshire as a place.

131. This demonstrates a clear commitment by the Council to this work and the high priority given to the agenda, despite the significant financial impact of the Covid-19 pandemic on the County Council and the ongoing savings programmes required to maintain overall financial sustainability in the context of reduced government funding and growing cost and demand pressures in adults' and children's social care services.

132. To date the £2m operational budget has been used to fund a number of key projects targeting the priority areas for actions as identified in the Strategy as follows:

- Work by the Carbon Trust to establish the baseline emissions for the County area, develop the two 'climate change impact assessment' decision tools, and to establish the Strategic Framework and accompanying carbon estimates.
- Four climate change Community projects launched in July 2020.
- The first year of the purchasing of a Corporate "green" electricity through the "Renewable Energy Guarantee of Origin" certificate (REGO).
- A pilot scheme for residential on-street electric vehicle charge-points.
- A commission with the New Economics Foundation to develop a Green Recovery framework and roadmap for Hampshire on a whole County basis.

133. Given the scale of the programmes identified in the Council's Climate Change Strategy, the climate change budget will continue to be prioritised to support preparatory and feasibility work to ensure that the Council is ready to take advantage of opportunities to secure government funding or to bid for other external funding that arises as the Government focusses on measures to deliver the UK's Climate Change commitments and targets. The budget will also continue to be used to fund demonstration / pilot projects that will help kick start activity within Hampshire promoting those that focus on proof of concept and scalability. It is recognised that the scale of resources needed to deliver the necessary large countywide programmes in areas like renewable energy, reducing transport or domestic property emissions will require significant external resources, and cannot be delivered through the County Council's budget alone.

134. That said, the County Council is keen to make resources available wherever it can even under the most difficult of circumstances and the item below outlines an opportunity to re-align existing grant funding to this priority area over the next two years to support the work the County Council needs to undertake as an organisation regarding its own Climate Change agenda.

135. **Community and Members Devolved Grant Budgets** – Members will be aware that the devolved grants budgets are due to decrease to £5,000 per member from 2021/22 in line with the savings that were approved by full Council as part of the Transformation to 2017 Programme. Since that decision was made reserve funding has been allocated on an annual basis, at the

request of Members, to keep the grant to £8,000 per member. That reserve funding is due to come to an end following County Council elections in May 2021. It should be stressed therefore that this is a longstanding formal Council decision that has yet to be put into effect, if for understandable reasons.

136. In addition, CCBS have been reviewing their own grant funding streams as part of the planning for the Savings Programme 2023 (SP23) and they have been looking at the types of awards that have traditionally been made. One of the grant streams is the Community Grants Fund, which totals £862,000 per annum, which has a very general criteria based on projects that provide a community benefit. Within Corporate Services, the Leader of the Council has a further grant stream totalling £217,000 per annum that is also directed towards one-off projects that provide some sort of community benefit.

137. Across all three of these areas there is a high degree of overlap and it is felt there is benefit in re-arranging these grants to maximise their effectiveness at the same time as creating savings for the SP23 Programme. A further issue to factor into this position is the fact that within the Policy and Resources Other budget, small savings in inflation allocations and other items have been accruing in recent years following the decision not to apply a savings target to this area from 2017/18 onwards. This has created an unallocated budget provision of £187,000 in 2021/22 that can be taken into account in re-aligning the grant streams.

138. An important factor to consider in looking at these grants streams is the local impact they have. Whilst there are criteria for the Community Grants, the decisions are either taken by Officers or the Executive Member based on the information submitted by the applicant. The application could be anywhere from within Hampshire and the local members are not always aware of these. There is also quite a significant overlap between the Leader's grants and the Community Grants as both have wide criteria that are generally aimed at creating community benefit.

139. Past representations through Policy and Resources Scrutiny Committee in particular have requested that the proposed reduction to the members devolved grants budget should not be implemented. This is at least in part because not only do the grants provide a community benefit, but they are better targeted based on the local members' knowledge of the area and the groups that operate within it. Arguably this local context means that the community benefit is more easily identified, has a more evident local democratic mandate and the allocation of devolved budgets to individual members mean that by default, there is a more even allocation of funding across the County. It would also not be appropriate to continue to off-set the 2017 decision to reduce this budget with a continued series of year-on-year decisions.

140. Taking all of these factors into account, together with the over-riding need to generate savings for the SP23 Programme, the re-alignment is based on the following proposals:

- The Community Grants funding of £862,000 be transferred from 2021/22 onwards to the Leader's grant pot with the exception of £32,000 that will be separately targeted towards a small number of community associations within particularly deprived areas and an established call against this fund.

- £234,000 of this amount be transferred to Members devolved budgets to re-instate on a permanent basis the grant level to £8,000 per member (thereby revoking the 2017 decision).

- Increase the Leader's grant budget to £400,000 per annum and amend the criteria to better include the current Community Grants stream.

- Retain £600,000 of funding for 2021/22 and 2022/23 and create a one-off fund of £1.2m targeted specifically at climate change initiatives which will make a difference to the County Council's organisational climate change agenda being overseen through CCBS.

- From 2023/24 onwards the £600,000 savings will be counted against CCBS's SP23 Programme.

141. This package of proposals achieves a number of objectives and better targets the limited funding we have going forward whilst at the same time contributing to the SP23 savings and the key County Council priority of climate change.

Section J: Service Cash Limits 2021/22

142. In November Cabinet considered a budget update report which set provisional cash limit guidelines for departments for 2021/22.

143. Appendix 4 sets out the cash limits agreed in November and provides information on adjustments that have been made subsequently, which are the result of changes to grants within the local government finance regime and an additional contribution from revenue reserves to fund capital expenditure.

144. Overall cash limits have increased by £31.8m, the majority of which reflects an increase in DSG and, in a similar way to the changes for 2020/21, this has not had a bottom line impact on the revenue budget for 2021/22 as it is the result of a change in a grant.

Section K: Savings Proposals

145. The County Council continues to implement the Tt2021 Programme (alongside the final stages of Tt2019) to deliver £80m of savings, which will bring the cumulative total to £560m since 2010. Given the size of the task, the lead in time required and the transformational nature of some of the proposals, the detailed savings to meet this target were approved by Executive Members and then by Cabinet and County Council in October and November 2019.

146. It is recognised that each successive transformation and savings programme is becoming harder to deliver and the challenges associated with the Tt2021 Programme have been made clear. Delivery was planned to 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 time to safely deliver service changes, rather than being driven to deliver within the two year financial target, requires the careful use of reserves as part of our overall financial strategy to allow the time to deliver and to provide resources to invest in the transformation of services. This further emphasises the value of our Reserves Strategy.

147. Due to the Covid-19 pandemic the original assumption that departments were asked to work to was a six month delay in the delivery of the Programmes, albeit it was expected that it may take longer to re-capture lost momentum across the more complex areas of adults' and children's social care.

148. Following the initial Covid-19 response period, departments have been requested to re-commence delivery of their savings programmes wherever possible, but again recognising that the social care services were dealing with recovery activity and increased demand as a result of the pandemic which may further impact their ability to fully re-commence the delivery of savings. More recent escalation of the virus and the further national lockdown will also continue to have an impact.

149. Formal reporting activity across the Programmes was suspended during this 'pause' but the last report to Cabinet in November 2020 set out the results of a re-baselining exercise undertaken by departments for their Tt2019 and Tt2021 Programmes to facilitate a resumption of monitoring and reporting as part of the overall financial reporting process. This exercise indicated that increased cash flow support of £38.4m is required and this is included in the position set out in Section E to be met from the response package.

150. Rigorous monitoring of the delivery of the programme will continue during 2021/22, to ensure that departments are able to stay within the cash limited budget as set out in this report.

151. The early action taken by the County Council in developing and implementing the savings programme for 2021/22 means that the Authority is in a strong position for setting a balanced budget in 2021/22 and the full impact of the agreed savings has been reflected in the detailed budgets approved by Executive Members and presented in this report.

Section L: Service Budgets 2021/22

152. As explained in Section J, departments have been set cash limit guidelines for 2021/22 which include allowances for inflation, pressures and other agreed changes.

153. Appendix 5 provides a summary for each department of the main services under their control and shows the original budget for 2020/21, the revised budget for 2020/21 and the proposed budget for 2021/22. All departments are proposing budgets that are within their cash limits.

154. It is worth re-iterating at this stage that significant savings targets have been set since the period of austerity began. These have been applied on a straight line basis in accordance with the County Council's financial strategy as it maintains a strong corporate approach and discipline to delivering the required savings. There has always been a strong distinction made between savings targets and growth allocations which are made in recognition of growing demand and service pressures on a revenue or capital basis, for example social care, highways maintenance and waste disposal, and the County Council's gross expenditure is now more than £2.1bn.

Section M: 2021/22 Overall Budget Proposals

155. Whilst service budgets make up the clear majority of the total budget there are several other items that need to be taken into account before the overall budget and council tax can be set for the year.

156. Appendix 6 sets out a summary of the overall revenue account starting with the cash limited expenditure for departments discussed above. The following paragraphs outline the other items that make up the overall revenue account and provide explanations for any significant variances compared to the 2020/21 budget.

157. **Interest on Balances and Capital Financing Costs** – The increase of approaching £7.4m in capital financing costs primarily reflects the consequences of previous decisions in relation to the amount charged to the revenue budget for the repayment of debt, known as Minimum Revenue Provision (MRP).

158. Prior to 2015/16 the County Council calculated MRP for supported borrowing on a 4% reducing balance basis. It was agreed by Cabinet in December 2015 that the calculation of MRP from 2015/16 onwards would change to a 50 year straight line basis. Had the County Council been applying the new policy of a 50 year straight line calculation starting in 2008 it would have made £67m less in MRP payments by 31 March 2016. Therefore, starting in 2016/17 the County Council paused making MRP payments on supported borrowing until it realigned the total amount of MRP payments with the new policy. This realignment will be fully achieved during 2021/22 and so payments will resume, which was already factored into the MTFS.

159. **Revenue Contributions to Capital Outlay (RCCO)** – Each year, revenue contributions are made to help fund the Capital Programme. The decrease of just over £0.5m is due to planned changes in contributions which are offset by amounts in other sections of the revenue account and therefore this has no impact on the overall budget.

160. **Contingencies** – The budget for contingencies has increased by almost £55.3m compared to the 2020/21 original budget. This mainly reflects resources identified to provide the response package to manage the financial impact of Covid-19 (including specific government funding) and to cash flow delivery of the Tt2021 Programme.

161. Existing contingency provisions in respect of key risk items, notably inflationary pressures (including the 2021/22 pay award which has yet to be agreed), elements of the Covid-19 financial response package and further cash flow funding for the Tt2021 Programme, have been retained in the base budget. These provisions represent the recommendation by the Deputy Chief Executive and Director of Corporate Resources, as the Authority's Chief Financial Officer (CFO) of a prudent approach to budgeting given the potential pressures the County Council faces. In addition to these contingencies, the County Council has access to sufficient reserves as part of an on-going strategy for the management of the County Council's financial resources over the medium term.

162. **DSG** –The increase in the DSG reflects the increase in funding announced by the Government in the Spending Review, the detail of which was clarified in the subsequent schools' revenue funding settlement in December 2020.

163. **Specific Grants** – This income budget has been updated following grant notifications for 2021/22 and the increase is largely due government funding specifically to help meet Covid-19 pressures in 2021/22.

164. **Levies** – The increase reflects the full transfer of Inshore Fisheries from what was the Policy and Resources cash limited budget to be held corporately, adopting a consistent approach to the treatment of all levies.

165. **Coroners** – The increase largely reflects known changes in cost apportionment reported previously and changes to the structure of the service across the wider coronial area already provided for.

166. **Business Units** – The net trading position of business units has been updated, and the current estimate is a net trading surplus, in particular reflecting the good progress made with the financial recovery plan to reduce food and management costs and improve productivity in HC3S (the County Council's catering service). It is always difficult to predict at this stage future income generation but any gains or losses at the end of the year will be managed through the earmarked reserves that the trading units hold.

167. **Earmarked Reserves** – Changes to earmarked reserves mainly reflect changes to other budgets elsewhere in the revenue account.

168. The comprehensive Reserves Strategy was presented to Council as part of the MTFS in November 2019 and is set out in Appendix 7, updated to include the figures at the end of March 2020.

169. The County Council holds reserves for many different reasons, but not all of these are available for general usage. Schools' balances are for schools' exclusive use and other reserves such as the Insurance Reserve are set aside as part of the Council's overall risk management strategy or are already planned to be used as is the case with the BBR which helps the County Council to smooth the impact of budget deficits, allowing a planned approach to the delivery of savings.

170. The Reserves Strategy highlights the point that the majority of reserves are set aside for specific purposes and are not available in general terms to support the revenue budget or for other purposes. In reality just over 17% of reserves, as at the end of 2019/20, are truly available to be used to support revenue spending and to help fund the cost of the change programmes across the County Council. In addition, the BBR which comprises the majority of these 'Available Reserves', standing at £78.5m at the end of 2019/20, is in reality largely committed to cash flow the safe delivery of the County Council's transformation programmes and to balance the budget in the period to 2023/24.

171. It should also be highlighted that the strength of our reserves has been critical in developing the Covid-19 financial response package.

172. **Use of General Balances** – The 2020/21 original budget assumed a net contribution to general balances of £0.9m and this prudent annual amount has currently been continued for 2021/22 in order to maintain general balances at circa 2.5% of the County Council's net budget requirement; in line with the CFO's recommended level.

173. Appendix 8 represents the CFO's view of the overall budget and the adequacy of reserves which must be reported on as part of the main budget proposals in accordance with Section 25 of the Local Government Act 2003. In particular, it considers risks within the budget and in the MTFS going forward, referencing the financial resilience of the Authority against the backdrop of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Financial Resilience Index, and places this in the context of the recommended contingencies and balances set out in this report.

174. The Appendix also references the Financial Management Code that was published by CIPFA in October 2019. The Code has 17 Financial Management Standards, which authorities must be fully compliant with by 2021/22, albeit CIPFA are reviewing this requirement in light of the impact of Covid-19.

175. A high level review of our performance against each of the Standards has been carried out by the CFO and not unexpectedly we are compliant in most areas. There were three areas highlighted in last year's Section 25 report where improvements could be considered. One of these is in the process of being implemented and will therefore ensure compliance during 2021/22, and another cannot realistically be implemented until we have a multi-year settlement and can engage with stakeholders at that point about our longer term financial planning.

176. The final item concerned the monitoring by the Corporate Management Team of the elements of the Council's balance sheet which pose a significant risk to its financial sustainability. When the draft standards were consulted on Hampshire did not feel that this standard made sense, given that those particular risks were adequately covered off through other routes. Whilst the standard remained in the final version, a review of the more detailed guidance has been carried out and we are comfortable that we comply with this standard.

Section N: Budget and Council Tax Requirement 2021/22

177. The report recommends that council tax is increased by 4.99% in 2021/22, in line with the MTFS and with government policy which presumes that local authorities will raise up their council tax by the maximum they are allowed.

178. In addition to the recommended increase for council tax, there are other changes within the council tax calculation that have an impact on the budget. The council tax base represents the estimated number of houses eligible to pay council tax and the latest forecasts provided by the Districts, which take into account expected growth and any adjustments for the impact of their Council Tax Reduction Schemes, result in additional income of £3.4m over and above that assumed previously, albeit that these forecasts may change before the budget is finally set.

179. The County Council is also notified by Hampshire Districts, of the estimated level of collection fund surpluses or deficits that need to be taken into account in setting the council tax each year. In addition to the figures for council tax, Districts are required to provide estimates of their surplus or deficit on the business rates collection fund, following the introduction of Business Rates Retention in April 2013.

180. For 2020/21 the council tax and business rate collection funds have been hugely impacted by the Covid-19 pandemic. The current forecasts are included in the updated Covid position set out in Section E and partly reflect the fact that the Government previously announced that it will fund 75% of collection fund losses arising from the pandemic in 2020/21. However, more recent clarification (mid-January) on what is eligible for this grant funding indicates that the criteria are limited and this adds further complexity into what is already a very difficult year for billing authorities in terms of producing reliable forecasts.

181. Given this position and in the absence of definite collection fund figures and detailed information from billing authorities on the likely level of grant claims for losses incurred in the current financial year, the Covid gap of £88.3m assumes that we will only receive 50% of the 75% grant funding towards the gross losses for council tax and business rates that will flow through the collection fund.

182. The current predictions are very uncertain and could still be subject to change after this report has been dispatched. However, any impact due to the

pandemic in 2020/21 will be managed through the Covid-19 financial response package in line with the agreed strategy.

183. Similarly, Districts have yet to provide estimates of what business rate income they expect to receive for 2021/22 based on their experience during the current financial year, which is particularly challenging given the impact of the Covid-19 pandemic. Given these estimates have yet to be finalised and, in light of continuing experience about the risk and volatility surrounding this income, alongside the impact of the pandemic, at this stage the high level estimates as set out in Section E have been built into the budget position, but it is very likely they will change. We will await confirmation of final figures and any adjustment will be reported at County Council.

184. With the impact of the pandemic being managed as a one-off event through the use of the financial response package, taking account of all the budget changes outlined in this and previous sections of this report, the County Council can set a balanced 2021/22 budget as follows:

	£M
Tax Base Growth	3.4
Contribution to BBR	3.4
Balanced Budget	**0.0**

185. The table shows that in 2021/22, because of the changes, the County Council can make a contribution to the BBR to build the sum available for future years in line with the MTFS.

186. Local authorities are required to report a formal council tax requirement as part of the budget setting process and the recommendations to Council in this report show that the Council Tax Requirement for the year is £707,046,869.

Section O: Capital and Investment Strategy

187. Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Treasury Management Code of Practice. In England, the Ministry of Housing, Communities & Local Government (MHCLG) published its revised Investment Guidance which came into effect from April 2018.

188. The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council, covering capital expenditure and financing, treasury management and non-treasury investments. The MHCLG's guidance includes the requirement to produce an Investment Strategy. The County Council's Capital and Investment Strategy (Appendix 9) has been prepared for approval by full County Council.

189. The Treasury Management Strategy (TMS), as referenced below and set out in Appendix 10, supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and treasury investments, and the associated risks.

190. The Capital and Investment Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

191. The County Council has previously reported these matters in separate reports relating to the Revenue Budget, the Capital Programme and the MTFS. In line with the latest statutory guidance, these inter-related issues are now brought together in one Capital and Investment Strategy.

192. This Strategy covers:

- Governance arrangements for capital investment.
- Capital expenditure forecasts and financing.
- Prudential indicators relating to financial sustainability (see paragraphs 193 to 195).
- MRP for the repayment of debt.
- Treasury Management definition and governance arrangements.
- Investments for service purposes, linked to the County Council's Commercial Strategy.
- Knowledge and skills.
- CFO's conclusion on the affordability and risk associated with the Capital and Investment Strategy.
- Links to the statutory guidance and other information.

Prudential Indicators

193. The Prudential Code that applies to local authorities ensures that:

- Capital Programmes are affordable in revenue terms.
- External borrowing and other long-term liabilities are within prudent and sustainable levels.
- Treasury management decisions are taken in line with professional good practice.

194. Some of the limits have been altered to reflect the revised TMS and Capital and Investment Strategy although this does not expose the County Council to any greater levels of risk.

195. Appendix 9 also contains the Prudential Indicators required by the Code for the County Council which will now be submitted for approval by the full County Council in setting the budget for 2021/22.

Section P: Treasury Management Strategy for 2021/22

196. The CIPFA Treasury Management in the Public Services: Code of Practice 2017 (the CIPFA Code) requires authorities to determine their Treasury Management Strategy Statement (TMSS) before the start of each financial year.

197. The County Council's TMS (including the Annual Investment Strategy) for 2021/22; and the remainder of 2020/21 is set out in Appendix 10 for approval and fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

198. The TMS has been reviewed in light of current and forecast economic indicators and it remains broadly unchanged from last year, albeit that it is now complemented by the Capital and Investment Strategy (Appendix 9), which is explained in Section O.

Investments Targeting Higher Returns

199. Given the stability of the County Council's cash balances there was the opportunity during 2016/17 to increase the allocation for investments targeting higher returns, allowing further diversification, increasing the overall rate of return and the income contributed to the revenue budget. In February 2019 It was approved that the allocation targeting higher yields increase to £235m from £200m and a further increase to £250m is recommended for next year partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market.

200. The County Council's higher yielding investment strategy continues to perform well and figures reported as at the end of Month 9 (December) are outlined in the table below:

	Amount Invested £M	Rate 30/12/2020 %
Fixed Deposits	21.5	4.31
Pooled Property Funds	75.0	3.51
Pooled Equity Funds	50.0	4.46
Pooled Multi-Asset Funds	48.0	3.69
Higher Yielding Investments	**194.5**	**3.89**

201. There continues to be national debate about local authorities investing directly in commercial property, brought into sharp focus by the Covid-19 pandemic and both CIPFA and the MHCLG have previously expressed concerns about the potential risks, which resulted in the revision of guidance.

202. The County Council utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select the particular investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building. This generates high returns without the need to prudentially borrow, without the risk of owning individual properties and with the security of a much larger and diverse portfolio than could be achieved by the County Council on its own, even with our scale of investments.

203. For the County Council our strategy towards external investments was clearly set out in the MTFS and in the TMS and our current approach is still considered to be appropriate and prudent and continues to deliver good returns.

204. Higher yields can be accessed through long-term cash investments (although this is currently less the case as yields have declined) and investments in assets other than cash, such as pooled property, equities and bonds. Non-cash pooled investments must be viewed as long-term investments in order that monies are not withdrawn in the event of a fall in capital values to avoid crystallising a capital loss. The table above shows that income yield has remained at a reasonable level despite the concern in the markets and the potential loss of income overall is already factored into our Covid costs and losses outlined in the earlier section.

205. When the County Council began to specifically target higher returns from a proportion of its investments, it also established an Investment Risk Reserve to mitigate the risk of an irrecoverable fall in the value of these investments. At the current time, given the medium to long term nature of the investments, it is unlikely that a capital loss would ever be realised, since the County Council would avoid selling investments that realised a capital loss.

206. Going forward however, changes to International Financial Reporting Standards means that capital gains and losses on investments need to be reflected in the revenue account on an annual basis. There is currently a statutory override in place for local authorities that exempts them from complying with this requirement for the next four years. However, given the greater future risk in this area it has been agreed that the County Council will continue to contribute towards the Investment Risk Reserve where possible to reach 2.5% of the total amount invested (in line with the recommendation of 2.5% for the general fund balance). The potential to make a further contribution will be reviewed at the end of the year.

Section Q: Consultation

207. A consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, Tt2021, to inform the overall approach to balancing the budget by 2021/22 and making the anticipated £80m additional savings required by April 2021.

208. The '*Serving Hampshire – Balancing the Budget*' Consultation that was carried out between 5 June and 17 July 2019 sought residents' and stakeholders' views on options for managing the anticipated budget shortfall.

209. The findings from the Consultation were provided to Executive Members and Directors during September 2019, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2019 on the MTFS and Tt2021 Savings Proposals. The results were also reported to Cabinet and County Council as part of the final decision making process and a summary is contained in Appendix 11.

210. Following the '*Serving Hampshire – Balancing the Budget'* Consultation a series of more detailed consultations have been undertaken, on some of the savings proposals included within the Tt2021 Programme. This second round of consultation helped to inform further detailed Executive decisions. Whilst technically all savings have been removed from the budget for 2021/22, where final consultations or further Executive Member decisions are still required, funding has been set aside within departmental cost of change reserves or corporate contingencies to continue to fund the service pending the results of the consultation and final Executive Member decision.

211. Specific statutory consultation was carried out with the business community on the budget proposals for 2021/22 and a summary of the key issues arising from this can also be found at Appendix 11 to this report.

REQUIRED CORPORATE AND 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~~**

Other Significant Links

Links to previous Member decisions:	
Title	Date
Medium Term Financial Strategy Update and Transformation to 2021 Savings Proposals http://democracy.hants.gov.uk/ieIssueDetails.aspx?IId=22267&PlanId=0&Opt=3#AI22852	Cabinet – 15 October 2019 / County Council – 7 November 2019
Medium Term Financial Strategy Update https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MId=6499&Ver=4	Cabinet – 14 July 2020 / County Council – 16 July 2020
Budget Setting and Provisional Cash Limits 2021/22 https://democracy.hants.gov.uk/documents/s60700/Nov%202020%20Financial%20Update%20Budget%20Setting%20-%20Cabinet%20FINAL.pdf	Cabinet – 24 November 2020 / County Council – 3 December 2020
Direct links to specific legislation or Government Directives	
Title	Date

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
None	

EQUALITIES IMPACT ASSESSMENT:

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation).
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it.
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. **Equalities Impact Assessment:**

The budget setting process for 2021/22 does not contain any new proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2021 Programme were considered in detail as part of the approval process carried out in Cabinet and County Council during October and November 2019 and full details of the Equalities Impact Assessments (EIAs) relating to those changes can be found in Appendices 5 to 8 in the October Cabinet report linked below:

http://democracy.hants.gov.uk/mgAi.aspx?ID=21194#mgDocuments

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

REVENUE BUDGET – LIST OF APPENDICES

1. Revised Budget 2020/21
2. Modernising Placements Programme
3. Highways Status Update
4. Final Cash Limit Calculation 2021/22
5. Proposed Departmental Service Budgets 2021/22
6. Proposed General Fund Revenue Budget 2021/22
7. Reserves Strategy
8. Section 25 Report from Chief Financial Officer
9. Capital and Investment Strategy 2021/22 to 2023/24
10. Treasury Management Strategy Statement 2021/22 to 2023/24
11. Consultation

Revised Budget 2020/21

	Original Budget 2020/21 £'000	Adjustment £'000	Adjusted Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Variance £'000
Departmental Expenditure					
Adults' Health and Care	421,336	50,305	471,641	471,641	0
Children's – Schools	901,977	10,512	912,489	912,489	0
Children's – Non Schools	208,613	12,637	221,250	221,250	0
Corporate Services	54,218	4,537	58,755	58,755	0
Culture, Communities and Business Services	43,496	10,748	54,244	54,244	0
Economy, Transport and Environment	109,553	15,479	125,032	125,032	0
	1,739,193	**104,218**	**1,843,411**	**1,843,411**	**0**
Capital Financing Costs					
Committee Capital Charges	141,035	0	141,035	141,035	0
Capital Charge Reversal	(143,314)	0	(143,314)	(143,314)	0
Interest on Balances	(13,436)	(3,411)	(16,847)	(16,847)	0
Capital Financing Costs	42,101	(3,420)	38,681	38,681	0
	26,386	**(6,831)**	**19,555**	**19,555**	**0**
RCCO					
Main Contribution	6,839	3,096	9,935	9,935	0
RCCO from Reserves	1,045	157	1,202	1,202	0
	7,884	**3,253**	**11,137**	**11,137**	**0**
Other Revenue Costs					
Contingency	71,349	70,524	141,866	141,866	0
Dedicated Schools Grant	(813,368)	(270)	(813,638)	(813,638)	0
Specific Grants	(235,617)	(101,758)	(337,375)	(337,375)	0
Levies	2,428	334	2,762	2,762	0
Coroners	1,998	296	2,294	2,294	0
Business Units (Net Trading Position)	136	(52)	84	84	0
	(973,074)	**(30,926)**	**(1,004,007)**	**(1,004,007)**	**0**
Net Revenue Budget	**800,389**	**69,714**	**870,096**	**870,096**	**0**
Contributions to / (from) Earmarked Reserves					
Transfer to / (from) Earmarked Reserves	(4,807)	(69,609)	(74,416)	(74,416)	0
Trading Units Transfer to / (from) Reserves	5	52	64	64	0
RCCO from Reserves	(1,045)	(157)	(1,202)	(1,202)	0
	(5,847)	**(69,714)**	**(75,554)**	**(75,554)**	**0**
Contribution to / (from) Balances	900	0	900	900	0
NET BUDGET REQUIREMENT	**795,442**	**0**	**795,442**	**795,442**	**0**

	Original Budget 2020/21 £'000	Adjustment £'000	Adjusted Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Variance £'000
NET BUDGET REQUIREMENT	**795,442**	**0**	**795,442**	**795,442**	**0**
Funded by:					
Business Rates and Government Grant	(122,047)	0	(122,047)	(122,047)	0
Business Rates Collection Fund Deficit / (Surplus)	104	0	104	104	0
Council Tax Collection Fund Deficit / (Surplus)	(3,284)	0	(3,284)	(3,284)	0
COUNCIL TAX REQUIREMENT	**670,215**	**0**	**670,215**	**670,215**	**0**

Modernising Placements Programme

A - Hampshire County Council Fostering Services

1. Context

Children in care are one of the most vulnerable groups in society with national and local data showing that their needs are becoming more complex as societal influences change. The cost of care is also the most significant expenditure to Hampshire County Council's (HCC) Children's Services, influenced by market forces including high demand and limited supply in the national 'market' for external provider placements. Placements in Hampshire are a mixed economy between in-house provision and external, usually private, providers. It is a statutory requirement for Children's Services to ensure sufficient placements that meet the needs of its children.

2. Foster Care in Hampshire

Hampshire County Council recruits and approves its own foster carers (currently 486 foster carers) but currently 44% of children are living with foster carers approved by independent fostering agencies (IFAs). This is because recruitment of HCC foster care is struggling to keep up with demand, and Hampshire's foster carers are struggling to meet the needs of children presenting with the most challenging behaviours. This is resulting in:

- A reliance on the private sector (IFAs).
- Placement instability for some children.
- The use of more expensive placements.

The Modernising Placements Programme (MPP) will address these challenges by:

1. Changing the way that foster carers are paid to ensure HCC remain competitive in what is a highly distorted national marketplace.
2. Providing wrap around support to foster carers to build resilience and capacity to support children presenting with complex needs.
3. Delivering foster care services in a more efficient and effective way.

3. Changing the Way That We Pay Our Foster Carers

Payments to foster carers currently comprise two elements: an **age-related allowance** that is paid to all foster carers to cover the costs of caring for a child (food, household bills, pocket money etc); and a **skills fee** that reflects the foster carer's skill and experience. HCC foster carers are currently assessed against three categories: Skills Level 1, Skills Level 2, or Skills Level 3. Level 3 carers are those who have the most experience, who can care for children across the whole age range with complex needs and can commit to one carer fostering full time alongside providing support to the fostering community.

Comparisons with other local authorities and IFAs shows that Hampshire foster carer skills fees are currently only competitive at Level 3. This is resulting in the loss of potential foster carers to other agencies and local authorities who offer more financial reward, especially those who would start at Level 1 in Hampshire (where HCC currently pays no skills fee).

Furthermore, analysis shows that there is a mismatch between the skills mix of carers and the needs of children. For example, the percentage of placements made at a Skill Level 3 (the most expensive placement) is 34%, but only 14% of children are assessed at having a need at that level. This mismatch is brought about in part through a lack of capacity within the in-house foster care system resulting in children being placed where there is an appropriate carer available, rather than a placement which is closely matched to their needs. It is evident that this is not optimising skills appropriately nor is it achieving best value for money.

MPP proposes to redesign the payments to foster carers to ensure that there is greater capacity to place children in-house and reduce the need for using more expensive IFA placements.

This change will:

- Attract more foster carers at Levels 1 and 2 where the greatest proportion of child need is.
- Be competitive with other local authorities and the private sector, increasing the number of fostering households in Hampshire.
- Support the care of children with higher needs (older children and children with challenging behaviours).

4. Providing Wrap Around Support to Hampshire's Foster Carers

MPP has shown that IFAs are providing a higher level of support to foster carers than HCC foster carers currently receive. For example: weekly contact, 24-hour telephone support from fostering professionals, clinical psychologist's consultations, regular respite, access to education and health professionals. Lack of support to carers can result in placement breakdown and can affect a carer's confidence to accept children into placement. It can also result in foster carers choosing to foster for agencies that offer more support. Increasing and improving the support offer will make HCC a more attractive fostering agency, help foster carers to build confidence to support children presenting with challenging behaviours and help increase placement stability. It is proposed to support foster carers in two ways:

A Psychological Service

The service will lead a change in how looked after children are parented by foster carers and residential care staff, by focusing on the systemic, cultural, and behavioural changes needed to implement trauma informed and therapeutically minded parenting. This will lead to an increase in carers' resilience, confidence and capability to support children with more challenging behaviour.

Trauma informed parenting will build on the foundation of the Hampshire Approach that has been successfully rolled out in our social work teams. It is an evidence-based approach that enables carers to:

- Understand the impact of trauma on a child.
- Recognise the signs and symptoms of trauma.

- Respond in a way that supports the child without causing further trauma.

Foster Carer Networks

A support network for HCC fostering families is proposed that is based around an extended family model for children in care. The bespoke Hampshire Hive model will bring together six to eight fostering households, offering mutual support in a natural extended family environment. Each Hive of fostering families will be supported by a Hive carer (an experienced foster carer) who in conjunction with support from the fostering service social workers, will provide coaching, training, social events, flexible telephone support and sleepovers. The aim of the fostering network is to increase the support available to foster carers, resulting in increased placement stability, and an increase in foster carers' confidence to support children presenting with challenging behaviours.

5. Delivering Hampshire's Foster Care Services in a More Efficient and Effective Way

In order to ensure that HCC are competitive and attractive to prospective foster carers in a competitive marketplace, it will be necessary for HCC to adopt a more business-like focus on marketing and recruitment. This will:

- Deliver a targeted marketing campaign which promotes the HCC Fostering Service as the 'go-to' fostering agency for prospective foster carers, drawing on our analysis of what works for IFAs.
- Optimise assessment and approval of foster carers – providing a more commercial approach to speed up and maximise fostering applications.
- Focus on efficient matching – optimising placement capacity.
- Ensure an efficient and effective use of resource.

Operating in this way will provide the autonomy for the HCC Fostering Service to develop its own identity, and the space for continuous innovation, efficiencies and improvements.

6. Costing

Initial investment to support the development of the HCC Fostering Service will be recouped through a reduction in IFA placements (moving into in-house fostering) and a reduction in Non County Placements (NCPs) (moving the placements into IFA / In-house fostering and HCC homes).

A summary of the investment and cost avoidance is set out in the table overleaf. Temporary corporate funding of £2.1m is required in the first year, and £873,000 in the second year. A saving of £873,000 is projected in the third year with the potential to deliver further savings (all things remaining equal) in future years.

Enhancing In-House Foster Care	2021/22	2022/23	2023/24	2024/25
Skills Fees (option 2, age level)	2,250,000	2,499,000	2,755,000	2,755,000
Supervising Social workers	108,000	239,000	387,000	387,000
Hampshire Hives	341,000	506,000	730,000	730,000
Psychological Service	242,000	738,000	930,000	930,000
Marketing	40,000	40,000	40,000	40,000
Communications Lead:	23,000	13,000	0	0
FosterTalk	24,000	27,000	31,000	31,000
Evaluation	0	0	15,000	0
Total Additional Cost	**3,028,000**	**4,062,000**	**4,888,000**	**4,873,000**
Cost Avoidance	(904,000)	(3,189,000)	(5,761,000)	(7,429,000)
Corporate Funding required	**2,124,000**	**873,000**	**0**	**0**
Saving	**0**	**0**	**(873,000)**	**(2,556,000)**

These forecasts are based on a realistic profile of increased numbers of foster carers over time that have a positive impact on the placement mix and leads to cost avoidance.

One of the key financial risks of the package of measures outlined above is that there are significant extra costs associated with changing the payments for foster carers and providing the wrap around support. Should the level of savings not reach the estimates as outlined above then there could be a net cost going forward since it is not a practical option to revert back to the previous arrangements once these changes have been implemented.

Sensitivity analysis has been carried out and it is estimated that as long as we can achieve just over 60% of the increase in foster carers then this will offset the full costs of the programme from 2023/24 onwards, albeit there may also be a one-off cost impact in the early years depending on the speed of take up.

Whilst this does still represent a financial risk, it is mitigated to some extent by the results of the sensitivity analysis, and in overall terms the wider benefits to foster carers and the children in care of the proposed measures make it worthwhile even if only a cost neutral position is achieved.

B - Urgent and Extended Care

7. Context

There is a small (but significant) number of children who come in to care each year that Children's Services struggle to place. These are the children who present with the most challenging behaviours including:

- Complex mental health problems, self-harm, and aggression to others.
- Danger of exploitation (including County Lines).

- Fire starting behaviours.

These children can end up being placed in the most expensive placements include welfare secure units, and single placements in the private sector (NCPs).

8. Urgent and Extended Care Service

The Urgent and Extended Care Service has been designed to address the needs of this group and to prevent the escalation to more expensive placements. The service will deliver **urgent care** in the form of a 12-week assessment placement which will stabilise the children, providing the opportunity to effectively assess their needs and plan a move to a permanent placement. **Extended care** will be delivered as an outreach service which will support the transition to a permanent placement - including transition back to family (where appropriate) and time-unlimited support to prevent the placement breaking down. The extended care service will also provide support to HCC's seven other children's homes to prevent placements breaking down, and "stepdown" to less expensive placements (where appropriate) including fostering and supported living.

The Urgent and Extended Care Service will benefit from the Psychological Service (see above) which will provide consultations and training for staff to help them support, understand and respond to the behaviour of children and their families in a trauma informed way.

9. Costing

Initial investment to support the development of the HCC Urgent and Extended Care Service will be recouped through an increase in bed utilisation and a reduction in NCPs (moving the placements into IFA / In-house fostering and HCC homes).

A summary of the investment and cost avoidance is set out in the table below. Temporary corporate funding of £552,000 is required in the first year. A saving of £964,000 is projected in the third year with the potential to deliver further savings (all things remaining equal) in future years.

Urgent and Extended Care	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Cypress Lodge Hub	510,000	457,000	464,000	464,000
Psychological Service	74,000	144,000	146,000	146,000
Total Additional Cost	**584,000**	**601,000**	**610,000**	**610,000**
Cost Avoidance	(32,000)	(790,000)	(1,574,000)	(2,068,000)
Corporate Funding required	552,000	0	0	0
Saving	**0**	**(189,000)**	**(964,000)**	**(1,458,000)**

10. Sensitivity analysis

Sensitivity analysis has also been carried out for the urgent and extended care proposals and indicates that the breakeven position is around 30% of the expected savings. The difference with this proposal is that there is the option to reduce the additional expenditure should the proposal not work as planned and therefore this represents a lesser financial risk, albeit there would be one-off costs that could not be recovered.

Highways Status Update

1. Introduction

1.1 It is recognised that a good transport network is essential for a successful economy and society for Hampshire. Our roads provide access to; jobs, services, schools, get goods to the shops and allow us to make the most of our free time. Our local roads are at the heart of the transport network and have a key role to play in ensuring that transport in Hampshire delivers the services our residents both want and need.

1.2 Hampshire is responsible for maintaining 5,300 miles of roads and highway queries have doubled in the last 10 years to over 100,000 per annum. Satisfaction with the road network in Hampshire has in the past consistently been one of the best of any County Council and we continue to have significant success in attracting new investment from developers, Local Enterprise Partnerships and the Government through our forward thinking approach.

1.3 Like most highway authorities though, the relentless increase in traffic levels coupled with extremes of weather both in the summer and the winter are having a severe impact on the highway network leading to a position of ‘managed decline’ that is being reflected in residents’ views of the network as outlined below.

2. Funding Streams

2.1 There are a range of revenue and capital funding streams that are available to maintain and improve the highway network on a prioritised basis. The table below outlines the key funding and its purpose:

Activity		**Funding**	
Revenue		**Revenue**	**£'000**
Routine / Reactive Maintenance, Environmental Maintenance, Winter Service, Emergency Response		Core revenue budget	18,006
Staffing to deliver both revenue & capital work		Uplift – Winter Maintenance saving plus corporate contingencies	2,000
			20,006
	£'000		
Capital		**Capital**	
Operation Resilience (Planned Maintenance)	27,576	Local resources	11,823
Other structural maintenance	7,869	DfT - Local Transport Plan grant (maintenance)	21,584
Bridges	4,000	DfT - Incentive Fund	4,495
		DfT - Pothole Fund	1,543
	39,445		**39,445**

2.2 Operation Resilience was established in 2010/11 and was originally due to run for seven years. However, the pace of decline on the network and the mounting pressures on the reactive maintenance budget prompted the County Council to continue the funding. 2021/22 will be the twelfth year of Operation Resilience and the main budget report recommends a further temporary increase by £3m to £13m for 2021/22 as was applied in the current financial year.

3. Highways Status

3.1 The highway network was in a state of gradual decline before the financial impacts of the ‘decade of austerity’ saw significant reductions in staffing levels and operational revenue maintenance budgets. Whilst the establishment of Operation Resilience has provided significant local investment by the County Council to support the improvement of the worst affected parts of the network, the restrictions on revenue maintenance activities over an extended period have had an impact on overall road condition.

3.2 The policy of managed decline of the highway network has resulted in a visible and accelerating deterioration of the road network, which is particularly apparent on the classified and unclassified roads (making up 83% of the network). The annual revenue funding gap is now estimated at £3 to 5m per annum. The National Highways and Transport Network (NHT) 2020 survey showed that, against a backdrop of falling overall scores nationally, Hampshire’s score for highways condition has slipped from the top quartile last year to the second quartile this year.

3.3 The ongoing investment from the County Council in structural improvements through ‘Operation Resilience’ has helped reduce the rate of decline, albeit that the annual value has remained at £10m since it was introduced which is why the one-off increase to £13m in 2020/21, agreed by Cabinet and the County Council in February 2020, and the proposed increase for next year is particularly welcome, alongside additional one-off government grant funding such as the Pothole Fund.

3.4 However, the revenue budget provision available for reactive maintenance and safety defects continues to be under significant pressure. It is worth noting that the issue also extends to structures with major bridges such as Redbridge and Langstone, built during a programme of road expansion in the 1960s, all currently requiring major structural works at a similar time.

3.5 The revenue pressures in highways maintenance have been eased in the current financial year by an additional one-off sum of £3m for the Operation Resilience programme to increase planned works and provide extra flexibility to transfer funding to the reactive maintenance programme. This same flexibility is being recommended for the additional £3m proposed in the main budget report and will help to manage maintenance pressures next year if approved.

3.6 The additional funding together with the flexibility to use it to support essential reactive maintenance and safety defects work has already been of benefit in the current financial year with £2m of one-off funding transferred to revenue.

4. Looking to the Future

4.1 The primary objective will be to reverse, or at the very least arrest, the declining trend in network condition but this requires a targeted and sustained investment in the highway asset. This will not be a short term fix and it will require additional funding over a number of years, which we will look to the Government to provide.

4.2 The Highway Service has a robust asset management framework and dataset in place for managing the whole highway asset and this is already used to target those parts of the network where the best return on investment can be secured, both in economic terms and also in terms of maximising the lifecycle of the asset. This will continue but new and innovative digital techniques are currently being explored to capture asset data more effectively; and the multi-layering of this data can be used to precisely target spend, taking into account factors such as road condition, level of usage, damage / injury claims history, surface water flooding risk, and complaints. These datasets can provide a good evidence base to demonstrate the positive impact that continued and sustainable investment can have.

4.3 A particular focus needs to be rural roads (2,540 miles or just over 50% of the entire network) where there is tangible evidence of widespread accelerated deterioration. Many of these roads are not engineered roads in the true sense and are simply historic track routes that have evolved over hundreds of years, most only being thinly surfaced during the 20th century. These roads require further significant investment from Government to make them more resilient to the effects of extreme weather events, and whilst Operation Resilience has obviously helped to provide a degree of longevity on the minor roads treated over the past 11 years that the programme has been running, this is only a very small percentage of the network. A high proportion remain in a less than satisfactory condition having only had ad-hoc reactive repairs as resources allow.

4.4 Another area of focus will be the County Councils highway drainage assets. Effective and well maintained surface water drainage underpins the fabric of the highway network and ensures the road structure remains resilient and better able to withstand increasing traffic demands. Poorly maintained gullies, chambers and carrier drains can lead to an increased risk of surface water flooding and premature failure of the road structure. A decade of budget cuts has necessitated a managed reduction in routine cleansing and a broader implementation of the risk based approach endorsed by the current version of the national Highways code of practice. Whilst this reduction has not compromised the County Councils statutory duty as Highway Authority, there is strong evidence that the incidence of damage, blockages and localised structural failure is increasing and it is highly probable that this can, at least in part, be attributed to the reduced maintenance regime.

4.5 In addition to reintroducing multiple routine cleanses each year, a smarter, more intelligent approach to highway drainage management is required, embracing new and emerging remote sensor technology where appropriate, to more effectively identify those areas with the highest risk factors and to proactively target interventions accordingly. With climate change already altering weather patterns and increasing the incidence of more severe weather events, drainage systems are under increasing pressure, and optimal operation is essential as universal increases in drainage system capacity are unlikely to be affordable or practical. This enhanced maintenance will require sustained investment in order to realise any significant benefit.

Final Cash Limit Calculation 2021/22

	November Cash Limit Guideline £'000	Grants £'000	Other £'000	Final Cash Limit 2021/22 £'000
Adults' Health and Care	409,545			409,545
Children's – Schools	909,121	33,427		942,548
Children's – Non Schools	215,457	(601)		214,856
Corporate Services	52,518			52,518
Culture Communities and Business Services (CCBS)	43,116		(1,003)	42,113
Economy, Transport and Environment	103,667			103,667
	1,733,424	**32,826**	**(1,003)**	**1,765,247**

Notes:

Grants

- The increase for Children's – Schools is due to an increase in Dedicated Schools Grant (DSG) as first announced in the Spending Review in 2020 and then clarified in the subsequent revenue funding settlement in December 2020. It reflects the announcement of an increase in funding for Schools and High Needs nationally, with the national school's budget due to rise by £7.1bn over 3 years to £52.2bn.
- The reduction for Children's – Non-Schools reflects a fall in the Step Up to Social Work grant, as whilst the cohort numbers remain broadly in line with previous years only three months of placements costs are expected in 2021/22 as it is a 15 month rolling programme.

Other

- The reduction for CCBS reflects the transfer of revenue funding to make a contribution to capital.

Adults' Health and Care Budget Summary 2021/22

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Director	**1,511**	**2,573**	**1,620**
Strategic Commissioning and Business Support	**14,614**	**15,656**	**14,889**
Transformation	**4,013**	**5,676**	**3,871**
Older Adults Community Services	120,407	126,669	124,667
Reablement	9,455	9,966	9,891
Older Adults	**129,862**	**136,635**	**134,558**
Learning Disabilities Community Services	116,115	118,559	116,927
Physical Disabilities Community Services	31,399	32,555	32,288
Mental Health Community Services	18,576	18,881	18,905
Contact Centre	2,530	2,983	2,485
Younger Adults	**168,620**	**172,978**	**170,605**
HCC Care	**43,885**	**46,978**	**44,120**
Governance, Safeguarding and Quality	**3,650**	**3,702**	**3,511**
Centrally Held	**4,962**	**30,185**	**(15,977)**
Total Adults' Services Budget	**371,117**	**414,383**	**357,197**
Public Health:			
Drugs and Alcohol	8,576	8,536	8,273
Sexual Health	9,130	9,359	9,099
Mental Health and Wellbeing	346	333	333
Public Health Happy	**18,052**	**18,228**	**17,705**
Nutrition, Obesity & Physical Activity	515	514	472
Tobacco	2,209	2,198	2,249
Health Check	1,211	1,187	1,187
Public Health Healthy	**3,935**	**3,899**	**3,908**

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Community Safety & Violence Prevention	1,653	1,513	1,446
Older People	866	598	250
Public Health Communities	**2,519**	**2,111**	**1,696**
Central	2,814	5,086	6,115
Campaigns	30	30	30
Public Health Central	**2,844**	**5,116**	**6,145**
Information & Intelligence	17	17	17
Infection Prevention & Control	5	5	5
Dental	180	63	0
Public Health Protect	**202**	**85**	**22**
Children and Young People 5-19	3,905	3,724	3,542
Children and Young People 0-5	18,762	19,305	19,330
Public Health Resilient	**22,667**	**23,029**	**22,872**
Public Health Covid-19 Specific		4,790	
Total Public Health Budget	**50,219**	**57,258**	**52,348**
Adults' Health and Care Cash Limited Budget	**421,336**	**471,641**	**409,545**

Children's Services Budget Summary 2021/22

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Early Years	**81,673**	**83,691**	**84,112**
Individual Schools Budgets	584,200	586,128	633,687
Schools Delegated Items	2,171	2,160	2,181
Central Provision Funded by Maintained Schools	2,894	2,889	2,905
Growth Fund	5,280	4,977	4,550
Schools Block	**594,545**	**596,154**	**643,323**
High Needs Block Budget Shares	34,711	34,793	36,073
Central Provision Funded by Maintained Schools	63	63	66
High Needs Top-Up Funding	85,037	80,941	97,027
SEN Support Services	5,073	5,321	5,245
High Needs Support for Inclusion	3,075	3,075	3,092
Hospital Education Service	1,370	1,779	1,681
High Needs	**129,329**	**125,972**	**143,184**
Central School Services	**7,821**	**7,821**	**8,224**
Other Schools Grants	**88,609**	**98,851**	**63,705**
Total Schools Budget	**901,977**	**912,489**	**942,548**
Young People's and Adult & Community Learning	**405**	**504**	**442**
Asset Management	88	90	90
Central Support Services	60	163	(77)
Educational Psychology Service	1,842	2,137	2,012
Home to School Transport	33,340	35,869	32,940
Insurance	33	33	33
Monitoring of National Curriculum Assessment	46	46	46
Parent Partnership, Guidance and Information	270	270	274
Pension Costs (includes existing provisions)	2,412	2,629	2,629
School Improvement	1,838	1,917	1,892

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
SEN Administration, Assessment, Co-ordination & Monitoring	1,829	3,584	3,535
Statutory / Regulatory Duties	881	444	455
School Place Planning	58	58	58
Service Strategy & Other Education Functions	**42,697**	**47,240**	**43,887**
Management & Support Services	**2,156**	**2,396**	**1,978**
Early Achievement of Savings	**8,122**	**8,122**	
Other Education & Community	**53,380**	**58,262**	**46,307**
Services for Young Children	**1,406**	**1,510**	**1,481**
Adoption Services	4,029	4,492	4,127
Asylum Seekers	4,961	3,346	3,346
Education of Children Looked After	157	358	187
Fostering Services	16,187	19,494	19,881
Independent Fostering	16,129	21,155	24,830
Leaving Care Support Services	7,164	8,819	9,051
Other Children Looked After Services	8,483	8,501	9,906
Residential Care	39,850	31,829	38,530
Special Guardianship Support	5,812	5,766	5,847
Children Looked After	**102,772**	**103,760**	**115,705**
Other Children & Families Services	**1,098**	**1,076**	**1,105**
Direct Payments	2,271	2,220	2,225
Other Support for Disabled Children	250	250	255
Respite for Disabled Children	3,315	3,230	2,610
Targeted Family Support	4,850	6,098	5,195
Universal Family Support	38	44	44
Family Support Services	**10,724**	**11,842**	**10,329**
Youth Justice	**1,021**	**1,222**	**877**
Safeguarding & Young People's Services	**26,785**	**30,367**	**27,949**
Services for Young People	**1,041**	**1,312**	**1,405**

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Management & Support Services	**9,983**	**11,401**	**9,581**
Early Achievement of Savings	**281**	**381**	
Non-Distributed Costs	**122**	**117**	**117**
Children's Social Care	**155,233**	**162,988**	**168,549**
Total Non-Schools Budget	**208,613**	**221,250**	**214,856**
Children's Services Cash Limited Budget	**1,110,590**	**1,133,739**	**1,157,404**

Corporate Services Budget Summary 2021/22

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Finance	3,694	4,021	3,958
HR and WFD	2,905	3,563	2,971
IT	24,316	25,235	24,255
Audit	713	780	761
Integrated Business Centre	6,044	5,544	5,276
Corporate Resources Transformation	1,157	1,490	893
Corporate Resources Other	(13)	(689)	(831)
Corporate Resources	**38,816**	**39,944**	**37,283**
Strategic Procurement	1,742	1,800	1,740
Legal Services	3,019	3,189	3,168
Transformation Practice	1,788	2,513	1,822
Governance	3,097	3,189	2,718
Transformation and Governance	**9,646**	**10,691**	**9,448**
Communication, Marketing & Advertising	648	700	729
Insight & Engagement	746	781	612
Chief Executive's Office & Leadership Support	569	588	596
Customer Engagement Service	**1,963**	**2,069**	**1,937**
Total Corporate Services Budget	**50,425**	**52,704**	**48,668**
Corporate & Democratic Representation	66	66	66
Grants to Voluntary Organisations	237	201	217
Grants & Contributions to Voluntary Bodies	765	765	776
Local Resilience Forum	0	922	0
Members Devolved Budgets	390	780	390
Other Miscellaneous	374	432	400
Corporate Non-Departmental Budgets (Direct) [1]	**1,832**	**3,166**	**1,849**
Members Support Costs	1,621	1,621	1,674
Contribution to Trading Units	0	931	0
Audit Fee	128	128	150

[1] Original Budget restated to reflect changes in Executive Member portfolios

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Subscriptions to LGA etc	182	182	175
Other Miscellaneous	30	23	2
Corporate Non-Departmental Budgets (Central) [2]	**1,961**	**2,885**	**2,001**
Total Other Corporate Budgets	**3,793**	**6,051**	**3,850**
Corporate Services Cash Limited Budget	**54,218**	**58,755**	**52,518**

[2] Original Budget restated to reflect changes in Executive Member portfolios

Culture, Communities and Business Services Budget Summary 2021/22

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Transformation	577	1,031	997
Rural Broadband	307	314	130
CCBS IT Budget	80	80	81
Business Development Team	610	762	671
Corporate Estate	(205)	(205)	(205)
County Farms	(495)	(495)	(493)
Development Account	(346)	(346)	(345)
Sites for Gypsies and Travellers	29	37	39
Property Services	3,579	4,724	3,816
Facilities Management	3,371	3,562	3,757
Hampshire Printing Services	(50)	(35)	(14)
Net Contribution to / (from) Cost of Change	(25)	359	(25)
CSHRPS [3] Budget	**7,432**	**9,788**	**8,409**
Manydown and Other Miscellaneous	(36)	(36)	(23)
Feasibility	1,035	1,035	1,035
Strategic Land	1	4,988	
Strategic Land Disposal of Sites	228	228	231
Office Accommodation	3,990	3,896	4,040
Repairs & Maintenance	8,635	8,812	8,127
CSHRPS Managed Expenditure Budget	**13,853**	**18,923**	**13,410**
Total CSHRPS Budget	**21,285**	**28,711**	**21,819**
Regulatory Services	924	948	815
Community Grants	938	1,002	862
Energise Me Grant (Sport)	133	133	116
Library Services	11,553	11,580	10,356
Business Support	454	577	634
Scientific Services	123	152	177
Asbestos	25	43	111

[3] Commercial Strategy, Human Resources and Performance Services

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Countryside – Country Parks, Countryside Sites, Nature Reserves	1,717	2,080	1,967
Countryside – Rights of Way	1,001	970	848
Outdoors Centres	377	440	474
Arts and Museums (including HCT Grant)	2,434	2,434	2,326
Archives	689	761	659
Risk, Health and Safety	27		
Rural Affairs	275	259	268
Net Contribution to / (from) Cost of Change	881	4,136	663
RHCRAS [4] Budget	**21,551**	**25,515**	**20,276**
Sports Bursaries	18	18	18
RHCRAS Managed Expenditure Budget	**18**	**18**	**18**
Total RHCRAS Budget	**21,569**	**25,533**	**20,294**
CCBS Policy & Resources Services	642		
Total CCBS Cash Limited Budget	**43,496**	**54,244**	**42,113**

[4] Recreation, Heritage, Countryside and Rural Affairs Services

Economy, Transport and Environment (ETE) Budget Summary 2021/22

Service Activity	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Proposed Budget 2021/22 £'000
Highways Maintenance [5]	17,075	21,895	18,006
Street Lighting	10,651	10,898	10,739
Winter Maintenance	5,677	5,677	5,820
Concessionary Fares	13,212	13,212	13,142
Other Public Transport [6])	4,092	4,329	4,378
Traffic Management and Road Safety [7]	2,268	3,167	2,573
Strategic Transport [8]	1,780	5,205	1,480
Highways, Traffic and Transport	**54,755**	**64,383**	**56,138**
Waste Disposal [9]	48,699	51,710	41,656
Environment	619	539	554
Strategic Planning	932	1,095	997
Waste, Planning and Environment	**50,250**	**53,344**	**43,207**
Economic Development	**879**	**1,029**	**1,027**
Departmental and Corporate Support	**3,319**	**5,242**	**3,295**
Early Achievement of Savings	**350**	**1,034**	
ETE Cash Limited Budget	**109,553**	**125,032**	**103,667**

[5] The Highways Maintenance revised budget includes £2m additional funding for maintenance, which each year is met from any savings against the Winter Maintenance budget in the previous financial year topped up from corporate contingencies as necessary. The proposed budget for 2021/22 does not yet include this £2m as the amount of funding from each source will not be clear until the year end. The revised budget also includes £2m additional one-off funding transferred from Operation Resilience.

[6] The revised and forward budgets for these two areas reflect the transfer of a team from Strategic Transport to Other Public Transport. The revised budget for Strategic Transport also includes one-off budget provision of almost £2.2m major schemes development funding and more than £1.5m Active Travel funding

[7] See footnote 6.

[8] Revised budget includes one-off cash flow support covering the delayed Tt2019 parking saving, and both the revised and forward budget now include funding for the HantsDirect Blue Badge Team transferred across to ETE

[9] Revised budget includes one-off cash flow support to cover the delayed Tt2019 waste savings and transformation projects required to achieve the Tt2021 savings.

Revenue Budget 2021/22

	Original Budget 2020/21 £'000	Adjustment £'000	Proposed Budget 2021/22 £'000
Departmental Expenditure			
Adults' Health and Care	421,336	(11,791)	409,545
Children's – Schools	901,977	40,571	942,548
Children's – Non Schools	208,613	6,243	214,856
Corporate Services	54,218	(1,700)	52,518
Culture, Communities and Business Services	43,496	(1,383)	42,113
Economy, Transport and Environment	109,553	(5,886)	103,667
	1,739,193	**26,054**	**1,765,247**
Capital Financing Costs			
Committee Capital Charges	141,035	0	141,035
Capital Charge Reversal	(143,314)	0	(143,314)
Interest on Balances	(13,436)	485	(12,951)
Capital Financing Costs	42,101	6,860	48,961
	26,386	**7,345**	**33,731**
RCCO			
Main Contribution	6,839	516	7,355
RCCO from Reserves	1,045	(1,045)	0
	7,884	**(529)**	**7,355**
Other Revenue Costs			
Contingency	71,349	55,253	126,602
Dedicated Schools Grant	(813,368)	(64,363)	(877,731)
Specific Grants	(235,617)	(16,207)	(251,824)
Levies	2,428	436	2,864
Coroners	1,998	393	2,391
Business Units (Net Trading Position)	136	(551)	(415)
	(973,074)	**(25,039)**	**(998,113)**
Net Revenue Budget	**800,389**	**7,831**	**808,220**
Contributions to / (from) Earmarked Reserves			
Transfer to / (from) Earmarked Reserves	(4,807)	24,218	19,411
Trading Units Transfer to / (from) Reserves	5	558	563
RCCO from Reserves	(1,045)	1,045	0
	(5,847)	**25,821**	**19,974**
Contribution to / (from) General Balances	900	0	900
NET BUDGET REQUIREMENT	**795,442**	**33,652**	**829,094**

	Original Budget 2020/21 £'000	Adjustment £'000	Proposed Budget 2021/22 £'000
NET BUDGET REQUIREMENT	**795,442**	**33,652**	**829,094**
Funded by			
Business Rates and Government Grant	(122,047)	0	(122,047)
Business Rates Collection Fund Deficit / (Surplus)	104	(104)	0
Council Tax Collection Fund Deficit / (Surplus)	(3,284)	3,284	0
COUNCIL TAX REQUIREMENT	**670,215**	**36,832**	**707,047**

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<u>Reserves Strategy</u>

1. Introduction

1.1 The level and use of local authority reserves has been a regular media topic over a number of years, 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 savings through the use of reserves only serves to use up those reserves very quickly (meaning that they are not available for any other purposes), and merely delays the point at which the recurring savings are required.

1.3 Six out of ten respondents (61%) to the County Council's public consultation called *Serving Hampshire – Balancing the Budget,* which ran for six weeks from 5 June to the 17 July 2019, agreed with the position that reserves should not be used to plug the budget gap.

1.4 In some respects, the Covid-19 pandemic has tested in real terms the financial resilience and stability within the local government sector. For Hampshire, the decision was taken very early on that any financial response to the pandemic could not be at the expense of the existing medium term financial strategy and the need to continue to provide resources for the challenges that existed prior to Covid-19. Therefore, a financial response package was developed by the County Council that looked at what reserves and other funding could be applied to offset the impact of the pandemic. This demonstrated very clearly the value of our reserves and shows that the level of reserves held by the County Council provides options and flexibility in addressing financial challenges, including those created by such an exceptional event as the Covid-19 crisis, which are not available to other authorities.

1.5 At the end of the 2019/20 financial year the total reserves held by the County Council together with the general fund balance stood at more than £643.1m a decrease of more than £26.3m on the previous year. The decrease in reserves is largely due to the use of departmental Cost of Change reserves as planned draws have been made in 2019/20 to fund transformation and cash flow safe delivery of Transformation to 2019 (Tt2019) savings over an extended time frame.

1.6 This is in line with the Medium Term Financial Strategy (MTFS) and reflects the continued strategy of achieving savings early and then using those savings to fund the next phase of savings delivery. However, this decrease in reserves was offset in part by a contribution to the Budget Bridging Reserve (BBR) of £11.9m at the end of the financial year. This contribution was possible due to savings in non-cash limited budgets and was approved in preparation for any future draw required beyond 2020 as set out in the MTFS.

1.7 In addition, in view of the impact of the Covid-19 crisis on the County Council's financial position it was judged to be even more important that we continued to make contributions to reserves as in the short term, in the absence at that time of definite commitments from the Government, the County Council needed to ensure that existing reserves would be available to meet any potentially unfunded costs.

1.8 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 2020

2.1 Current earmarked reserves together with the General Fund Balance totalled £643.1m at the end of the 2019/20 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 2018/19.

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 31/03/2019 £'000	Balance 31/03/2020 £'000	% of Total %
General Fund Balance	21,398	22,298	3.5
Fully Committed to Existing Spend Programmes			
Revenue Grants Unapplied	14,251	38,112	5.9
General Capital Reserve	120,428	112,357	17.4
Street Lighting Reserve	27,006	27,527	4.3
Public Health Reserve	7,535	5,480	0.9
Other Reserves	937	1,070	0.2
	170,157	**184,546**	**28.7**
Departmental / Trading Reserves			
Trading Accounts	9,218	6,725	1.0
Departmental Cost of Change Reserve	118,895	85,492	13.3
	128,113	**92,217**	**14.3**
Risk Reserves			
Insurance Reserve	35,860	40,955	6.3
Investment Risk Reserve	2,957	4,958	0.8
	38,817	**45,913**	**7.1**
Corporate Reserves			
Budget Bridging Reserve	65,001	78,509	12.2
Invest to Save	29,201	22,290	3.5
Corporate Policy Reserve	6,397	6,852	1.1
Organisational Change Reserve	3,626	3,442	0.5
	104,225	**111,093**	**17.3**
HCC Earmarked Reserves	**441,312**	**433,769**	**67.4**
EM3 LEP Reserve	4,657	5,081	0.8
DSG Deficit Reserve	(13,746)	(22,754)	(3.5)
Schools' Reserves	40,614	38,109	5.9
Total Revenue Reserves & Balances	**494,235**	**476,503**	**74.1**
Total Capital Reserves & Balances	**175,228**	**166,637**	**25.9**
Total Reserves and Balances	**669,463**	**643,140**	**100.0**

General Fund Balance

2.3 The General Fund Balance is the only reserve that is in effect not earmarked for a specific purpose. It is set at a level recommended by the Chief Financial Officer

(CFO) of around 2.5% of the net budget requirement and it represents a working balance of resources that could be used at very short notice in the event of a major financial issue.

2.4 The balance at the end of the 2019/20 financial year stood at £22.3m which was 2.8% of net expenditure at the beginning of 2020/21; as projected in the budget setting report approved in February 2020, and this is broadly in line with the current policy.

Fully Committed to Existing Spend Programmes

2.5 By far the biggest proportion of revenue reserves are those that are fully committed to existing spend programmes and more than £112.4m 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 projects.

2.6 These reserves increased significantly in recent years following a change to International Financial Reporting Standards which required unapplied government grants to be shown as earmarked reserves, and due to the fact that significant revenue contributions were made to fund future capital investment using the surplus funds generated from the early achievement in savings (a deliberate strategy that is explained in more detail later in this Appendix).

2.7 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.

2.8 These reserves do not therefore represent ‘spare’ resources in any way and are being utilised as planned in the coming years, as evidenced by the draw of approaching £15.3m in 2019/20, once the receipt of almost £29.7m of emergency Covid-19 government funding allocated in March 2020 is taken into account.

Departmental / Trading Reserves

2.9 Trading services within the County Council operate as semi-commercial organisations and as such they do not receive specific support from the County Council in respect of capital investment or annual pressures arising from spending or income fluctuations.

2.10 Given this position, any surpluses generated by the trading services are earmarked for their use to apply for example to equipment renewal, service expansion, service improvement, innovation and marketing. They are also used to smooth cash flows between years if deficits are made due to the loss of the customer base and to provide the time and flexibility to generate new revenues to balance the bottom line in future years.

2.11 Departmental reserves are generated through under spends in annual revenue expenditure and Council policy was changed in 2010 to allow departments to retain all of their under spends in order to provide resources to:

- Meet potential over spends / pressures in future years without the need to call on corporate resources.
- Manage cash flow funding issues between years where specific projects may have been started but not fully completed within one financial year.
- Meet the cost of significant change programmes.
- Meet the cost of standard redundancy and pension payments arising from the downsizing of the work force.
- Invest in new technology and other service improvements, for example the IT enabling activity associated with the Tt2019 and Transformation to 2021 (Tt2021) Programmes.
- Undertake capital repairs or improvements to assets that are not funded through the existing Capital Programme where this is essential to maintain service provision or maximise income generation.

2.12 Utilising reserves in this way and allowing departments and trading services to retain under spends or surpluses, encourages prudent financial management as managers are able to ensure that money can be re-invested in service provision without the need to look to the corporate centre to provide funding. This fosters robust 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 remaining elements of the Tt2019 and Tt2021 Programmes and to fully cash flow the later delivery of savings if needed, alongside corporate cash flow support, provision for which has made within the MTFS. These reserves will also be used to manage in year pressures and to provide investment needed to underpin the development of the successor Savings Programme to take us to 2023.

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 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.

2.16 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 previous review were that there was a need to adopt a long term approach to increasing that fund going forward, and the intention was 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.

2.17 To begin this, in 2017/18 £6.25m was added to the Insurance Reserve resulting in a net increase of £5m after the provision for that year, totalling £1.25m, was set aside and in 2018/19 the provision reduced and there was a resulting net increase in the reserve of almost £10.3m. In 2019/20 the net increase in the Insurance Reserve was a further £5.1m, again due to changes in the provision required and therefore in light of this, and the fact that a further actuarial review had been commissioned, no additions to the Insurance Reserve were made in 2019/20. This position will be reviewed at the end of 2020/21.

2.18 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. Following changes to the accounting treatment of some investments going forward it has been approved that we will make additional contributions to this reserve with the longer term aim of increasing it to 2.5% of the total higher yielding investment portfolio. The potential to make a contribution in 2020/21 will be reviewed at the end of the year.

Corporate Reserves

2.19 The above paragraphs have explained that most reserves are set aside for specific purposes and are not available in general terms to support the revenue budget or for other purposes.

2.20 This leaves other available earmarked reserves that are under the control of the County Council and totalled almost £111.1m 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. In addition, the availability of these reserves has been critical to the ability of the County Council to develop a financial response package to manage the impact of the Covid-19 pandemic, thereby avoiding some of the immediate issues facing other local authorities and the possibility of a Section 114 Notice. These reserves are broken down into four main areas:

2.21 **Budget Bridging Reserve (BBR)** – This reserve, previously named the Grant Equalisation Reserve (GER), 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.

2.22 In 2010/11, the County Council recognised that significant reductions in local government spending were expected and built in contributions as part of the MTFS over the Comprehensive Spending Review (CSR) 2010 period from the GER to smooth the impact of the grant reductions.

2.23 It has become clear that the period of tight financial control will continue and the County Council continues to take every opportunity to increase the reserve to be able to continue the sensible policy of smoothing the impact of funding reductions and service and inflationary pressures without the need to make ‘knee jerk’ reactions to deliver a balanced budget.

2.24 The net impact of the changes in the revenue account during 2019/20 mean that the BBR stood at just over £78.5m at the end of the 2019/20 financial year. This is in line with the financial strategy of supporting the revenue position as savings are developed and delivered on a two year cycle; or longer where appropriate.

2.25 It has been agreed that where possible, the County Council will continue to direct spare one-off funding into the BBR to maintain what is part of this successful strategy which has served it very well to date. Consequently, as part of budget setting in February 2020, a number of additions were approved, notably following the savings resulting from both the favourable 2019 Pension Fund revaluation (which saw the eradication of the deficit and the removal of the need for the past service payments that we were making and assumed would be needed in the future), and also the pre-payment of pension contributions to the Pension Fund.

2.26 Building the provision within the BBR 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 Tt2021 Programme and to develop the successor Savings Programme through a two year savings cycle which enables safe delivery of change in the medium term.

2.27 Further additions have been included as part of developing the budget for 2021/22 and the table below summarises the latest forecast position for the BBR taking into account these additions and the requirement to balance the budget in the interim year of 2022/23 and to begin to make provision for the period beyond, particularly as we have no confident visibility of the financial landscape until the CSR later in the year:

	£'000
Balance at 31 March 2020	**78,509**
MRP Holiday	10,500
Remaining Cash Flow for Tt2019	(16,000)
Cash Flow for Tt2021	(32,000)
Interim Year 2020/21	(28,400)
Additions from valuation saving (3 Years)	45,000
Additions from pension pre-payment (3 Years)	9,000
Additions from 2020/21 Budget Setting	6,995
Additions from 2021/22 Budget Setting	3,396
Interim Year 2022/23	(40,200)
Forecast Balance 31 March 2023	**36,800**
Interim Year 2024/25	(44,100)
Forecast Deficit 31 March 2025	**(7,300)**

2.28 This position does not include the impact of the Covid-19 pandemic as the County Council's approved strategy is to deal with this as a separate one-off event in order to leave the County Council in the same position it would otherwise have been to tackle the next savings programme after Tt2021.

2.29 The forecast balance at 31 March 2023 begins to make provision for the medium term as part of the County Council's overall longer term risk mitigation strategy. Whilst this amount is not insignificant it must be considered in the context of the size and complexity of the County Council's activities and both the level of uncertainty associated with the financial position beyond 2020 and scale of the complex and challenging transformation activity that is still to be implemented in full.

2.30 It is important to note that the table includes no allowance for IT investment or cash flow funding for the Savings Programme for 2023, hence the focus on leveraging the benefits from the investment made to date and on ensuring delivery by 1 April 2023. Despite this a deficit is forecast and further contributions will therefore need to be made.

2.31 I**nvest to Save** – This reserve is earmarked to provide funding to help transform services to make further revenue savings in the future. Rather than just prop up the budget on a short term basis, the County Council feels it is a far more sensible policy to use available reserves to generate efficiencies and improve services over the longer term, by re-designing services and investing in technology and other solutions that make services more modern and efficient.

2.32 **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.

2.33 **Organisational Change Reserve** – The County Council is one of the largest employers in Hampshire and inevitably reductions in government funding, leading to reduced budgets, alongside the need to deal with service and inflationary pressures means that there is an impact on the number of staff employed in the future.

2.34 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 and since the scheme was introduced, voluntary redundancies account for the vast majority of the total number of staff that have left the organisation because of specific restructures and service re-design.

2.35 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.

2.36 Departments are still responsible for meeting the ‘standard’ element of any redundancy package, but the Organisational Change Reserve was put in place to meet the ‘enhanced’ element of the payment. The reserve has been reviewed in the context of the new scheme and the requirement for future organisational change and this will be revisited periodically in line with the implementation of the Authority’s change programmes and the consequent requirement for future organisational change.

2.37 This reserve also funds aspects of management development approved under the Workforce Development Strategy to support a range of middle and senior management developmental work which has been critical to the delivery of transformation and has also been a key factor in the County Council's ability to recruit and retain the best senior staff.

2.38 It should be highlighted that the total 'Corporate Reserves' outlined above accounted for approximately 17.3% of the total reserves and balances that the County Council held at the end of the 2019/20 financial year, 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 BBR which comprises the majority of these 'available' Corporate Reserves, standing at more than £78.5m at the end of 2019/20, is in reality committed to balance the budget in the medium term, as set out in paragraph 2.27, as well as providing crucial cash flow support as part of the Covid-19 response package.

2.39 The reserves detailed above represent the total revenue reserves of the County Council and amounted to £476.5m at the end of the 2019/20 financial year, as shown in the table on the second page of this Appendix. Within this amount, the County Council is required to show other reserves as part of its accounts which are outlined below.

Enterprise M3 Local Enterprise Partnership (EM3 LEP) Reserve

2.40 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.

2.41 The County Council does not control the level or use of the EM3 LEP Reserve.

Schools' Reserves

2.42 Schools' reserves accounted for more than £38.1m or 5.9% of total reserves and balances at the end of the 2019/20 financial year.

2.43 These reserves must be reported as part of the County Council's accounts, but since funds are delegated to schools any surplus is retained by them for future use by the individual school concerned. Similarly, schools are responsible for any deficits in their budgets and they maintain reserves in a similar way to the County Council to smooth fluctuations in cash flow over several years.

2.44 The County Council has no control at all over the level or use of schools' reserves.

Dedicated Schools Grant (DSG) Deficit Reserve

2.45 Schools are facing increasing financial pressure, in particular relating to high needs for children with special educational needs and or disabilities (SEND), both at an individual school level and within the overall schools' budget. These pressures are outside the County Council's core budgets, but the County Council retains an active role and interest as the local education authority. In 2019/20 the overall position was once again balanced through the use of the Dedicated Schools Grant (DSG) Reserve, as allowed by the Department for Education (DfE).

2.46 The resulting DSG deficit of approaching £22.8m (up from £13.7m last year) will be funded from future years DSG funding. A DSG Deficit Recovery Plan was produced last year, at the request of the DfE, and the local authority continues to develop this and implement strategies to reduce the pressure on the High Needs Block.

2.47 The overall cumulative deficit in the DSG Deficit Reserve (which was included within overall schools' reserves for presentational purposes only in 2018/19) is expected to be £36.4m at the end of 2020/21. The Department for Education (DfE) have consulted on changes to the DSG to clarify that it is a ring-fenced specific grant separate from the general funding of local authorities and that any deficit is expected to be carried forward and does not require local authorities to cover it with their general reserves. Therefore, whilst this sum sits as a 'negative reserve' on the County Council's balance sheet, it in effect therefore represents an overdraft for schools which they (and the Government) need to address over the longer term.

Capital Reserves

2.48 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.

2.49 A sum of more than £166.6m was held within capital reserves and balances at the end of the 2019/20 financial year, although of this approaching £25.8m related 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 a previous article in the Municipal Journal by the Director of Local Government at the Chartered Institute of Public Finance and Accountancy stated

> *"What reserves do allow authorities to do is to take a more medium term view of savings and expenditure and make decisions that give the best value for money. This is better than having to make unnecessary cost reductions in the short term because they do not have the money or funding cushion to allow for real transformation in the way they provide services."*

3.3 We are in an extended period of tight financial control which will last longer than anyone had previously predicted, and the medium term view highlights a continued need for reserves to smooth the impact of reductions in funding and enable time for the planning and implementation of change to safely deliver savings.

3.4 The County Council's strategy for reserves is well established and operates effectively based on a cyclical pattern as follows:

- Planning ahead of time and implementing efficiencies and changes in advance of need.
- Generating surplus funds in the early part of transformation programmes.
- Using these resources to fund investment and transformation in order to achieve the next phase of change.

3.5 This cycle has been clearly evident throughout the decade, with surplus funds generated in advance of need as part of budget setting and then supplemented by further resources released in the year. Achievement in advance of need within departments and efficiencies in contingency amounts due to the successful implementation of change has meant that the Council has been able to provide material funding including the following:

- Departmental reserves to pay for the cost of change associated with their own transformation programmes and to manage service pressures.
- Funding within the Invest to Save Reserve to help support the Tt2019 and Tt2021 Programmes and substantial IT enabling investment that will underpin many aspects of the next phase of transformation and savings.
- Additional funds to help smooth the impact of grant reductions, and safely manage the implementation of change, giving the County Council maximum flexibility in future budget setting processes.

3.6 It is recognised that each successive change programme is becoming harder to deliver and the challenges associated with the Tt2019 and Tt2021 Programmes 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 programmes to be safely delivered. Taking longer to deliver service changes, rather than being driven to deliver within the two year financial target, requires the careful use of reserves as part of our overall financial strategy to allow the time to deliver and also to provide resources to invest in the transformation of services. This further emphasises the value of our Reserves Strategy.

3.7 Beyond 2021 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 on top of both the immediate and longer lasting effects of the Covid-19 pandemic will be impacted one way or another by government policy on fair funding, business rate retention, Brexit and the future for adults' social care and the growing pressure nationally on children's services.

3.8 This increases the potential necessity to use reserves to alleviate the ongoing financial pressures in the coming years and we will continue to review all reserves regularly to ensure that there is sufficient financial capacity to cope with the challenges ahead.

3.9 In addition, while the overall level of reserves currently exceeds £0.6bn, 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 now be around 14. This highlights once again that reserves offer no long term solution to the financial challenges we face. Correctly used however, they do provide the time and capacity to properly plan, manage and implement change programmes as the County Council has demonstrated for many years now.

Section 25 Report from Chief Financial Officer

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

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

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

Section 25 concentrates primarily on the risk, uncertainty and robustness of the budget for the next financial year rather than the greater uncertainties in future years. Given the significance of the funding reductions announced to the end of the decade and the uncertainty surrounding the outcome of the next Comprehensive Spending Review (CSR), this report considers not only the short term position but also the position beyond 2021/22 in the context of the County Council's current Medium Term Financial Strategy (MTFS) and in light of the impact of the Covid-19 pandemic.

Robustness of Estimates in the Budget

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

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

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

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

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

Any requirement to increase budgets in these areas is considered corporately and may require additional savings to be made across the board to meet the increased demand. This is seen as a more effective way of managing cost pressures and enables strategic decisions to be made about resource allocation and the impact on service provision, rather than these decisions potentially being made in isolation by each department.

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

A further £80m of savings will be removed from the budget in 2021/22 and whilst some of this is expected to be delivered in later years, supported by corporate cash flow provisions, around £50m of the savings directly impact on the budget for this financial year. The current business as usual (i.e. excluding Covid-19) forecast outturn for 2020/21 as detailed in the main budget report shows that all departments are expected to be able to manage expenditure within the budgets that have been set, with previously agreed corporate support where required. This provides a stable financial base for the further challenges that lie ahead and is a good indicator that the savings that have been put in place to date are working as intended.

Budget 2021/22

The budget for 2021/22 has been produced in line with the process outlined in the section above and therefore I am content that a robust, council wide process has been properly followed and driven through our Finance Business Partners working with the Operational Finance Team. Further oversight is then provided by the Head of Finance and myself, in presenting the final budget and council tax setting report to Cabinet and County Council.

As part of the budget setting process this year a further £80m has been removed from detailed budgets and this is reflected in the departmental summaries contained in Appendix 5. However, it has repeatedly been reported to Cabinet and County Council as part of the MTFS and updates on the Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) Programme that delivery of these savings in some areas will extend beyond this financial year and in some cases on to 2022/23 and 2023/24; before the full value of savings can be achieved.

This reflects the complexity of the savings programmes in the social care services in particular, and the fact that some of the changes will take time to implement and fully bed in and will not start to have a major impact until new cohorts of clients come into the service. Funding to meet the later delivery of these savings must first come from departmental cost of change reserves, but corporate cash flow, supplemented by the Covid-19 response package, has been provided for to support this position.

The overall budget position for 2021/22 was less negative following the announcements made in the one year Spending Review in respect of social care funding and more importantly Covid-19 financial support, albeit that longer term this does not improve the expected two year gap to 2023/24 as a result of the continued growth in both adults' and children's social care services. This was set out in full in the update of the MTFS that was presented to County Council in July and then also in November last year.

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

Risks in the Budget 2021/22

In some respects, the significant changes to local government finance since 2010 have changed the profile of risk faced by most authorities. In reality the biggest financial risks now relate purely to reductions in government funding, changes in government policy and social care demand and cost pressures. These items together with other traditional risks and the impact of Covid-19 are outlined below:

a) **Covid-19 Pandemic** – In some respects the Covid-19 pandemic has tested in real terms the financial resilience and stability within the local government sector. For Hampshire, the decision was taken very early on that any financial response to the pandemic could not be at the expense of the existing medium term financial strategy and the need to continue to provide resources for the challenges that existed prior to Covid-19.

It was therefore agreed to treat the financial impact of Covid-19 as a one-off issue and to draw together a financial response package to deal with the medium term impact of the pandemic. Prior to the Spending Review and provisional Local Government Finance Settlement announcements, it was predicted that medium term unfunded costs and losses would reach £210m.

To counter this, a financial response package was developed by the County Council that looked at what reserves and other contingency funding could be applied to offset the impact of the pandemic. A total of £160m was pulled together, which meant that a minimum of £50m of further Government funding was required to protect the County Council's financial position.

To be clear, this did not represent spare funding, it literally would have stripped out every last bit of financial capacity that the County Council possesses coupled with a reduction in in-year budget contingency levels for three years, leaving the Council extremely vulnerable to any financial shocks in the future.

Following the Government announcements of new funding and the provision of information on council tax and business rates by billing authorities, the forecast of medium term unfunded costs and losses has now reduced to £88.3m, which is clearly 'less negative' than the previous estimate but still does mean that over £88m of County Council resources has needed to be expended on the pandemic response at a time when it still faces significant financial challenges going forward. The package includes the use of contingency budgets in future years which does therefore increase the risks in the budget for those years, albeit efforts will be made to re-instate them.

At the time of writing this report, the country is in another full lockdown and rates of infection are at an all-time peak. Whilst the roll out of the vaccine offers hope in the coming months, further financial impact cannot be ruled out at this stage.

In overall terms, I am content with the County Council's response to the pandemic and its decision to protect existing funding for the Transformation and Savings Programmes currently in train, but the overall outcome is that the underlying financial strength of the County Council is weaker as a result of the pandemic.

b) **Government Funding and Policy** – The expectation within the public sector was that there would be a multi-year Spending Review over the Summer of 2020 that would provide funding announcements to government departments and local government alike.

As a result of the Covid-19 pandemic once again a one year Spending Round was announced. Whilst this has given greater certainty for the 2021/22 budget setting process it still leaves the public sector on a 'cliff edge' in respect of future years and makes the question of longer term financial sustainability difficult to assess.

The provisional Local Government Settlement was announced on 17 December 2020 and broadly confirmed the funding announcements contained in the Spending Review the month before and these are reflected in the budget and council tax decisions contained in the main budget report. Disappointingly, the methodology for distributing social care grant was changed once again and heavily weighted towards those authorities with a low tax base. As a result, only £1.2m of the £300m was received by Hampshire compared to an expectation of around £5m. The continuation of the New Homes Bonus into 2021/22 was welcomed and has enabled the £3m extra investment into the Operation Resilience Programme to continue for another year.

Other significant changes to funding or policy during the year would have to be covered by contingencies or general balances, but generally once grant levels have been set in the final settlement due in January they do not change, although there have been in year changes implemented previously, for example reductions to the Public Health grant. At this stage therefore there is not thought to be any significant risk in this area for 2021/22 but it does have a major impact on future financial sustainability as discussed later in this Appendix.

c) **Social Care Demand Pressures** – By far the biggest impact in recent years has been the accelerating increase in the number and cost of Children Looked After. Despite the Covid-19 pandemic, the Transforming Social Care Programme has still created some positive results and longer term it is still hoped that the delivery of these Tt2019 savings can be achieved, although they do still represent a key risk in the budget.

Similarly, whilst adequate provision has been provided for children's social care growth in 2021/22, the impact of Covid-19 on the overall numbers is not known and could be adversely impacted by the latest lockdown and closure of schools. Furthermore, the medium term position assumes that Covid-19 will create a peak of temporary new cases that will drop out of the system in later years. Should this not prove to be the case then this will add further pressure on the budget in future years.

For adults' social care services, following a long period of relative stability the annual growth figure was increased from £10.0m to £13.5m each year from 2020/21 onwards, reflecting in particular the complexity and needs of clients at the point they present for care.

Whilst there is no evidence to change this assumption at the moment, the impact of Covid-19 on the adults' social care market has obviously been profound as has been the interaction with the NHS on the way in which clients are managed at the point of discharge from hospital.

It is far too early to understand what the forward impact of these changes will be, but at the moment there is still expected to be a worsening of the position for next year as health funded clients revert back to the County Council and there is the potential for 'pent up' demand to be released given the reluctance of people to go into care homes during the pandemic period. This impact is included within the medium term Covid projections and similar to children's services is expected to produce a peak in demand that reduces over time.

Despite the uncertainties presented by Covid-19 I am content that the budget for 2021/22 contains a realistic assessment of the likely growth we will face in the year, backed up by further contingency amounts and reserves if growth should be higher than forecast.

d) **Council Tax** – The ability to increase council tax specifically to fund the growing cost of adults' social care continues to be a key element of the funding package that has been put in place by the Government and includes flexibility to apply an extra 1% in total between the financial years 2021/22 and 2022/23.

The measure of core spending power assumes that local authorities will increase council tax by the maximum permitted by the referendum thresholds and on this basis the recommended increase is 4.99%, of which 3% relates to adults' social care, in line with the thresholds included in the provisional Local Government Finance Settlement released on 17 December last year.

This additional 1% was not included in past forecasts and therefore provides additional funding of £7m towards the increased cost of adults' social care for next financial year, which is positive in terms of our original forecasts.

e) **Pay and Price Risk** – The budget forecast originally contained a 3% allowance for the April 2021 pay award, which was also set to deal with any changes arising from the National Living Wage (NLW).

Following the Government's announcement that there should be a public sector pay freeze next year, with the exception of health workers and an allowance for the low paid, 2% of the allowance has been removed from the budget and directed towards to other pressures and initiatives. The remaining allowance will be used to deal with the award for the low paid and the NLW.

Any deviations from this position will be managed in year and reflected in future forecasts, however the impact of variances in this area now tend to be immaterial compared to the growth in social care costs that we face every year.

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

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

On the investments side, the absolute value of estimated income for 2021/22 is circa £10m per annum excluding the impact of Covid-19, which is minimal against the County Council's overall budget, however, the change in investment strategy which moved part of the portfolio to medium term investments has increased the risk in the portfolio overall. This has been mitigated by the creation of an Investment Risk Reserve which will deal with any changes in valuations of investment and provide a buffer against any significant drop in returns. Contributions to this reserve are regularly reviewed at year end to ensure adequate provision is made and the medium term aim is to increase the reserve to match 2.5% of the higher yielding investment portfolio.

More recently the market has experienced negative interest rates and the investment strategy has been amended to reduce the likelihood of needing to invest at negative rates, albeit the primary need to protect capital may necessitate this under certain market conditions.

Covid-19 has obviously had a de-stabilising impact on investment markets with a big dip being seen early on in the crisis. Whilst markets have recovered to some extent the latest lockdown and spread of the virus could undermine the recovery during this year.

The loss of investment income resulting from Covid-19 is covered by the medium term financial response package that has been put in place and does not have an impact on the forward budget. However, as with other factors, it is assumed that investment income levels will return to normal over the medium term and if this is not the case then this will impact on the budget going forward. Having said this, as mentioned above, the total level of investment income is relatively small compared to the overall net budget.

The Adequacy of Reserves

The County Council's policy on general balances is to hold a minimum prudent level which based on the previous risk assessment is around 2.5% of net expenditure. The projected level of general fund balances will be 2.8% of net expenditure at the beginning of 2021/22.

Overall, the level of earmarked reserves and balances that the County Council holds stood at £643.1m (including schools and the Enterprise M3 Local Enterprise Partnership Reserve) at the end of March 2020 and these reserves, the majority of which are held for specific purposes as set out in the Reserves Strategy in Appendix 7, underpin the overall MTFS and the Capital Programme.

The Reserves Strategy sets out clearly that the bulk of reserves are earmarked for a specific purpose and are not available to fund other things. This is reflected in the Covid response package which currently anticipates the use of only £18.3m of reserves to meet the £88.3m deficit; and £3m of this amount reflects bringing the General Fund Reserve back to the 2.5% recommended by the CFO.

However, what has been demonstrated throughout the pandemic is that the level of reserves held by the County Council provides options and flexibility in addressing the financial challenges created by Covid-19. For example, at one point the response package included using the General Capital Reserve to help meet the deficit by borrowing to provide replacement funding for the Capital Programme. Whilst this would have had a financial impact in the longer term it did provide a 'last resort' option to the County Council which would not have been available to other authorities who do not have the value of reserves that the County Council does.

As mentioned above, the County Council's strategy for dealing with Covid-19 was to protect resources that have already been set aside to support the various Transformation and Savings Programmes currently in train. In line with that strategy, those reserves remain available to support the ongoing revenue position are used sensibly to manage change and provide the time and capacity to properly implement savings plans that seek to minimise the impact on service users. Cash flow funding to support the Tt2019 and Tt2021 Programme is already included in our financial plans and sufficient funding also exists to meet the 'interim year' for 2022/23 as part of the planning for the next Savings Programme to 2023. Whilst this stabilises the position up until 2023/24, it does not provide sufficient firepower to cashflow savings beyond 1 April 2023 and this is reflected in the change from a Transformation to a Savings Programme for 2023 as proposals would need to be fully implemented by that date, since there is no provision made for slippage at this stage.

Whilst the majority of reserves are allocated for a specific purpose, as outlined in the Reserves Strategy, and highlighted by the Covid-19 pandemic, this does still provide flexibility in being able to manage the finances of the County Council going forward, compared to some County Councils whose total reserves stand at less than the BBR which we currently hold. I am therefore satisfied that the level of reserves is adequate to support the agreed financial strategy over the medium term.

CIPFA Financial Resilience Index

Following the events in Northamptonshire and a heightened national focus on the finances of local government more generally, the Chartered Institute of Public Finance and Accountancy (CIPFA) produced a Financial Resilience Index (FRI). The index uses a range of financial information and other factors to generate a series of measures against which all authorities are 'stress tested', although clearly Covid-19 has created a very real and more complex stress test than we would ever want to consider in theory.

There is currently no update on the Index for this year as the majority of the datasets in the Resilience Index are based upon the Revenue Outturn (RO) forms that are usually published annually by Ministry for Housing, Communities and Local Government (MHCLG) in November. Due to the coronavirus, the final RO forms for 2019/20 are not now due to be published by MHCLG until the end of January 2021 and therefore the FRI is unlikely to be available until February.

That said, the data used for the Index is not likely to change significantly for Hampshire and it is likely that the same issues will be flagged once again. The summary below indicates the low and high risk areas identified in the Index from last financial year:

Lower Risk Areas:

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

Higher Risk Areas:

- The level of unallocated reserves was flagged as high risk, which reflects the commentary in the Reserves Strategy in Appendix 7 that the majority of our reserves are set aside for a specific purpose. We are fully aware of this fact and the MTFS already provides for specific future funding that is essential to maintain our financial sustainability. The Covid-19 response package also highlighted that there were limited unallocated reserves but as mentioned above the value of Hampshire's reserves provides options and flexibilities that are not open to others.

I do not expect there to be any new issues arising from the FRI once it is published but should information become available before Cabinet or County Council an update will be provided if there are any significance deviations.

<u>CIPFA Financial Management Code</u>

The following statement was issued by CIPFA on the Financial Management Code:

> *"The first full year of compliance with the new Financial Management Code is due for 2021/22. CIPFA recognises that the coronavirus crisis has seen local authorities and their finance teams placed under extreme pressure which is ongoing.*
>
> *CIPFA are considering the potential impact of these additional burdens on authorities and their ability to fully implement the FM Code from 2021/22 and whether 'working towards' full implementation from 2022/23 might be an appropriate response to these resourcing issues (alongside the evident risks and financial challenges in the sector, which arguably make earlier implementation more important).*
>
> *The ultimate decision will rest with MHCLG (as with the Prudential and Treasury Management Codes, CIPFA set the FM code on behalf of MHCLG) and we plan to make an announcement in the new year, following consultation with ALATS."*

The following table outlined the areas where improvements were identified last year together with the latest update (in italics):

Code Section	**Financial Management Standard**	**Hampshire County Council Position**
Section 5: Stakeholder engagement and business plans	L – The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	Whilst the County Council has regular contact with its key stakeholders in developing service priorities and collaborative working and consults widely in respect of changes to service provision, it is not systematic in engaging stakeholders in respect of strategic financial planning and budget setting and consideration could be given to how this could be improved and incorporated into the financial planning and budget setting cycle if appropriate. *Whilst this has not been progressed during this year, the plan is to engage with stakeholders as part of the development of the updated Medium Term Financial Strategy once a multi-year settlement has been provided by the Government.*
Section 5: Stakeholder engagement and business plans	M – The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	The County Council's feedback in respect of this Financial Management Standard is that it would not want to dictate a specific documented option appraisal methodology across the whole Council as many of the more theoretical models are not appropriate for some of the decisions that are taken and are often disproportionate in terms of the effort required to complete them. Instead, we ensure that all relevant decisions are supported by a clear business case that should be proportionate to the size and complexity of the matter being considered. *An E-Learning module is being developed for managers to assist them with drawing up business cases and option appraisals on a consistent basis and will be available next financial year.*

Code Section	Financial Management Standard	Hampshire County Council Position
Section 6: Monitoring financial performance	O – The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.	Again, the feedback provided to CIPFA on the Standard was that it was inappropriate to concentrate on the balance sheet as a single issue and that this was not something that generally happened in practice. The draft guidance quoted various specific areas covered by this Standard including: 1. Capital investment and the maintenance of assets. 2. Long and short term investments. 3. Debt collection. 4. Cash flow management. 5. Borrowing. 6. Reserves. The County Council already has appropriate arrangements in place through other means to manage these risks and it is therefore not considered necessary to group them in this way for consideration by the leadership team. A review of the more detailed guidance will be undertaken to ensure that we are not missing anything. *Having reviewed the more detailed guidance the CFO has concluded that the arrangements that we already have in place are sufficient to ensure appropriate focus in these areas and no further action is necessary.*

Budget 2021/22 – Conclusion

Given the details outlined above, provided that the County Council considers the above factors and accepts the budget recommendations, including the level of earmarked reserves and balances, a positive opinion can be given under Section 25 on the robustness of the estimates and level of reserves for 2021/22.

The Position Beyond 2022

The latest MTFS was approved by County Council in July and updated in November last year and extended the planning horizon to 2023/24. After the announcement of another one year spending round for 2021/22, the next Comprehensive Spending

Review (CSR) is due to take place this year and will set the framework for public spending; hopefully over the next four years.

Reference has already been made about the anticipated medium term impact of Covid-19 and how this is being dealt with as a separate, one-off issue in order to leave other resources intact to support existing and future Transformation and Savings Programmes. Given this approach it is not anticipated that Covid-19 will have a major impact on future medium term forecasts and the budget setting process.

The delay in the CSR and the postponement of the Fair Funding Review and the extension of Business Rate Retention, mean that there is very little information on which to base forecasts beyond the next financial year. This is further exacerbated by the fact that both the economy and public finances at a national level have been so heavily impacted by Covid-19 which has seen government debt levels rise well above those that followed the economic crash in 2008, which triggered a pro-longed period of austerity.

It is therefore difficult at this stage to predict what the financial landscape will look like for the County Council after 2021/22, and in reality, we will probably need to wait until December 2021 before we are in a position to understand our longer term financial prospects, but it is clear we cannot wait to progress with the next savings programme and that this must be delivered in full by April 2023. Work has therefore already started on delivering the Savings Programme for 2023 based on the past forecasts of a £40m per annum deficit each year after allowing for a 3.99% council tax increase.

Clearly trying to make further savings on top of the £560m that will have been removed from the budget by April 2021 will be extremely challenging particularly as there is no flexibility on the delivery timescales, however our tried and tested approach will mean that proposals will be considered in good time for implementation by April 2023 and our forecasting approach means that there may be some additional grant funding that could be applied to savings targets in Adults' Health and Care and Children's Services.

The MTFS has highlighted for many years the fact that over the medium term, without a significant change in the way in which growth in adults' and children's social care is funded, the County Council is unlikely to be financially sustainable, since it is not possible to continually cut some services to fund growth in others.

At this stage however, in the absence of the outcome of the CSR and other changes to the local government finance regime, the County Council must focus on delivery of the remaining Tt2019 and Tt2021 Programme the development of the Savings Programme for 2023 and I believe it is well placed to do that underpinned by departmental reserves and the corporate funding that is already in place.

Carolyn Williamson

Deputy Chief Executive and Director of Corporate Resources

27 January 2021

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Capital and Investment Strategy 2021/22 to 2023/24

1. Introduction

1.1 This Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services, along with an overview of how associated risk is managed and the implications for future financial sustainability.

1.2 This Strategy covers:

- Governance arrangements for capital investment.
- Capital expenditure forecasts and financing.
- Prudential indicators relating to financial sustainability.
- Minimum Revenue Provision (MRP) for the repayment of debt.
- Treasury Management definition and governance arrangements.
- Investments for service purposes, linked to the County Council's commercial strategy.
- Knowledge and skills.
- Chief Financial Officer's conclusion on the affordability and risk associated with the Capital and Investment Strategy.
- Links to the statutory guidance and other information.

2. Governance

2.1 The County Council's Medium Term Financial Strategy (MTFS) ensures that we continue to invest wisely in our existing assets and deliver a programme of new ones in line with overall priorities and need. This is kept under review by the Corporate Infrastructure Group (CIG) which is chaired by the Director of Economy, Transport and Environment and includes representatives from his department, together with Officers from Children's Services, Adults' Health and Care, Property Services and the Head of Finance. The aim of the group is to ensure a co-ordinated approach to capital investment and major developments across the County Council.

2.2 In accordance with the MTFS, each year the Cabinet sets cash limit guidelines for a three year capital programme funded by local resources. Executive Members propose capital programmes within these cash limits together with schemes funded by government grants and other external sources. The proposed programmes are scrutinised by the relevant Select Committee. The final Capital Programme is then presented to Cabinet and to County Council in February each year as part of the formal budget approval.

3. Capital Expenditure and Financing

3.1 Capital expenditure is spending by the County Council on assets, such as land, property, the highway network or vehicles, that will be used for more than one year.

In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or enhance assets.

3.2 The estimated level of capital expenditure (or 'payment') flows each year, together with forecasts of financing resources, are two of the factors considered in determining the size of the cash limit guidelines for the Capital Programme.

3.3 Capital expenditure may be funded directly from revenue, however the general pressures on the Council's revenue budget and council tax levels limit the extent to which this may be exercised as a source of capital funding. Prudential borrowing does provide an option for funding additional capital development but one which then results in costs that have to be funded each year from within the revenue budget or from generating additional ongoing income streams.

3.4 Given the pressure on the Council's revenue budget in future years, prudent use has been made of this discretion to progress schemes in cases where there was a clear financial benefit. Such schemes focus on clear priorities, and those that generate revenue benefits in future financial years, in the form of clear and measurable revenue savings or longer term income generation, either directly or through council tax or business rate yield.

3.5 Expenditure flows in 2020/21 and the following three years will result from works in progress (schemes started in 2020/21 and earlier years) plus those arising from the proposed programme for 2021/22 to 2023/24, as Table 1 below shows:

Table 1: Forecast Capital Expenditure Flows

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Works in Progress at 31 March 2020 and Schemes starting in 2020/21	231,699	174,426	71,963	25,529
Programmes starting in 2021/22, 2022/23 and 2023/24	0	102,160	99,092	106,821
Land Acquisition	4,437	12,296	649	646
Total Expenditure Flows	**236,136**	**288,882**	**171,704**	**132,996**

3.6 In practice, expenditure flows in the years after 2020/21 may vary from those shown in Table 1 if further developer and other external contributions become available to fund additional capital schemes, or if the levels of government support differ from those currently assumed in the Capital Programme, which is presented in a separate report elsewhere on this Agenda.

Table 2 - Resources to Fund Capital Expenditure

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Prudential borrowing	40,994	34,775	19,122	11,386
Less repayments from capital	(7,256)	(4,531)	(18,750)	(1,144)
Capital grants	139,699	174,565	85,117	75,331
Contributions from other bodies including developers	34,350	43,195	43,126	27,197
Capital receipts	92	4,128	14,319	0
Revenue contributions to capital	9,935	7,355	6,244	6,055
New Resources in the Year	**217,814**	**259,487**	**149,288**	**118,825**
Draw From / (Contribution to) the Capital Reserve:	18,322	29,395	22,416	14,171
Total Resources Available	**236,136**	**288,882**	**171,704**	**132,996**

4. Prudential Indicators

4.1 The framework for the use of prudential borrowing, as updated by Cabinet in February 2006, includes:

- Borrowing for which loan charges are financed by virement from the Executive Member's revenue budget, including invest-to-save schemes that will generate revenue savings or additional revenue income.
- 'Bridging' finance that will be repaid by eventual capital receipts, capital grants or contributions, provided that the cost of interest and the statutory minimum revenue provision is met by services in the years that such costs are incurred.
- Capital investment by business units, to be funded by business unit reserves.
- Temporary borrowing to accommodate shortfalls in general capital resources.

4.2 As the loan repayments and interest charges must be financed by the County Council from its own resources, it is important that the use of prudential borrowing is very closely controlled and monitored.

4.3 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). In order to ensure that over the medium term debt will only be for a capital purpose, the County Council should ensure that debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This is a key indicator of prudence.

Table 3: Ensuring Borrowing is Only for Capital Purposes

	31/03/21 Revised £M	31/03/22 Estimate £M	31/03/23 Estimate £M	31/03/24 Estimate £M
CFR	**800**	**805**	**774**	**752**
Debt				
Borrowing	292	282	274	266
PFI Liabilities	141	133	124	115
Total Debt	**433**	**415**	**398**	**381**

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

Affordable Borrowing Limit

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

Table 4: Affordable Borrowing Limits

	2020/21 Revised £M	2021/22 Estimate £M	2022/23 Estimate £M	2023/24 Estimate £M
Authorised Limit:				
Borrowing	800	810	790	780
PFI and Leases	180	170	160	150
Authorised Limit	**980**	**980**	**950**	**930**
Operational boundary:				
Borrowing	730	740	720	710
PFI and Leases	150	140	130	120
Operational Boundary	**880**	**880**	**850**	**830**

Ratio of Financing Costs to Net Revenue Stream

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

Table 5: Ratio of Financing Costs to Net Revenue Stream

	2020/21 Revised	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
Ratio	2.5%	4.1%	4.7%	4.6%

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

Incremental Impact of Capital Investment Decisions

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

Table 6: Incremental Impact of Capital Investment Decisions

	2021/22 Estimate £	2022/23 Estimate £	2023/24 Estimate £
General Fund - increase in Annual Band D Council Tax	1.51	3.90	1.45

5. Minimum Revenue Provision (MRP) for Debt Repayment

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

MRP in 2021/22

5.2 Prior to 2015/16 the County Council calculated MRP for supported borrowing[1] on a 4% reducing balance basis. It was agreed by Cabinet in December 2015 that the calculation of MRP from 2015/16 onwards would change to a 50 year straight line basis. To be more prudent the 50 years has been started from 2008 and the actual calculation is 1/43's. Had the County Council been applying the new policy of a 50 year straight line calculation starting in 2008 it would have made £67m less in MRP payments by 31 March 2016.

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

5.3 As agreed in 2016/17 the County Council has paused in making MRP payments on supported borrowing until it has realigned the total amount of MRP payments with the new policy, which will be during 2021/22. This policy continues the County Council's prudent approach of repaying expenditure financed by borrowing sooner, on a straight line basis.

5.4 The County Council will continue to apply the Asset Life or Depreciation Method (which are Options 3 and 4 from the range provided by the Guidance) in respect of unsupported capital expenditure funded from borrowing. Where the borrowing is in effect a bridging loan from a guaranteed future income source, such as Section 106 Developers Contributions, MRP will not be applied.

5.5 MRP in respect of leases and Private Finance Initiative (PFI) schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

5.6 Capital expenditure incurred during 2021/22 will not be subject to an MRP charge until 2022/23.

5.7 Based on the Authority's latest estimate of its CFR on 31 March 2021, the budget for MRP has been set as follows:

Table 7: MRP Budget

	31/03/2021 Estimated CFR £M	**2021/22 Estimated MRP £M**
Supported Capital Expenditure	455	6
Unsupported Capital Expenditure After 31/03/2008	177	10
Finance Leases and PFI	141	8
Transferred Debt	27	1
Total General Fund	**800**	**25**

6. Treasury Management

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

6.2 The County Council has potentially large exposures to financial risks through its investment and borrowing activity, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy (TMS).

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

6.4 The County Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. It therefore invests its funds prudently and has regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

6.5 The County Council's TMS, included as Appendix 10, to this report is scrutinised by the Audit Committee and approved by the County Council each year. Actual performance is reviewed by the Audit Committee and reported to Cabinet and County Council.

7. Investments for Service Purposes

7.1 The County Council's Commercial Strategy was set out in the update of the MTFS presented to Cabinet and County Council in October and November 2019. A summary of the Strategy is outlined below.

7.2 There are four main areas where the County Council has sought to generate additional income to help close the budget deficit:

- Charging users for the direct provision of services.
- Investing money or using assets to generate a return.
- Expanding traded services to other organisations.
- Developing Joint Ventures (JVs) that yield additional income or generate a return.

7.3 The second and fourth approaches listed above directly relate to this Capital and Investment Strategy, although it is the first and third approaches that contribute the most income on an annual basis to support the County Council's financial position. This is a deliberate outcome of the overall strategy and has been achieved through the pursuit of a range of initiatives targeting increased income generation but without overexposing the Council to excessive risk or considering radical changes that take the County Council into areas that are not its core business, or indeed pursuing more niche opportunities that simply do not offer with any confidence anything like the scale of income to merit the effort and upfront investment.

Pooled Funds

7.4 Faced with a historically low interest rate environment, the County Council decided, as part of the 2014/15 strategy, to earmark £90m of its cash balances for investments appropriately targeting a higher yield of around 4%. The County Council agreed to increase this amount to £200m in 2017 and to £235m in 2019 and a further increase to £250m is now proposed. This is in addition to £15m of long term investments that had been made for the Street Lighting PFI scheme. Higher yields can be accessed through investments in assets other than cash, such as equities, bonds and property. The County Council has made investments in property, equity and multi-asset funds, as well as long term investments with other local authorities and as part of the Manydown programme.

7.5 The principal mitigation for risk is ensuring that investments in non-cash assets are held as long-term investments. This will enable the initial costs of any investment and any periods of falling capital values to be overcome. In order to be managed as long term investments, the amounts invested need to be taken from the County Council's most stable cash balances. The allocation of £250m has been based on a prudent assessment of the Council's investment balances and liquidity requirements.

7.6 The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the County Council's treasury management advisor, who recommend that the County Council diversifies its investments targeting a higher return between asset classes. This is to mitigate the loss of capital value, so that there is no over exposure to an event that impacts the value of investments in a particular asset class, such as a fall in property prices.

7.7 The County Council utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. The County Council could build its own direct portfolios of these investments, such as property, however, its total allocation of £250m for a diversified portfolio would not enable this to be done efficiently and effectively with the appropriate risk mitigation. Pooled funds are managed by external specialist investment managers who are best placed to select the particular investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

Utilising Property Assets

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

7.9 In addition to property rationalisation, the County Council is also making more efficient use of its existing office space. Investment in new technology as part of the Enabling Productivity Programme together with improved fire safety measures have increased the capacity of the Castle complex. The strategy for office accommodation is currently under review in the light of changing ways of working, partly driven by the response to the coronavirus pandemic.

Developing Joint Ventures

7.10 There are a number of opportunities that the County Council can pursue either through its land holdings or through the relationships it has with partners or contractors that look at new and innovative ways of generating a financial return. To date the County Council has been helpful in responding to Borough Council Local

Planning Authority requests for the potential use of its public land holdings for potential residential development. This will continue the stream of substantial capital receipts the County Council has benefitted from over recent decades to enable it to reinvest in existing services and ongoing transformation initiatives.

7.11 In addition, an alternative avenue that the County Council is currently actively pursuing in two cases is to become even more active and influential in the market of delivering homes across the county on some of its key sites. This will have the benefit of not only giving greater influence and certainty in the types and rates of homes, neighbourhoods and infrastructure and facilities being developed on its land but also the potential for greater certainty in the programming of development and receipts through economic cycles. Furthermore, it will also offer the County Council the advantage of considering whether it wishes to benefit from capital or revenue receipts from development and residential assets or combinations of the two, depending on individual sites and its own circumstances.

7.12 The largest site is Manydown in Basingstoke and in May 2016 the County Council, along with joint landowner Basingstoke and Deane, secured the allocation of the initial Manydown Phase 1 development for up to 3,520 dwellings to be provided in the period up to 2029. Following public consultation that has enabled the finalisation of a development masterplan, planning approval is now being sought to take the site forward.

7.13 Another area that the County Council can look to exploit is the relationships it has with its partners and contractors. There is already a long standing relationship with our waste disposal contractors Veolia that includes innovative ways of generating income for both parties. The long term contract allows the use of surplus capacity at our waste facilities for commercial purposes for which the County Council receives an income share. Similarly, provisions are in place for working with our highways maintenance contractor Skanska to develop joint ventures linked to the existing contract that will yield additional income for both parties. A third example is the superfast broadband contract with BT Openreach that includes mechanisms that provide a rebate to the County Council when take up is greater than the original estimates in Openreach's commercial bid. To date, rebates and savings have added a further £6.3m of delivery to the programme without requiring additional capital funding from the County Council and further rebates are expected in the next few years.

7.14 With the primary aim of improving economic prosperity and related infrastructure within Hampshire, the County Council may consider granting loans to other organisations. To date, loans totalling £9.5m at market rates of interest have been approved to the Enterprise M3 Local Enterprise Partnership (EM3 LEP) and Farnborough International Ltd.

7.15 The development of all these opportunities is reported to Cabinet and, if additional capital schemes are proposed, County Council approval is sought to add them to the Capital Programme.

8. Knowledge and skills

8.1 The County Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions in accordance with the approved strategies. Performance against targets and learning and development needs are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

8.2 Staff attend training courses, seminars and conferences provided by the Chartered Institute of Public Finance and Accountancy (CIPFA), Arlingclose and other providers. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.

8.3 CIPFA's Code of Practice requires that the County Council ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. All Members were invited to a workshop presented by Arlingclose in December 2020, which gave an update of treasury matters. A further Arlingclose workshop has been planned for 2021.

Investment Advisers

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

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

9.1 This Capital and Investment Strategy has been developed alongside the TMS (Appendix 10) and the Reserves Strategy (Appendix 7). Together, they form an integrated approach adopted by the County Council to balance the need for capital investment to support service priorities with consideration of affordability and the consequent impact on the revenue budget, whilst recognising and managing risk to an acceptable level.

9.2 The forward planning of capital investment and its funding, including being in a position to maximise the use of external grants, contributions and capital receipts, together with the process of regular monitoring of actual income, expenditure, and project progress, provides assurance to the Deputy Chief Executive and Director of Corporate Resources that the proposed Capital Programme is prudent, affordable and sustainable.

10. Links to Statutory Guidance and Other Information

10.1 The Local Government Act 2003, Section 15(1) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] require Local Authorities to have regard to the following guidance:

- Ministry of Housing, Communities & Local Government (MHCLG) - Local Government Investment* MHCLG Investment.
- CIPFA's Prudential Code 2017
- CIPFA's Treasury Management Code 2017

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

10.2 The County Council includes its non-treasury management Investment Strategy within this Capital Strategy. The TMS is a separate document reported to Cabinet and County Council, (Appendix 10).

10.3 The proposed Capital Programme is a separate document presented to Cabinet and County Council in a separate report elsewhere on this Agenda.

Treasury Management Strategy Statement 2021/22 to 2023/24

1. Summary

1.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 (the CIPFA Code) requires authorities to determine their Treasury Management Strategy Statement (TMSS) before the start of each financial year.

1.2. This Strategy fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3. The purpose of this TMSS is, therefore, to present for approval the Treasury Management Strategy (including the Annual Investment Strategy) for 2021/22 to 2023/24; and the remainder of 2020/21

2. Introduction

2.1. In 2018 the Ministry of Housing, Communities & Local Government (MHCLG) produced new Investment Guidance including the requirement to produce an Investment Strategy. The County Council's Capital and Investment Strategy (Appendix 9) sets out the Council's broad approach to investment, including its capital programme, how this is funded, and investments held for service purposes or for commercial profit.

2.2. This Treasury Management Strategy (TMS) supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and investments, and the associated risks.

2.3. The County Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the County Council's prudent financial management.

2.4. Treasury risk management at the County Council is conducted within the framework of the CIPFA Code which requires the County Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This Strategy fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2.5. Investments held for service purposes or for commercial profit are considered in the Capital and Investment Strategy (Appendix 9).

3. External Context

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

Economic Background

3.2. The impact of the Covid-19 pandemic and the UK's exit from the European Union will continue to be a major influence on the County Council's TMS for 2021/22.

3.3. The Bank of England's (BoE) Monetary Policy Committee (MPC) met in December 2020 and voted unanimously to hold Bank Rate at 0.10% and to maintain its Quantitative Easing asset purchase programme at £895m. The MPC identified that the successful trialling of some Covid-19 vaccines was likely to reduce the downside risks to the economic outlook, but that economic activity had been affected by the increase in Covid-19 cases and reimposition of restrictions resulting in an unusually uncertain outlook for the economy, an outlook that will have been further affected by the subsequent national lockdown in January 2021.

3.4. Gross Domestic Product (GDP) grew by 16.0% in Quarter 3 after suffering a fall of 18.8% in the previous quarter, reflecting the easing of restrictions throughout the summer of 2020, although this had already slowed to 1.1% in September and 0.4% in October, leaving it 8% below its level in Quarter 4 of 2019.

3.5. UK Consumer Price Inflation (CPI) for November 2020 registered 0.3% year on year, down from 0.7% in the previous month and well below the BoE's target of 2%.

3.6. The most recent labour market data for the three months to October 2020 showed the unemployment rate was 4.9%, up 0.7% on the previous quarter. The government's employment support schemes may limit near term rises in unemployment, but the BoE predicts a substantial further increase is still likely. The employment rate fell to 72.5% in October and the three month average annual growth rate for wages was 2.1% for regular pay in real terms.

Credit Outlook

3.7. After spiking in late March 2020 due to the onset of the global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Bank profitability in 2020 is likely to be significantly lower than in previous years as a result of significant provisions for potential losses resulting from the pandemic.

3.8. The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

3.9. Looking forward there remains the potential risk for bank losses to be greater than expected when government and central bank support starts to be removed and Arlingclose therefore advises a cautious approach to bank deposits in 2021/22.

Interest Rate Forecast

3.10. The Council's treasury management adviser Arlingclose is forecasting that the Bank Rate will remain at 0.10% until at least the end of 2023. Downside risks remain, however, and may be heightened in the short term as the UK reacts to the escalation in coronavirus infection rates and the end of the Brexit transition period, therefore cuts to 0% or even into negative territory cannot be completely ruled out.

3.11. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

4. Balance Sheet Summary and Forecast

4.1. On 31 December 2020, the County Council held £306m of borrowing and £482m of investments. This is set out in further detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below:

Table 1: Balance Sheet Summary and Forecast

	31/03/20 Actual £M	**31/03/21 Estimate £M**	**31/03/22 Forecast £M**	**31/03/23 Forecast £M**	**31/03/24 Forecast £M**
Capital Financing Requirement	783	800	805	774	752
Less: Other Long-term Liabilities					
- Street Lighting PFI	(100)	(96)	(91)	(86)	(81)
- Waste Management Contract	(49)	(46)	(42)	(38)	(34)
Borrowing CFR	**634**	**658**	**672**	**650**	**637**
Less: External Borrowing					
- Public Works Loan Board	(229)	(218)	(208)	(200)	(192)
- Other Loans (incl. LOBOs)	(45)	(41)	(41)	(41)	(41)
- Other Short-term Borrowing	(33)	(33)	(33)	(33)	(33)
Internal Borrowing	**327**	**366**	**390**	**376**	**371**
Less: Reserves and Balances	(643)	(641)	(647)	(615)	(615)
Less: Allowance for Working Capital	(227)	(79)	(154)	(230)	(230)
Resources for Investment	**(870)**	**(720)**	**(801)**	**(845)**	**(845)**
(Treasury Investments) / New Borrowing	**(543)**	**(354)**	**(411)**	**(469)**	**(474)**

4.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The County Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

4.3. It is forecast that the County Council will continue to take advantage of internal borrowing, which will increase through until 2021/22, whilst paying off Public Works Loan Board (PWLB) debt as maturities arise.

4.4. Reserves and balances are forecast to reduce over the period due to the anticipated funding of the Capital Programme and use of the Budget Bridging Reserve (BBR) as part of the Council's Reserves Strategy as set out in Appendix 7. The County Council's investment balances are due to rise over the forecast period, however, as all employer's Local Government Pension Scheme (LGPS) pension contributions were paid early in April 2020 for the period to March 2023.

4.5. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the County Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the County Council expects to comply with this recommendation during 2021/22.

5. Borrowing Strategy

5.1. The County Council currently holds £305.6m of loans, including amounts held on behalf of others for governance or administrative purposes. The loans are predominantly as a result of the County Council's strategy for funding previous years' Capital Programmes. The balance sheet forecast in Table 1 shows that the County Council does not expect to need to take on new external borrowing in 2021/22. The County Council has the option to borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £980m, but does not currently expect to do so.

Objectives

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

Strategy

5.3. Given the significant cuts to public expenditure and in particular to local government funding, the County Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, the County Council expects to continue its approach of internally borrowing instead of taking on additional external borrowing.

5.4. By internally borrowing, the County Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. Arlingclose will assist the County Council in regularly monitoring the benefits of this approach against taking on short term external borrowing and the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

5.5. The County Council has previously raised the majority of its long-term borrowing from the PWLB. The County Council does not expect to take on any new long-term borrowing in 2021/22, however alternatives to the PWLB should the County Council need to borrow any long-term amounts include banks, pension funds and local authorities, as well as the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code. A further alternative to internal borrowing would be for the County Council to use short term borrowing if necessary. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield however, the County Council intends to avoid this activity.

5.6. The County Council may also arrange forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

5.7. In addition, the County Council may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

Sources

5.8. The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility (formerly the Public Works Loan Board).
- Any institution approved for investments (see below).
- Any other bank or building society authorised to operate in the UK.
- Any other UK public sector body.
- UK public and private sector pension funds (except Hampshire Pension Fund).
- Capital market bond investors.
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

Other Sources of Debt Finance

5.9. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing.
- Hire purchase.
- Private Finance Initiative (PFI).
- Sale and leaseback.

LOBOs

5.10. The County Council holds £20m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost.

5.11. All of these loans have options during 2021/22, and although the County Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The County Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to the current level of £20m.

Short-term and Variable Rate Loans

5.12. These loans leave the Council exposed to the risk of short-term interest rate rises. This risk is monitored through the indicator on interest rate exposure in the treasury management indicators in this report.

Debt Rescheduling

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

6. Investment Strategy

6.1. The County Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the County Council's investment balance has ranged between £335m and £648m.

6.2. These balances have been lower than the County Council would typically hold due to the decision to pay employer's LGPS pension contributions in advance on 1 April 2020 for the three year period to March 2023 at a cost of approximately £225m. This payment was made without impacting liquidity and with the additional benefit of reducing counterparty risk.

Objectives

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

Negative Interest Rates

6.4. The Covid-19 pandemic has increased the risk that the BoE will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options, and in some instances negative interest rates are already being seen. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

6.5. Given the increasing risk and very low returns from short-term unsecured bank investments, the County Council aims to continue to be diversified in more secure and/or higher yielding asset classes during 2021/22. This is especially the case for the estimated £350m that is available for longer term investment.

6.6. Approximately 82% of the County Council's surplus cash at 31 December 2020 is invested so that it is not subject to bail-in risk, as it is invested in local authorities, secured bank bonds and pooled property, equity and multi-asset funds.

6.7. Of the 18% of cash that was subject to bail-in risk at 31 December 2020, 23% was held in very short-term notice accounts providing a comparatively favourable rate of interest in exchange for a short notice period within the 35-day maximum recommended by Arlingclose, 49% was held in overnight money market funds and cash plus funds which are subject to a reduced risk of bail-in, and 28% was held in overnight bank call accounts for liquidity purposes. This diversification is a continuation of the strategy adopted in 2015/16. Further detail is provided at Annex B.

Business Models

6.8. Under the new IFRS 9, the accounting for certain investments depends on the 'business model' for managing them. The County Council aims to achieve value from its internally managed treasury investments through a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Investments Targeting Higher Returns

6.9. The County Council agreed in 2019 to increase the amount of its cash balances earmarked for investments targeting higher yields of around 4% to £235m. As set out in the Capital and Investment Strategy, it is now felt appropriate to increase this to £250m.

6.10. The CIPFA Code requires the County Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest yield. As a result, the County Council's investments targeting higher yields have been made from its most stable balances and with the intention that they will be held for at least the medium term. This means that the initial costs of any investment and any periods of falling capital values can be overcome and mitigates the risk of having to sell an asset for liquidity purposes, helping to ensure the long term security of the County Council's investments.

6.11. Higher yields can be targeted through longer term cash investments and by investing in asset classes other than cash. Following advice from Arlingclose, the County Council has constructed an investment portfolio that is diversified across asset classes and regions. This has been achieved by investing in pooled investment vehicles (pooled funds) alongside long term lending to other local authorities and loans relating to the Manydown development project. This diversification helps to mitigate the risk of overexposure to a single event affecting a specific asset class.

6.12. The use of pooled funds also enables the County Council to achieve a greater degree of diversification than could effectively be achieved by directly owning individual assets. Pooled funds are managed by specialist external fund managers who are best placed to select and manage investments, for example with property investments in selecting appropriate buildings and then managing the relationship with tenants and the maintenance of those buildings.

6.13. Diversification in itself does not guarantee positive outcomes. The selection of pooled funds is carefully managed to target funds with a strong performance track record and objectives that are well aligned to the County Council's aim of achieving income returns of around 4% per annum without putting its initial investment at undue risk over the longer term. The County Council is therefore currently invested in pooled funds that specialise in providing income returns to support the revenue budget. As a result of their income focus these funds may not achieve the same capital growth and therefore total return, as other more general investment funds, however they are likely to deliver significantly greater income returns than cash investments, particularly in the current interest rate environment.

6.14. The investible universe for pooled funds is vast and part of the service provided by Arlingclose as treasury advisors is to conduct research and suitable due diligence on pooled funds prior to making recommendations to their clients.

6.15. Past performance does not guarantee that funds can replicate successful outcomes in future and knowing which funds will perform well is not an exact science. The County Council will therefore continue to conduct its own ongoing review and scrutiny of the performance of its pooled fund investments. The County Council will also discuss these investments regularly with Arlingclose, who provide advice based on regular meetings with representatives from the pooled funds and their own ongoing due diligence on areas such as performance and investment style, strategy and process.

6.16. Just over £200m of the allocation to higher yielding investments has now been invested, with the remaining balance earmarked. The total amount invested includes £6m invested on behalf of the Thames Basin Heaths Joint Strategic Partnership Board (TBH JSPB), where the County Council acts as the administrative body. Any investments made from cash held on behalf of the TBH JSPB are made with the agreement that the TBH JSPB has received its own financial advice and assumes all risks associated with these investments.

6.17. The increase in the amount earmarked for higher yielding investments to £250m set out in the Capital and Investment Strategy will allow the County Council to continue to invest its investment balances appropriately and also to invest balances held on behalf of the TBH JPSB in line with their instructions.

6.18. The current portfolio of investments targeting higher yields is summarised in Table 2:

Table 2: Investments Targeting Higher Yields Portfolio

	Amount Invested (*)	**Market Value at 31/12/2020**	**Gain / (Fall) in Capital Value**
	£M	**£M**	**%**
Fixed Deposits	21.5	21.5	**0.0**
Pooled Property Funds	75.0	73.2	**(2.4)**
Pooled Equity Funds	50.0	47.0	**(5.9)**
Pooled Multi-Asset Funds	48.0	46.5	**(3.2)**
Total	**194.5**	**188.2**	**(3.2)**

* Excludes £6m invested in pooled funds on behalf of TBH JSPB

6.19. The County Council's investments in pooled funds bring significant benefits to the revenue budget, with over £25m of dividends earned since it first made these investments. Capital values have shown a strong recovery since the lows experienced in March 2020 as a result of the coronavirus pandemic and even though capital values remain below the amount originally invested, the dividends earned mean the total return is significantly positive. The total return for pooled funds since purchase was 14.31% at 31 December 2020.

6.20. At the current time, given the medium to long term nature of the investments, it is unlikely that a capital loss would ever be realised, since the County Council would avoid selling investments that realised a capital loss.

6.21. In addition to the risk of realising a capital loss, changes to IFRS 9 mean that capital gains and losses on investments need to be reflected in the revenue account on an annual basis, although there is currently a statutory override in place for local authorities that exempts them from complying with this requirement for the next three years.

6.22. When the County Council began to specifically target higher returns from a proportion of its investments, it also established an Investment Risk Reserve to mitigate the risk of an irrecoverable fall in the value of these investments. The balance held in this reserve is currently approximately £5m. This equates to about 2.5% of the amount invested, or 2.0% of the total earmark of £250m. The County Council intends to continue to contribute towards the Investment Risk Reserve when required to ensure 2.5% of the total amount invested is held in reserve (in line with the recommendation of 2.5% for the general fund balance).

6.23. In the short term the County Council continues to take a prudent approach to forecasting income returns from its investments targeting higher yields, anticipating lower percentage returns than in previous years, due to the ongoing impacts of the coronavirus pandemic on property rents, company dividends and other sources of income being sought by its pooled fund investment managers.

6.24. However, even if the target of 4% per annum is not delivered in the short term, the County Council expects to achieve significantly greater income returns from these investments than from the rest of its investment portfolio and has achieved an average income return of 4.51% per annum form its pooled fund investments since purchase. Table 3 provides an example of the difference in the annualised average income return from the higher yielding strategy at 31 December 2020 and the returns being achieved on the County Council's other investments at that date.

Table 3: Weighted Average Returns and Indicative Annualised Income

	Cash Balance 30/12/2020 £M	Weighted Average Return %	Annualised Income £M
Short-term and Long-term Cash Investments	281.6	0.44	1.24
Investments Targeting Higher Yields	200.5	3.89	7.80
Total	**482.1**	**1.88**	**9.04**

6.25. The annualised average returns for pooled funds shown in Table 3 include the period prior to the coronavirus pandemic and the County Council is taking a more prudent approach when forecasting income returns for 2020/21. This is following advice from Arlingclose on the potential impact that the pandemic has had and will continue to have on the ability of pooled funds to deliver against their income targets in the short term. Any shortfall at the end of the year to the budgeted income will be met from the Covid-19 financial response package.

Investment Limits

6.26. The maximum that will be lent to any one organisation (other than the UK Government) will be £70m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers as shown in Table 4:

Table 4: Investment Limits

	Cash Limit
Any single organisation, except the UK Central Government	£70m each
UK Central Government	Unlimited
Any group of pooled funds under the same management	£175m per manager

Approved Counterparties

6.27. The County Council may invest its surplus funds with any of the counterparty types in Table 5 overleaf, subject to the limits shown:

Table 5: Sector and Counterparty Limits

Sector	Time Limit	Counterparty Limit	Sector Limit
The UK Government	30 years	Unlimited	N/A
Local authorities & other government entities	25 years	£70m	Unlimited
Secured investments *	25 years	£70m	Unlimited
Banks (unsecured) *	13 months	£35m	Unlimited
Building societies (unsecured) *	13 months	£35m	£70m
Registered providers (unsecured) *	5 years	£35m	£70m
Money market funds *	N/A	£70m	Unlimited
Strategic pooled funds	N/A	£70m	£350m
Real estate investment trusts	N/A	£35m	£70m
Other investments *	5 years	£35m	£70m

This table must be read in conjunction with the notes below

Minimum Credit Rating

6.28. Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant known factors including external advice will be taken into account.

6.29. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Government

6.30. Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 30 years.

Secured Investments

6.31. Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

Banks and Building Societies (Unsecured)

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

Registered Providers (Unsecured)

6.33. Loans and bonds issued by, guaranteed by, or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Money Market Funds

6.34. Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the County Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.

Strategic Pooled Funds

6.35. Shares or units in diversified investment vehicles consisting of bond, equity and property investments. These funds offer enhanced returns over the longer term but are more volatile in the short term and allow the County Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. This sector also includes cash plus funds which are also a type of pooled fund, but are used for short-term funds, with a lower risk appetite. Because strategic pooled funds have no defined maturity date but are available for withdrawal after a notice period; their performance and continued suitability in meeting the County Council's investment objectives will be monitored regularly.

Real Estate Investment Trusts (REITs)

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

Other Investments

6.37. This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the County Council's investment at risk.

Operational Bank Accounts

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

Risk Assessment and Credit Ratings

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

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

6.40. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

6.41. The County Council understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press and analysis and advice from the County Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

6.42. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the County Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the County Council's cash balances, then the surplus will be deposited with the UK Government, via the Debt

Management Office, or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Liquidity Management

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

6.44. The County Council will spread its liquid cash over at least four providers (for example bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider, except in cases of extreme market stress whereby the County Council will be able to invest all of its liquid cash in one provider only, being the Debt Management Office.

7. Treasury Management Indicators

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

Interest Rate Exposures

7.2. The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

Table 6: Interest Rate Risk Indicator

	31 December 2020 £M	**Impact of +/- 1% Interest Rate Change £M**
Sums Subject to Variable Interest Rates		
Investment	429.9	+ / - 4.3
Borrowing	20.0	+ / - 0.2

Maturity Structure of Borrowing

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

Table 7: Refinancing Rate Risk Indicator

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

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

Principal Sums Invested for Periods Longer Than a Year

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

Table 8: Price Risk Indicator

	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£350m	£330m	£300m

8. Related Matters

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

Financial Derivatives

8.2. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (for example interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (for example LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

8.3. The County Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the County Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

8.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit. The use of financial derivatives is not planned as part of the implementation of the TMSS and any changes to this would be reported to Members in the first instance.

8.5. In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Investment Advisers

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

Markets in Financial Instruments Directive

8.7. The County Council has opted up to professional client status with its providers of financial services, including advisers, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the County Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status

Annex A - Arlingclose Economic & Interest Rate Forecast December 2020

Underlying assumptions:

- The medium-term global economic outlook has improved with the distribution of vaccines, but the recent upsurge in coronavirus cases has worsened economic prospects over the short term.
- Restrictive measures and further lockdowns are likely to continue in the UK and Europe until the majority of the population is vaccinated by the second half of 2021. The recovery period will be strong thereafter, but potentially longer than previously envisaged.
- Signs of a slowing UK economic recovery were already evident in UK monthly GDP and PMI data, even before the second lockdown and Tier 4 restrictions. Employment is falling despite an extension to support packages.
- The need to support economic recoveries and use up spare capacity will result in central banks maintaining low interest rates for the medium term.
- Brexit will weigh on UK activity. The combined effect of Brexit and the after-effects of the pandemic will dampen growth relative to peers, maintain spare capacity and limit domestically generated inflation. The Bank of England will therefore maintain loose monetary conditions for the foreseeable future.
- Longer term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid longer-term inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or the deployment of vaccines.

Forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain, and indeed appear heightened, in the near term, as the government reacts to the escalation in infection rates and the Brexit transition period ends.

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Official Bank Rate													
Upside risk	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3-month money market r													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	0.30	0.40	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
1yr money market rate													
Upside risk	0.05	0.05	0.10	0.10	0.15	0.20	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	0.15	0.15	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Downside risk	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
5yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.20	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	0.40	0.45	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
10yr gilt yield													
Upside risk	0.30	0.35	0.40	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.25	0.30	0.35	0.35	0.40	0.40	0.45	0.45	0.50	0.55	0.55	0.55	0.60
Downside risk	0.50	0.50	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
20yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.90	0.90
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
50yr gilt yield													
Upside risk	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70	0.70
Arlingclose Central Case	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.80	0.80
Downside risk	0.30	0.30	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B - Existing Investment & Debt Portfolio Position at 31 December 2020

Investment Position (Treasury Investments)

Investments	Balance 30/09/2020 £M	Movement £M	Balance 31/12/2020 £M	Rate 30/12/2020 %	WAM (*) 31/12/2020 Years
Short Term Investments					
- Banks and Building Societies:					
- Unsecured	23.5	21.7	45.2	0.03	0.0
- Money Market Funds	58.6	(25.8)	32.8	0.01	0.0
- Local Authorities	105.0	28.0	133.0	0.41	0.6
- Cash Plus Funds	10.0	0.0	10.0	1.23	0.0
	197.1	**23.9**	**221.0**	**0.31**	**0.4**
Long Term Investments					
- Banks and Building Societies:					
- Secured	30.6	0.1	30.7	0.35	1.7
- Local Authorities	25.0	4.9	29.9	1.51	1.3
	55.6	**5.0**	**60.6**	**0.92**	**1.5**
Long Term Investments – high yielding strategy					
- Local Authorities	21.5	0.0	21.5	4.31	12.8
- Pooled Funds					
- Pooled property**	77.0	0.0	77.0	3.51	N/A
- Pooled equity**	52.0	0.0	52.0	4.46	N/A
- Pooled multi-asset**	46.0	4.0	50.0	3.69	N/A
	196.5	**4.0**	**200.5**	**3.89**	**12.8**
Total Investments	**449.2**	**32.9**	**482.1**	**1.88**	**1.1**

* WAM - Weighted Average Maturity

** The rates provided for pooled fund investments are reflective of the average dividend return over the last 12 months.

	Balance 31/12/2020 £M	Average Rate 31/12/2020 %
External Borrowing		
PWLB Fixed Rate	(223.5)	(4.73)
Other Loans (including LOBO Loans)	(41.3)	(4.34)
Other Short-term Borrowing (*)	(40.8)	N/A)
Total External Borrowing	**(305.6)**	**(4.67)**
Other Long-Term Liabilities:		
Street Lighting PFI	(95.6)	
Waste Management Contract	(45.9)	
Total Other Long-Term Liabilities	**(141.5)**	
Total Gross External Debt	**(447.1)**	
Investments	**482.1**	**1.88**
Net (Debt) / Investments	**35.0**	

* Includes balances held by the County Council on behalf of others for governance or administrative reasons.

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Consultation

The County Council has been planning for the next round of budget savings for some time and during 2019 developed a range of savings options that were designed to balance the estimated £80m deficit in the 2021/22 budget. These proposals were consulted on during the summer of 2019.

The Medium Term Financial Strategy (MTFS) report was presented to Cabinet on 15 October 2019 and contained a summary of the headline findings from the '*Serving Hampshire – Balancing the Budget*' Consultation which ran for six weeks from 5 June to the 17 July 2019.

The Consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, Transformation to 2021 (Tt2021) in order to inform the overall approach to balancing the budget by 2021/22 and making the anticipated £80m additional savings required by April 2021.

The public consultation sought residents' and stakeholders' views on options for managing the anticipated budget shortfall. The options necessarily extended beyond cost reduction and income raising possibilities to areas such as council tax increases, possible legislative changes and the organisation (structure) of local government in Hampshire.

These additional options could help to inform the approach the County Council takes to delivering savings beyond 2021/22. With the squeeze on public finances anticipated to extend further into this decade following the impact of Covid-19and the general uncertainties that surround Brexit, the County Council has already started work on the Savings Programme for 2023 to address the anticipated shortfall in the budget..

The consultation sought residents' and stakeholders' views on several options that could contribute towards balancing the revenue budget, and any alternatives not yet considered – as well as the potential impact of these approaches. The consultation was clear that a range of options would be needed to meet the required £80m savings by 2021. For example, the Information Pack illustrated the amount of savings that would still be required even if council tax was increased by up to 10%.

The options were:

- Reducing and changing services.
- Introducing and increasing charges for some services.
- Lobbying central government for legislative change.
- Generating additional income.
- Using the County Council's reserves.
- Increasing council tax.
- Changing local government arrangements in Hampshire.

Information on each of the above approaches was provided in an Information Pack. This set out the limitations of each option, if taken in isolation, to achieving required savings. For example, supporting information explained that the £80m estimated budget shortfall took into account an assumed increase in ‘core’ council tax of 4.99% at that time in both 2020/21 and 2021/22. The Pack also explained that if central government were to support changing local government arrangements in Hampshire, savings would still take several years to be realised. Residents were similarly made aware that the use of reserves would only provide a temporary fix, providing enough money to run services for around 27 days at that time.

Therefore, whilst each option offers a valid way of contributing in-part to balancing the budget, plugging the estimated £80m gap in full would inevitably require a combination of approaches.

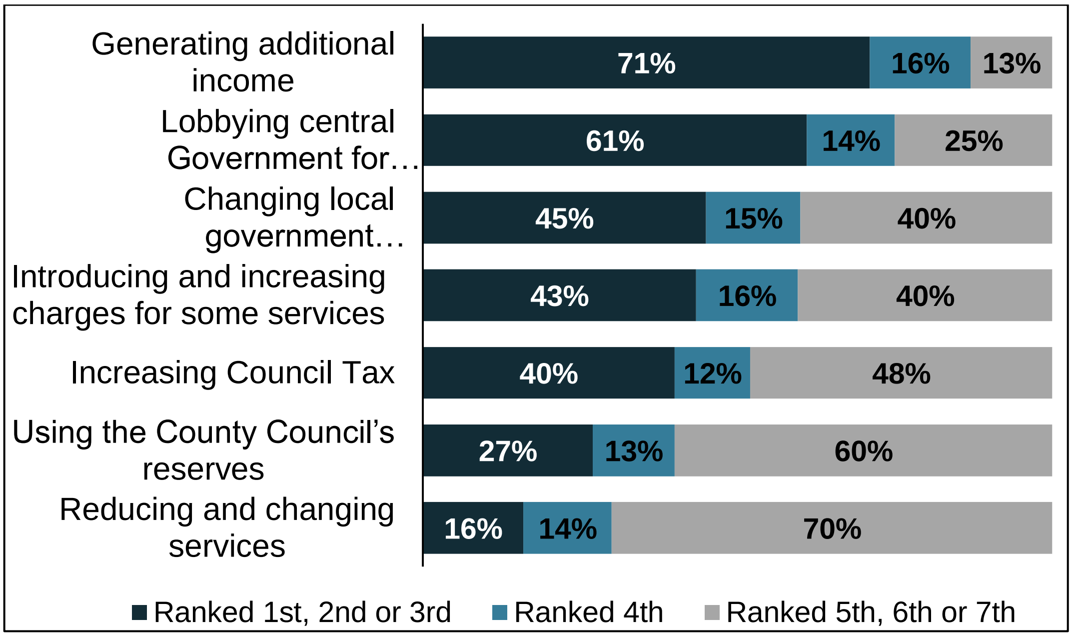
A total of 5,432 responses were received to the consultation – 4,501 via the Response Forms and 931 as unstructured responses through email, letter and social media.

Headline findings from the consultation are set out below and the full findings report is also available:

- The majority of respondents (52%) agreed that the County Council should continue with its current **financial strategy**. This involves **targeting resources on the most vulnerable** people; **planning ahead** to secure savings early and enable investment in more efficient ways of working; and the **careful use of reserves** to help address funding gaps and plug additional demand pressures e.g. for social care.
- Achieving the required savings is likely to require a multi-faceted approach. However, respondents would prefer that the County Council seeks to explore all other options before pursuing proposals to reduce and change services – in particular, opportunities to **generate additional income** and **lobby central government for legislative change**.
- Just over one in three respondents (37%) agreed with the principle of **reducing or changing services** - but the proportion who disagreed was slightly higher (45%) - Of all the options, this was respondents’ **least preferred**.
- Around half of respondents **(52%) agreed** with the principle of **introducing and increasing charges** to help cover the costs of running some local services, but over one-third (39%) felt that additional charges should not be applied.
- Respondents were in favour of **lobbying central government** to allow charging in some areas:
  - 66% agreed with charging for issuing Older Person’s Bus Passes.
  - 64% agreed with charging for Home to School Transport (HtST).
  - 56% agreed with diverting income from speeding fines or driver awareness courses.
- However, in other areas, opinions were more mixed:
  - 42% agreed and 43% disagreed with recouping 25% of concessionary fares.
  - Most did not feel that it would be appropriate to lobby for charges relating to library membership (60% disagreement) or Household Waste Recycling Centres (HWRCs) (56% disagreement).

- Overall, lobbying for legislative change to enable charging was respondents' **second preferred option**.
- Of all the options presented, generating additional income was the **most preferred option**. Suggestions included:
  - Improving the efficiency of council processes.
  - Increasing fees or charges for services.
  - Using council assets in different ways.
  - Implementing new, or increasing existing, taxes.
  - Lobbying central Government for more funding.
- Six out of ten respondents (61%) agreed with the position that **reserves should not be used** to plug the budget gap.
- Most respondents (55%) preferred the County Council to raise c**ouncil tax** by less than 4.99%. This compared to 34% of respondents whose first choice was to raise council tax by 4.99%. There was limited support for a rise in council tax above this level (14%).
- More than half of those who responded **(61%) agreed** that consideration should be given to **changing local government arrangements in Hampshire**.
- One in three (36%) respondents noted **potential impacts** on poverty (financial impacts), age (mainly older adults and children), disability and rurality.
- Staffing efficiencies were the most common focus of **additional suggestions** (31%).
- The 931 unstructured **other responses** to the consultation primarily focused on ways to reduce workforce costs (26% of comments), the impact of national politics on local government (8%), the need to reduce inefficiency (6%) and both support and opposition to council tax increases (7%).

An important element of the consultation was seeking residents and stakeholders' views on the strategy for closing the County Council's budget deficit to 2021/22. The consultation outlined seven options for making anticipated savings and asked respondents to rank these in order of preference. The options were ranked as follows:



The findings from the Consultation were provided to Executive Members and Directors during September 2019, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2019 on the MTFS and Transformation to 2021 (Tt2021) Savings Proposals.

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

Business Consultation

Feedback has been sought from the business community in relation to the County Council's budget proposals for 2021/22, with a focus on issues of significance to the business community.

The consultation acknowledges the status of the 2021/22 budget in that key decisions in respect of savings proposals had already been taken and were agreed by Cabinet and Full Council during November 2019, in order to provide the time and capacity for the savings to be implemented as part of the Tt2021 Programme.

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

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	9 February 2021
Decision Maker:	County Council
Date:	25 February 2021
Title:	Capital Programme 2021/22 to 2023/24
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Rob Carr

Tel: 01962 847508 **Email:** rob.carr@hants.gov.uk

Purpose

1. This report collates the service capital programmes prepared by Executive Members and presents for approval the proposed capital programme for the County Council for 2021/22 and the provisional programmes for the subsequent two financial years.

Recommendation(s)

2. The following decisions are sought, based on the recommendations of the Leader and Cabinet to the County Council, for the capital programme for 2021/22 to 2023/24 and the revised capital programme for 2020/21.
3. A recommendation by Cabinet to County Council that the capital programme for 2021/22 and the provisional programmes for 2022/23 and 2023/24 as set out in Appendix 1 be approved.
4. A recommendation by Cabinet to seek County Council approval for an increase in the value of the Stubbington Bypass scheme from £34.495 million to the value of £39.295 million, noting that the increase of £2 million associated with the impact of Covid-19 is to be funded from the allocation previously approved for that purpose by the County Council in July 2020, with the balance to be funded from a mix of Section 106 developer contributions and local resources.
5. A recommendation by Cabinet to seek County Council approval to add further decarbonisation schemes up to the value of £5.64 million to the CCBS capital programme for 2020/21 funded by grants from the Public Sector Decarbonisation Fund.

6. That, subject to County Council approval to add the decarbonisation schemes to the 2020/21 capital programme, Cabinet give approval to spend in line with the project appraisals in Appendix 2, totalling £2.812 million, for the transition from oil to gas schemes within the schools and corporate estates.

7. That authority is delegated to the Deputy Chief Executive and Director of Corporate Resources to allocate as appropriate the remaining balance of £1.49 million from the approved capital underwriting of up to £5 million to enable existing schemes to continue where there are increased costs resulting from Covid-19.

8. That, within the 2020/21 capital programme, an increased value of £757,250 is approved, for addition to the existing named scheme for Testbourne school in 2020/21, the additional cost relates to the impact of Covid-19 and is funded from the Schools Condition Allocation grant (scheme total now £3.26 million).

County Council is recommended to:

9. Approve the capital programme for 2021/22 and the provisional programmes for 2022/23 and 2023/24 as set out in Appendix 1.

10. Approve an increase in the value of the Stubbington Bypass scheme from £34.495 million to the value of £39.295 million, noting that the increase of £2 million associated with the impact of Covid-19 is to be funded from the allocation previously approved for that purpose by the County Council in July 2020, with the balance to be funded from a mix of Section 106 developer contributions and local resources.

11. Approve the addition of further decarbonisation schemes up to the value of £5.64 million to the CCBS capital programme for 2020/21 funded by grants from the Public Sector Decarbonisation Fund.

Executive Summary

12. This report sets out for approval the proposed capital programme for 2021/22 to 2023/24 of £418 million. It also includes the schemes for the current financial year giving a total programme of some £744 million, one of the largest anywhere in the country.

13. Overall, the proposals in this report are in line with the Medium Term Financial Strategy (MTFS) which ensures that we continue to invest wisely in our existing assets and deliver a programme of new ones in line with overall priorities and need. The County Council's Capital and Investment Strategy is included as Appendix 9 of the revenue budget report and meets the requirements of statutory guidance, revised in 2017 by the Minister for Housing, Communities and Local Government (MHCLG) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

14. This report collates the service capital programmes prepared by Executive Members based on the existing cash limit guidelines for the locally resourced programme, together with schemes funded by Government grants and other external sources.

15. The programme delivers schemes totalling £418 million over the three years from 2021/22 to 2023/24. This follows a revised programme of £326 million for 2020/21, providing a total capital programme of £744 million over the four years, providing a big boost for the local economy through jobs and construction materials. This is a very significant investment in the infrastructure of Hampshire. The proposed programme includes:

- £68 million of investment in new and extended school buildings in Hampshire in the period 2021/22 to 2023/24 to ensure there is a school place for every child in Hampshire
- £118 million for structural maintenance and improvement of roads and bridges in Hampshire over the next three years
- £91 million for integrated transport schemes including over £18 million specifically focused on walking and cycling improvements
- £141 million for major improvement of school and other County Council buildings and land holdings over the next three years
- £33 million for decarbonisation schemes covering solar PV, single to double glazing window replacements, transition from oil to gas and the implementation of heating controls.

16. The detailed capital programmes are included in Appendix 1. A summary of the programme is shown in Table 1:

Table 1 - Proposed capital programme

	Revised 2020/21 £'000	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**	**Total £'000**
Adults' Health & Care	25,376	15,588	481	481	41,926
Children's Services	67,733	39,048	17,417	53,071	177,269
Environment & Transport	127,476	69,368	94,970	45,021	333,629
Culture, Communities and Business Services	105,511	38,232	21,971	21,971	187,685
Total	**326,096**	**162,236**	**134,839**	**120,544**	**743,715**
			417,619		

17. The report shows that the projected payments arising from the capital programme can be financed within the resources available to the County Council including the planned use of prudential borrowing.

18. The proposals take account of the County Council's Capital and Investment Strategy and the Prudential Code for Capital Finance in Local Authorities including the capital financing position, the level of debt outstanding and the consequences for the revenue budget and council tax. The prudential indicators are included in the Capital and Investment Strategy, Appendix 9 of the report on this Agenda on the Revenue Budget.

19. The capital programme is supported by Government grants for schools, highways, transport and disabled facilities. The Secretary of State has yet to announce details of individual local authority basic need capital allocations for the years 2022/23 and 2023/24 and School Condition Allocation (SCA) for the year 2021/22. However, indications are that the 2021/22 SCA allocation will be equal to 2020/21. Devolved Formula Capital (DFC) has yet to be confirmed for 2021/22 but again, expectations are that it will be at a similar level to the 2020/21 allocation.

20. The Department for Transport (DfT) has yet to confirm future allocations for Integrated Transport, Structural Maintenance, Pothole Fund and Band 3 (highest band) recipients of its Incentive Fund. For planning purposes, it is assumed that these allocations will total £32.9 million for each of the next three years. The County Council has historically had a great deal of success in securing Local Growth Funding (LGF) from both the EM3 and Solent Local Enterprise Partnerships (LEPs). Due to the lack of additional Local Growth Funding being made available to the LEPs by central government, the total value of funding from this source has reduced from recent years to £0.7 million. However, £34.6 million has been awarded from the second tranche of the Transforming Cities Fund over the next two years and confirmation has recently been received of £3.28 million of DfT Tranche 2 Active Travel Fund.

21. The Disabled Facilities Grant (DFG) forms part of the Better Care Fund (BCF) – Pooled budget which is overseen by the Hampshire Health and Wellbeing Board. The Secretary of State has not yet announced details of individual local authority capital allocations for 2021/22. For planning purposes, the 2021/22 programme assumes £12.56 million in line with the 2020/21 allocation.

22. The other main technical points of this report are:

- The capital programmes proposed by Executive Members are in line with the guidelines for the locally resourced capital programme.
- Prudential borrowing will total £318 million by 2024/25. The repayment of the 'bridging loans' (pending capital receipts) included in this total will depend in part on the continued recovery of the property market. The current assumptions are that the bridging loans will be fully repaid by 2024/25.

- The prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance
- The capital receipts assumed for this report are primarily for the sale of sites already earmarked to rationalisation schemes or to repay previously approved prudential borrowing.

Contextual Information

23. The cash limit guidelines for the new capital programme for 20210/22 to 2023/24 have been set at the same level as the current capital programme.

24. Executive members have now prepared proposals for:

    - A locally resourced capital programme for the three-year period from 2021/22 to 2023/24 within the guidelines set and other resources available to services.
    - A programme of schemes supported by Government capital grants.

25. 'Locally resourced' schemes are those financed from the County Council's own resources such as capital receipts, contributions from the revenue budget, prudential borrowing, reserves and other funds. They do not include schemes supported by capital grant from the Government.

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

Guideline Cash Limits for the Capital Programme

27. The guidelines for the locally resourced programme were set by Cabinet in November 2020 based on existing levels with no uplift for inflation. The guidelines and use of reserves proposed by Executive Members and other adjustments are shown in Table 2.

Table 2 Guidelines for locally resourced capital programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
Adults' Health and Care				
Original guideline	481	481	481	1,443
Carry forward from previous years	855			855
Adults' Health and Care Total	**1,336**	**481**	**481**	**2,298**
Children's Services				
Original guideline	100	100	100	300
Developers' contributions	487	4,000	23,654	28,141
Capital receipts	665	2,110	0	2,775
Carry forward from previous years	1,350	1,250	6,750	9,350
Children's Services Total	**2,602**	**7,460**	**30,504**	**40,566**
Environment and Transport				
Original guideline	11,929	11,929	11,929	35,787
Developers' and other contributions	8,623	12,815	2,906	24,344
Carry forward from previous years			414	414
Environment and Transport Total	**20,552**	**24,744**	**15,249**	**60,545**
Culture, Communities and Business Services (CCBS)				
Original guideline	4,559	4,559	4,559	13,677
Contribution from revenue & reserves	1,003			1,003
Carry forward from previous years	4,519			4,519
CCBS Total	**10,081**	**4,559**	**4,559**	**19,199**
Overall Total	**34,571**	**37,244**	**50,793**	**122,608**

Government Supported Programme

28. The Government has issued all its support for local authorities' capital expenditure in the form of capital grants and not as borrowing allocations. It is expected to continue that arrangement for 2021/22 onwards.

29. For schools, the Secretary of State has previously announced details of individual local authority Basic Need allocations for 2020/21 and 2021/22. Hampshire received a favourable Basic Need allocation for 2021/22 of £40.9 million. There is the potential for a zero or low capital allocation in

2022/23 and 2023/24 as the Department for Education (DfE) assess the impact of the free school places they directly fund. At this stage, it is considered prudent to assume a zero allocation for those two years.

30. Allocations to date for School Condition Allocation (SCA) and the formula allocation for Devolved Formula Capital (DFC) only cover 2020/21. For planning purposes, SCA is assumed to continue at the current level of £17.4 million and expectations are that DFC will be at a similar level to the 2020/21 allocation of £3.3 million.

31. The DfT has not yet confirmed the Integrated Transport and Structural Maintenance allocations for future years. For planning purposes, these grants are assumed to continue at a similar level to previous years: £5.296 million and £21.584 million per year. The DfT is yet to confirm that Band 3 (highest band) recipients of its Incentive Fund such as the County Council will be awarded £4.495 million (the maximum available) each year until 2021/22. It is assumed in this report that Hampshire County Council will retain its Band 3 status and that funding remains at this level through to 2023/24 inclusive.

32. Further, at the time of writing, the DfT has not confirmed the Pothole fund, but for planning purposes, it is assumed that £1.543 million will be received each year for the next three years.

33. The County Council has historically had a great deal of success in securing Local Growth Funding (LGF) from both the EM3 and Solent LEPs. Due to the lack of additional Local Growth Funding being made available to the LEPs by central government, the total value of funding from this source has reduced from recent years with only £0.07 million within the starts programme in the next three years. This represents a significant reduction from last year's three-year value of just under £10 million and the £27 million three-year value the year before.

34. To mitigate the reduced opportunity for LGF funding, the ETE department has worked hard to identify other sources and has been successful in securing significant competitive funding from DfT. This includes over £40 million in a forward package of works funded across the Tranche 2 Transforming Cities Fund and Tranche 2 Active Travel Fund (mix of capital and revenue). These schemes have entered the capital programme in 2020/21, 2021/22 and 2022/23.

35. From 2016/17, the Government has discontinued the Social Care capital grant and consolidated funding within the DFG. The anticipated funding for 2021/22 is £12.56m and is allocated as part of the BCF – Pooled budget which is overseen by the Hampshire Health and Wellbeing Board. However, grant conditions prevent the use of this funding for anything other than awarding grants for changes to a person's home.

The Programmes Submitted

36. The total starts value of the three-year programme submitted by Executive Members is £418 million, as shown in Table 3. It includes £295 million of schemes supported by Government grants.

Table 3 - Starts programmes proposed 2021/22 to 2023/24

	Land	Works etc			Total
		Locally Resourced	Supported by Govt Allocations	Total	
	£'000	£'000	£'000	£'000	£'000
2021/22	646	33,925	127,665	161,590	162,236
2022/23	646	36,598	97,595	134,193	134,839
2023/24	646	50,147	69,751	119,898	120,544
Total	**1,938**	**120,670**	**295,011**	**415,681**	**417,619**

37. The proposed programmes are in line with the cash limit guidelines, as adjusted in table 2, for the capital programme. The programmes themselves are set out in detail in Appendix 1, with key themes outlined below.

Adult's Health and Care

38. The proposed capital programme for Adults' Health and Care focuses on health and safety, compliance, and operational priorities within the residential and nursing building portfolio. As the highest risk buildings in the corporate estate, and in line with the requirements of the Care Quality Commission (CQC) registration and corporate health and safety procedures, there is a rigorous regime of surveys, inspections, testing and monitoring in place to manage building related health and safety risks in these buildings. The proposed programme of essential health and safety works will progress while the wider review of bed-based provision is paused given the current financial constraints and uncertainty regarding the future operating model.

39. However, capital investment continues in respect of previously approved schemes to update and improve the estate supporting Adult Learning disability services and also the extra care housing programmes for older persons and younger adults.

40. The locally resourced capital programme is supported by Government funding for the Disabled Facilities Grant. The Secretary of State has not yet announced details of individual local authority capital allocations. For planning purposes, the 2021/22 programme assumes £14.252 million in line with the 2020/21 allocation. The funding is passed to Housing Authorities to award grants for changes to a person's home in accordance with the grant conditions.

Children's Services

41. The proposed three-year programme continues an exciting investment by the County Council for Hampshire children that will not only help raise educational standards, but also create many additional local employment opportunities within its delivery. During the period 2013 to 2020 the County Council will have delivered 13,693 new school places, with projects contained within the 2021/22 to 2023/24 programme totalling a further 4,620 places giving a total of 18,313 new school places by September 2024.

42. The current presumption (by the DfE) is that every new school will be an academy/free school. Barton Farm Primary Academy in Winchester and Stoneham Park Academy in Eastleigh both opened in September 2020. A further ten schools are on the planning horizon to September 2025, however, the pace of development will be largely dictated by completion of new housing developments.

43. The overall increase in pupil numbers also impacts on the need for SEND places with 3.4% of our school population having a SEND Education Health and Care Plan. This increase alongside advances in medical technology is giving rise to some schools having very specific accommodation needs to meet the specialist and often complex requirements of individual pupils. The forward capital programme includes a variety of special school projects, including proposed provision for 90 Social, Emotional and Mental Health (SEMH) places for pupils with SEMH needs and a significant refurbishment of a school for pupils with Severe Learning Difficulties (SLD) and complex needs.

44. As part of the Early Years Sufficiency Strategy, it is proposed to allocate £3 million of resources to create new places and improve the condition of existing provision. Part of this funding will support existing operators to operate more efficiently and therefore remain in the market. The funding will be spread over the financial years 2021/22 – 2023/24.

45. The focus of capital investment in recent years has been on Basic Need and Capital Maintenance. In addition, the County Council has allocated £5 million (including fees) of County Council resources for a programme of investment to ensure facilities are fit for purpose and continue to provide good quality learning environments. The first tranche of projects in 2019/20 focused on improving lighting and toilets. The second tranche of projects in 2020/21 focused on improving special school environments. For 2021/22, the third year of the programme has allocated £2.4 million towards projects that focus on improvements to science laboratories, food technology spaces, general teaching spaces and toilets.

46. The proposed programme includes other improvement and modernisation projects relating to access to schools, SEN improvements, health and safety, adaptations to properties of foster carers and disabled children and schools' devolved formula capital totalling £36 million over three years.

47. To manage the demand for schemes and the resources available, the Executive Lead Member for Children's Services proposes to carry forward resources between the years of the capital programme. In most cases the

need for school places is driven by the speed of housing delivery on certain major sites, something which is clearly outside of the County Councils control and therefore requires flexibility in the way that the capital programme is delivered.

48. The Children's Services capital programme has reached a balanced position between income and expenditure over the proposed three-year period of the programme. However, the ongoing primary pressure and secondary impact indicates a deficit of resources over a five-year period beyond the scope of this report. Some of the forecast financial challenges have reduced as a result of extensive negotiations to secure developer contributions and the work undertaken to reduce the cost of school building design while minimising the detrimental effect on the teaching spaces and environment. Alongside this, the strategy to pursue free schools has also helped reduce the forecast deficit.

49. The County Council has a local and national reputation for the quality of its school buildings and significant work continues to be undertaken to successfully deliver better value buildings. The County Council is continuing to lead the national study to benchmark the cost of schools across the country. This study is endorsed by the DfE and provides invaluable information on the 'true' cost of providing school places. This evidence is being used to benchmark value for money for Hampshire schools and to inform negotiations with Government, local planning authorities and developers to maximise funding for the provision of additional pupil places across Hampshire.

Environment and Transport

50. Proposals of the Executive Member for Economy, Transport and Environment amount to just over £209 million over the next three years. The programme includes £118.3 million of new investment in structural maintenance, £90.7 million in the Integrated Transport programme and £0.3 million in flood and coastal defence projects.

51. The Structural Maintenance budget is used to extend the life of an existing asset. It is split across all highway assets for example, carriageways, footways, drainage, structures, traffic signals, pedestrian crossings and cattle grids. The Bridges and Structures programme consists of works to County Council owned Highway structures, which includes road bridges, footbridges, culverts (1.5m span or more), subways and retaining walls, as well as works on pumps at subways and low spots in the carriageway. Budgets are allocated in line with the County Council's Asset Management principles and needs based budgeting and programmes are developed based on various factors including, condition, remaining life, lifecycle planning including whole life costs.

52. The proposed integrated transport programme (ITP) includes schemes that have now been successfully awarded funding from DfT's Tranche 2 Transforming Cities Fund. The package of measures for Portsmouth City Region consists of 8 schemes (£19.6million) and a further 12 schemes in the Southampton City Region (£18million). In addition, confirmation has

recently been received that £3.28 million has been awarded from the DfT Tranche 2 Active Travel Fund (capital and revenue mix). This will allow Hampshire County Council to provide a range of measures to create better spaces for people walking and cycling.

53. The three-year capital programme has a range of scheme types, including a sub-programme of schemes which are mainly concerned with walking and/or cycling improvements. The current value of this sub-programme is over £18 million, an increase of £8 million from 2020/21. It is noted however that this is the value of schemes mainly focused on walking and cycling improvements, there are many other schemes in the programme that include walking and cycling elements, which are not included in this sub-programme

54. Future investment in the waste programme is being considered including upgrading the current infrastructure of the Materials Recycling Facility (MRF) as well as the associated Waste Transfer Station (WTS) network to meet the change in service driven by legislation and the need to improve performance. This includes a feasibility study of the options for the collection and sorting of different materials either at the kerbside or using the Waste Transfer Stations. Business case modelling continues including the identification of funding options and outputs from both the collections and infrastructure work will be presented at a waste summit on the preferred recycling system across Hampshire, Portsmouth and Southampton.

55. Several flood risk reduction schemes have been delivered across the County despite the delays and costs associated with high ground water levels and Covid-19 lockdown restrictions during the last financial year. The estimated value of the programme is £24 million. The County Council is projected to spend just over £14 million of local resources (including structural maintenance), 60% of the total with the remaining 40% anticipated to be drawn from other sources including Flood Defence Grant in Aid (FDGiA), Regional Flood and Coastal Committee (RFCC) Local Levy, other local authorities and the private sector.

Culture Communities and Business Services (CCBS)

56. The former Policy and Resources capital programme is now presented as the CCBS capital programme. This change recognises that the majority of the programme, both in value and number of schemes, is delivered by CCBS, however, from time to time, the programme may also need to include one-off proposals from Corporate Services / Corporate Resources. The proposed capital programme for CCBS totalling £82 million, is largely based on the priorities for capital investment established in previous years, relating to the County Council’s built estate (including schools), vehicles, country sites and parks and county farms.

57. The annual School Condition Allocation from Government is included in the CCBS programme to allow the funding to be prioritised to ensure that school buildings are kept safe and in good working order. Officers from Children’s Services and Property Services continue to work closely

together to identify the highest priority strategic building condition issues along with the need for modernisation improvements to improve the operational efficiency and quality of the learning environment in the schools estate.

58. Within the 2020/21 capital programme, there is a need to increase funding for the Schools Condition Allocation project at Testbourne School. This is a result of cost impacts directly linked to the Covid crisis including extended time to facilitate Covid-secure delivery as well as the associated cost in materials driven by manufacturing challenges. Cabinet are asked to approve the increase of £757,250 resulting in a revised total project cost of £3.26 million. The additional funding will be drawn from the Schools Condition Allocation grant.

County Council Revised Capital Programme 2020/21

59. During the current financial year, the capital programme has been revised to reflect additional funding sources, including grants and contributions, and also to reflect revised timescales for some schemes. As expected, the progress and cost of some capital schemes have been impacted by the pandemic. For some schemes, for example, school condition improvement projects, external grant funding has been used to offset the additional costs. However, there is a need to use part of the £5 million capital underwriting fund that was approved by the County Council in July as part of the medium term financial strategy to enable existing schemes to continue. Owing to additional cost for contractors to implement social distancing and extra hygiene measures, together with the impact of delayed tendering, the following allocations are required:

	£'000
Children's Services programme:	
Deer Park School	350
ETE programme:	
Stubbington Bypass	2,000
Redbridge causeway phase 2	180
Woodhouse Lane South	589
CCBS programme:	
Uplands Development Infrastructure	391
Total	**3,510**

60. If required, up to £1.49 million remains to be allocated to enable existing schemes to continue where there are increased costs resulting from Covid-

19. It is recommended that authority is delegated to the Deputy Chief Executive and Director of Corporate Resources to allocate this funding as appropriate.

Stubbington Bypass

61. The costs and designs of schemes on the scale of Stubbington Bypass are regularly reviewed to ensure the scheme remains resilient against external changes post initial approval. A recent review of this scheme has identified several adaptions and enhancements that will benefit the outcome of the scheme. These include additional ecological activities and remediations, additional ground stabilisation work, additional street lighting at the junction with Peak Lane and higher contractor costs. These changes, which could result in an increase of £2.8 million representing 8% from the original approved value, will be funded from a mix of S106 developer contributions and local resources. Considering the premium needed to cover the additional Covid-19 related costs as shown in the table above, the overall value of the scheme is now forecast at £39.295 million.

Decarbonisation Scheme

62. The Public Sector Decarbonisation Scheme (PSDS) announced at the end of September 2020 is a Government scheme offering grants for public sector bodies to fund energy efficiency and heat decarbonisation measures. The £1 billion scheme is part of the Chancellor's 'Plan for Jobs 2020' commitment, which aims to boost the UK's economic recovery from Covid-19 as well as the Government's net zero and clean growth goals, supporting skilled jobs in the low carbon and energy efficiency sectors.

63. Aligned to the County Council's declaration of a Climate Emergency in 2019, which reinforced its commitment to continuing to mitigate climate change through reducing carbon emissions, five grant applications totalling £33 million have been submitted, with schemes covering solar PV on the corporate and schools' estates; single to double glazing window replacements to increase energy efficiency; projects to transition corporate and school sites from oil to gas; and the implementation of heating controls in schools. The range and scale of these bids was possible as a result of forward planning and the use feasibility funding that was put into the programme to enable proposals to be developed and ready to gain maximum advantage of external funding as it becomes available.

64. Following a detailed technical appraisal, the first two grant applications for solar PV and windows upgrade schemes were confirmed as successful, resulting in a grant of £26.9 million. This was reported to the Executive Member for Commercial Strategy, Human Resources and Performance in January. Subsequently, two further grant applications for transitioning from oil to gas in the schools and corporate estates have been approved and the outcome of the remaining grant application for the implementation of heating controls in schools is expected imminently. It is recommended that these remaining schemes, with a value up to £5.64 million are added to the 2020/21 capital programme.

65. This is a significant success, made possible by the County Council's forward planning and early drafting of potential schemes and makes a positive contribution to the stated objective of the Council to be carbon neutral by 2050 and supports the Climate Emergency declared in 2019.

66. The timescale of the Government scheme requires projects to be progressed quickly with a final delivery deadline of 30 September 2021, thus detailed project planning is progressing at pace. Appendix 2 sets out the project appraisals for the two programmes to transition from oil to gas. It is recommended that Cabinet gives approval to spend for these programmes, subject to the formal approval of County Council to add them to the capital programme.

Capital Financing

67. The size of the capital programme takes account of forecast financing resources and the forecast level of capital expenditure (or 'payment') flows to be financed each year.

68. The sources of finance to support the capital programme are:

- Government capital grants – since 2011/12, the Government has issued all its support for local authorities' capital expenditure in the form of capital grants and not as borrowing allocations.
- Prudential borrowing – loans that the County Council may decide to raise in the knowledge that it will have to meet the principal repayment and interest charges from its own resources without any additional support from the Government. The County Council would need to consider the impact of such loans on the revenue budget and prudential indicators.
- Contributions from other bodies, which can include developers, the health service, other local authorities and the national lottery.
- Capital receipts from the sale of land, buildings and other assets.
- Contributions from the revenue budget including those held in the capital reserve and departmental reserves.

69. The planned sources of funding to meet the forecast capital payments in each year are set out in the table below. The forecasts are likely to change as schemes within the programme progress and the position will be reassessed at the next review of the capital programme.

Table 4 - Resources to fund capital expenditure

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Prudential borrowing	40,994	34,775	19,233	11,386
less repayments from capital	-7,256	-4,531	-18,750	-1,144

Capital grants	139,699	174,565	85,117	75,331
Contributions from other bodies including developers	34,350	43,195	43,126	27,197
Capital receipts	92	4,128	14,319	0
Revenue contributions to capital	9,935	7,355	6,244	6,055
New resources in the year	**217,814**	**259,487**	**149,288**	**118,825**
Use of the capital reserve: added to the reserve (-) or taken from the reserve (+)	18,322	29,395	22,416	14,171
Total resources available	**236,136**	**288,882**	**171,704**	**132,996**
Forecast capital payments	**236,136**	**288,882**	**171,704**	**132,996**

70. Most of the capital receipts forecast in Table 4 are required to repay prudential borrowing for school and other rationalisation schemes started in advance of the site disposals.

71. Progress during the remainder of 2020/21 and throughout 2021/22 on all capital payments and resources will be closely monitored and reported to the Leader during the year. Executive members will also review progress on their capital programmes at regular intervals during the year.

Prudential borrowing

72. Prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance and is set out in the Capital and Investment Strategy (Appendix 9 of the Revenue Budget report elsewhere on this Agenda).

73. The planned prudential borrowing will total £ 318 million, after deducting repayments to 31 March 2020. The schemes funded by these advances are summarised in Table 5.

Table 5 – Summary of outstanding and planned prudential borrowing advances

	£000
Financed from savings in the revenue budget	212,187
‘Bridging’ loans on specific projects to be repaid from capital receipts and developer contributions	61,787

Capital investment to be financed from future charges to services	44,477
Total	**318,451**

Capital reserve

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

Table 6 – Capital reserve

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Opening balance	112,357	94,035	64,640	42,224	28,053
Used in year	-18,322	-29,395	-22,416	-14,171	-13,078
Added in year					
Closing balance	**94,035**	**64,640**	**42,224**	**28,053**	**14,975**

Revenue implications

75. The revenue implications of the new programme are shown in the following Table.

Table 7 – Revenue effects

	Running costs £000	Capital charges £000	Total £000
2021/22 starts	417	5,371	5,788
2022/23 starts	776	5,883	6,659
2023/24 starts	77	3,659	3,736
Total	**1,270**	**14,913**	**16,183**

76. The capital charges represent depreciation over the estimated life of the asset for most schemes and provide an accounting estimate for the cost of using assets to deliver services. The capital charges do not impact the County Council's overall budget requirement as the charges to services will be counter-balanced by a corresponding credit to the centrally managed capital adjustment account.

77. However, the budget requirement is increased by the capital financing costs on the loans raised to finance the programme. The full year revenue impact of the additional prudential borrowing over the proposed three-year programme will be £1.9 million.

Conclusions

78. Executive Members have proposed capital programmes for the next three years in line with the Corporate Strategy and County Council priorities. The locally resourced guidelines set by Cabinet in November 2020 have been supplemented with contributions from reserves and developers and adjusted by transfers between programme years and supplemented by Government grants of £295 million, giving a total programme for the next three years of £418 million.

79. Regular monitoring will take place during the year on the implementation of the programme, including the progress of major projects, the level of capital expenditure and resources in 2021/22 and the progress on obtaining the capital receipts necessary to finance the capital programme.

CORPORATE OR LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

Links to previous Member decisions:	
Title	Date
Cabinet - Financial Update and Budget Setting	24 November 2020
Executive Member for Adult Social Care and Health capital programme report	11 January 2021
Executive Lead Member for Children's Services and Young People capital programme report	13 January 2021
Executive Member for Economy, Transport and Environment capital programme report	14 January 2021
Executive Member for Commercial Strategy, Human Resources and Performance capital programme report	19 January 2021
Direct links to specific legislation or Government Directives	
Title	Date

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
None	

IMPACT ASSESSMENTS:

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

Equalities Impact Assessment:

Equalities impact assessments will be considered when individual project appraisals are developed for the schemes included in the approved capital programme.

Climate Change:

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

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

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

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

Adult Services **Capital Programme - 2021/22**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes											
	Schemes Supported from Local Resources											
1	Maintaining Operational Buildings including Residential and Nursing Care	975	161	200	1,336	-	43	N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	1
2	Disabled Facilities Grant	-	-	14,252	14,252	-	-	N/A	1	12	Grant paid to District Councils to fund adaptions to people's homes	2
	Total Programme	975	161	14,452	15,588	-	43					
											+ Projects to be partly funded from external contributions.	

Adult Services **Capital Programme - 2022/23**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes											
	Schemes Supported from Local Resources											
3	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26	N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	3
	Total Programme	241	40	200	481	-	26					
											+ Projects to be partly funded from external contributions.	

Adult Services **Capital Programme - 2023/24**

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2023/24 Schemes											
	Schemes Supported from Local Resources											
4	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26	N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	4
	Total Programme	241	40	200	481	-	26					
											+ Projects to be partly funded from external contributions.	

Children's Services **Capital Programme - 2021/22**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes											
	Children's Social Care											
1	Foster Carers	86	14	-	100	-	0	N/A	Various	Various	Improvements to foster carers' homes where necessary	1
2	Adaptation Equipment	-	-	250	250	-	25	N/A	Various	Various	Access improvement equipment for homes	2
3	Early Years/Childcare sufficiency	858	142	-	1,000	-	20	N/A	Various	Various	Improvements to Early Years facilities	3
	Primary School Improvements											
4	Poulner Infant, Ringwood	418	69	-	487	-	10	Owned	2	6	Site improvements.	4
5	South Farnborough Junior, Farnborough	193	32	-	225	-	5	Owned	2	6	Hall expansion.	5
6	Stanmore Primary, Winchester	429	71	-	500	-	10	Owned	2	6	Reception and site improvements.	6
	Secondary School Improvements											
7	Andover Secondary places	5,150	850	-	6,000	-	120	Owned	2	12	1fe/2fe expansion	7
8	Swanmore College, Swanmore	142	23	-	165	-	3	Owned	2	3	Site improvements.	8
9	**Special School Improvements**	858	142	-	1,000	-	20	Owned	Various	Various	Rebuild and refurbishment of special schools.	9
10	Icknield School, Andover	2,146	354	-	2,500	-	50	Owned	2	12	Major refurbishment.	10
	New Special School Provision											
11	Samuel Cody Specialist Sports College Farnborough	11,159	1,841	-	13,000	-	260	Owned	2	15	New 90 place special school.	11
12	**Other Improvement Projects**	1,717	283	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs.	12
13	School Suitability Programme	2,575	425	-	3,000	-	60	Owned	Various	Various	Various projects to meet identified needs.	13
14	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified.	14
15	Health and Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues.	15
16	Schools Devolved Capital	3,317	-	-	3,317	-	66	N/A	Various	Various	Allocations to schools through devolved formula capital.	16
17	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Improvements to school's buildings to improve accessibility.	17

Children's Services **Capital Programme - 2021/22**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes (continued)											
18	Furniture and Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	18
19	Contingency	1,720	284	-	2,004	-	40	N/A	Various	Various		19
	Total Programme	33,392	4,806	500	38,698	-	839					
											# controlled on an accrued expenditure basis	

Children's Services **Capital Programme - 2022/23**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes											
	Children's Social Care											
20	Foster Carers	86	14	-	100	-	-	N/A	Various	Various	Improvements to foster carers' homes where necessary	20
21	Adaptation Equipment	0	-	250	250	-	25	N/A	Various	Various	Access improvement equipment for homes	21
22	Early Years/Childcare sufficiency	858	142	-	1,000	-	20	N/A	Various	Various	Improvements to Early Years facilities	22
	Primary School Improvements											
23	Bordon Infant & Junior, East Hants	3,433	567	-	4,000	-	80	Owned	2	12	Expansion to 3fe	23
24	**Special School Improvements**	858	142	-	1,000	-	20	Owned	Various	Various	Rebuild and refurbishment of special schools	24
25	**Other Improvement Projects**	1,717	283	-	2,000	-	40	Owned	Various	Various	Various improvements to meet identified needs	25
26	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified	26
27	Health and Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues	27
28	Schools Devolved Capital	3,317	-	-	3,317	-	66	N/A	Various	Various	Allocations to schools through devolved formula capital	28
29	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Improvements to school buildings to improve accessibility	29
30	Furniture and Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	30
31	Contingency	2,232	368	-	2,600	-	52	N/A	Various	Various		31
	Total Programme	15,125	1,792	500	17,417	-	413					
											# controlled on an accrued expenditure basis	

Children's Services — **Capital Programme - 2023/24**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2023/24 Schemes											
	Children's Social Care											
32	Foster Carers	86	14	-	100	-	0	N/A	Various	Various	Improvements to foster carers' homes where necessary	32
33	Adaptation Equipment	-	-	250	250	-	25	N/A	Various	Various	Access improvement equipment for homes	33
34	Early Years/Childcare sufficiency	858	142	-	1,000	-	20	N/A	Various	Various	Improvements to Early Years facilities	34
	Primary School Improvements											
35	Overton CE Primary, Basingstoke	1,888	312	-	2,200	-	44	Owned	2	6	Expansion to 2.5fe	35
36	Whitchurch CE Primary, Basingstoke	1,888	312	-	2,200	-	44	Owned	2	6	Expansion to 2.5fe	36
	New Primary School Provision											
37	Berewood Primary, Havant	6,524	1,076	-	7,600		-	Owned	2	12	New 1.5fe primary school to meet housing demand.	37
38	Hartland Village, Fleet	7,442	1,228	-	8,670		-	Owned	2	12	New 2fe primary school to meet housing demand.	38
39	Hounsome Fields, Basingstoke	4,893	807	-	5,700		-	Owned	2	12	New 1fe primary school to meet housing demand.	39
40	**Special School Improvements**	858	142	-	1,000	-	20	Owned	Various	Various	Rebuild and refurbishment of special schools.	40
	New Special School Provision											
41	New SEMH/SLD Provision	12,017	1,983	-	14,000	-	280	Owned	2	15	New 90-125 place special school.	41
42	**Other Improvement Projects**	1,717	283	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs.	42
43	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified.	43
44	Health and Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues.	44
45	Schools Devolved Capital	3,317	-	-	3,317	-	66	N/A	Various	Various	Allocations to schools through devolved formula capital.	45
46	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Improvements to school's buildings to improve accessibility.	46

Children's Services **Capital Programme - 2023/24**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2023/24 Schemes (continued)											
47	Furniture and Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	47
48	Contingency	1,617	267	-	1,884	-	38	N/A	Various	Various		48
	Total Programme	45,729	6,842	500	53,071	-	687					
											# controlled on an accrued expenditure basis	

Economy, Transport and Environment **Capital Programme - 2021/22**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	£'000	£'000	£'000	£'000	£'000		Qtr	Months		
	2021/22 Schemes											
	Schemes Supported from Local Resources											
1	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591	N/A	1	12	Structural maintenance to improve road conditions.	1
2	Flood and Coastal Defence Management	88	18	-	106	-	2	N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	2
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593					
	Schemes Supported by the Government and Other External Bodies											
3	Manydown Cycle Routes, Basingstoke*	900	300	-	1,200	-	60	N/A	4	12	Cycle improvements.	3
4	Whitehill Bordon GGGI - Station Road Crossroads*	975	325	-	1,300	-	65	N/A	4	4	Pedestrian and cycle improvements	4
5	SCR - Redbridge Viaduct+	757	252	-	1,009	-	50	N/A	2	6	Parapet improvements	5
6	SCR - Eling to Holbury Cycle Route*	2,581	860	-	3,441	-	172	N/A	3	6	New cycle route and cycle improvements	6
7	SCR - Rushington Roundabout*	1,832	611	-	2,443	-	122	N/A	4	7	Bus priority measures	7
8	PCR - Local Transport Hub - Havant Park Road South*	787	263	-	1,050	-	53	N/A	2	8	Capacity enhancements	8
9	PCR - Enhanced MM Corridor - Ladybridge R/A VE Bus Priority and Pedestrian/Cycling Enhancements*	1,017	339	-	1,356	-	68	N/A	1	5	Bus corridor improvements	9
10	PCR - Gosport Bus Station, taxi rank and Cross Street improvements*	4,425	1,475	-	5,900	-	295	N/A	4	13	Bus station improvements	10
11	PCR - Enhanced MM Corridor - Rusty Cutter Bedhampton *	2,194	731	-	2,925	-	146	N/A	2	13	Full roundabout signalisation	11
12	North Test Valley LCWIP, Andover*	525	175	-	700	-	35	N/A	4	7	Sustainable accessibility improvements	12
13	Whitehill Bordon GGGI - Route towards Lindford*	431	144	-	575	-	29	N/A	2	12	Pedestrian and cycle improvements	13
14	Andover - B3400 Andover Down Pedestrian Improvements*	487	163	-	650	-	33	N/A	4	6	Pedestrian improvements	14
15	West End High Street - Access Improvements*	187	63	-	250	-	13	N/A	3	4	Accessibility Improvements	15
16	Trade Street, East Woodhey - Accessibility*	255	85	-	340	-	17	N/A	4	10	Safety and pedestrian improvements	16
17	SCR - Eastleigh Mobility Hub*	239	80	-	319	-	16	N/A	4	3	Mobility hub	17
18	SCR - Totton Junction Road*	565	189	-	754	-	38	N/A	4	2	Bus priority measures	18

Economy, Transport and Environment

Capital Programme - 2021/22

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes (continued)											
19	PCR - Local Access Zones - Havant - Secondary*	740	247	-	987	-	49	N/A	1	9	Walking and cycling enhancements	19
20	PCR - Local Transport Hub - A27 Enhanced Safety Scheme, Portchester+	651	217	-	868	-	43	N/A	3	9	A27/Castle Street Roundabout	20
21	Schemes Costing Less than £250,000+	1,125	375	-	1,500	-	75	N/A	1	12	Local Improvements Sub-programme	21
22	Safety Schemes #	1,125	375	-	1,500	-	75	N/A	1	12	Casualty reduction programme.	22
23	Minor Improvements (part #) +	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each.	23
24	Structural Maintenance of Roads and Bridges #	24,860	2,762	-	27,622	-	1,381	N/A	1	12	Structural maintenance to improve road conditions and structu maintenance and strengthening of bridges.	24
	Total Programme Supported by the Government and other bodies	47,223	10,216	-	57,439	417	2,873					-
	Total Programme				69,368	417	3,466					

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Economy, Transport and Environment **Capital Programme - 2022/23**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes											
	Schemes Supported from Local Resources											
25	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591	N/A	1	12	Structural maintenance to improve road conditions.	25
26	Flood and Coastal Defence Management	88	18	-	106	-	2	N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	26
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593					
	Schemes Supported by the Government and Other External Bodies											
27	A323 High St/Ash Rd, Aldershot - Cycleway/Footway*	750	250	-	1,000	-	50	N/A	4	8	Pedestrian and cycle improvements	27
28	SCR - Marchwood Bypass+	981	327	-	1,308	-	65	N/A	1	6	Bus priority measures	28
29	SCR - Bishopstoke Road, Eastleigh*	3,112	1,037	-	4,149	-	207	N/A	1	7	Bus priority measures	29
30	SCR - Providence Hill Cycle Route*	1,716	572	-	2,288	-	114	N/A	2	6	New cycle route	30
31	Fleet Station Roundabout*	5,625	1,875	-	7,500	-	375	N/A	3	20	Roundabout improvements	31
32	Hamble Lane Improvements*	11,250	3,750	-	15,000	-	750	N/A	4	18	Carriageway widening and junction improvements	32
33	Lynchford Road, Farnborough, Phase 2 *	4,950	1,650	-	6,600	-	330	N/A	4	18	Capacity improvements & accessibility for pedestrians and	32
34	PCR - Enhanced MM Corridor - Delme to Downend Bus and Cycle Scheme*	6,772	2,258	-	9,030	-	452	N/A	1	14	Bus and cycle improvements	34
35	Andover Railway Station Improvements*	244	81	-	325	-	16	N/A	4	6	Access improvements and environmental enhancements	35
36	Andover - Walworth RAB/A3093/A3057*	637	213	-	850	-	43	N/A	4	9	Roundabout signalisation, pedestrian and cycle improvements	36
37	A339/B3349 Junction Improvements, Alton*	727	243	-	970	-	49	N/A	3	16	Junction improvements	37
38	Whitehill & Bordon GGGL – Hogmoor Road Cycle & Associated Traffic Measures*	300	100	-	400	-	20	N/A	1	12	Traffic and cycle improvements	38
39	SCR - Airport Parkway Travel Hub*	335	112	-	447	-	22	N/A	3	3	Travel hub	39
40	A27 Barnes Lane, Fareham - Junction Improvements+	600	200	-	800	-	40	N/A	4	10	Junction improvements	40
41	North Baddesley: Firgrove Rd to Castle Lane Cycleway+	388	129	-	517	-	26	N/A	4	5	Provision of missing cycle link	41
42	Schemes Costing Less than £250,000+	1,489	496	-	1,985	-	100	N/A	1	12	Local Improvements Sub-programme	42

Economy, Transport and Environment **Capital Programme - 2022/23**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes (continued)											
43	Safety Schemes #	1,125	375	-	1,500	-	75	N/A	1	12	Casualty reduction programme.	43
44	Minor Improvements (part #) +	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each.	44
45	Structural Maintenance of Roads and Bridges #	24,860	2,762	-	27,622	-	1,381	N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	45
	Total Programme Supported by the Government and other bodies	66,425	16,616	-	83,041	776	4,153					
	Total Programme				94,970	776	4,746					

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Economy, Transport and Environment — **Capital Programme - 2023/24**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2023/24 Schemes											
	Schemes Supported from Local Resources											
46	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591	N/A	1	12	Structural maintenance to improve road conditions.	46
47	Flood and Coastal Defence Management	88	18	-	106	-	2	N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	47
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593					
	Schemes Supported by the Government and Other External Bodies											
48	Whitehill Bordon - Sleaford Lights Junction - A325/B3004*	750	250	-	1,000	-	50	N/A	4	12	Junction improvements	48
49	Andover - London Street/Eastern Avenue*	229	77	-	306	-	15	N/A	4	4	Junction improvements & bus priority measures	49
50	Botley Bypass - Village Enhancements	310	104	-	414	-	21	N/A	4	12	Footway widening, crossing improvements, cycle improvements	50
51	Safety Schemes #	1,125	375	-	1,500	-	75	N/A	1	12	Casualty reduction programme.	51
52	Minor Improvements (part #) +	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each.	52
53	Schemes Costing Less than £250,000+	1,125	375	-	1,500	-	75	N/A	1	12	Local Improvements Sub-programme	53
54	Structural Maintenance of Roads and Bridges (part #)	24,860	2,762	-	27,622	-	1,381	N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	54
	Total Programme Supported by the Government and other bodies	28,963	4,129	-	33,092	77	1,655					
	Total Programme				45,021	77	2,248					

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Policy and Resources

Capital Programme - 2021/22

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year		Site Position	Contract Start		Remarks	Ref
						Running Costs	Capital Charges		Date	Duration		
		£'000	***£'000***	***£'000***	***£'000***	***£'000***	***£'000***		***Qtr***	***Months***		
	2021/22 Schemes											
	Schemes Supported from Local Resources											
	Culture, Communities and Business Services											
1	Vehicles for Hampshire Transport Management #	-	-	3,400	3,400	-	340	N/A	-	-	Continuing programme of replacing vehicles	1
2	Winchester Discovery Centre	429	71	-	500	-	10	N/A	1	12	Planned Improvements at Winchester Discovery Centre	2
3	County Farms - Lyde Green Farm	381	63	-	444	-	9	N/A	1	12	Planned Building Upgrade at Lyde Green Farm	3
4	County Farms - Hollam Hill Farm	564	93	-	657	-	13	N/A	1	12	Planned Building Upgrade at Hollam Hill Farm	4
5	Country Farms Improvement Projects	1,063	175	-	1,238	-	25	N/A	1	12	Planned improvements across the County Farms Estate	5
6	Corporate Estate	861	142	-	1,003	-	20	N/A	1	12	Planned improvements across the Corporate Estate	6
7	Office Accommodation	1,588	262	-	1,850	-	37	N/A	1	12	Planned improvements to Office Accommodation	7
8	Rights of Way	283	47	-	330	-	7	N/A	1	12	Planned improvements to Rights of Way	8
	Corporate Services											
9	Contingency	13	-	-	13	-	-	N/A	-	-		9
	Total Programme Supported by Local Resources	5,182	853	3,400	9,435	-	460					

Policy and Resources **Capital Programme - 2021/22**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	£'000	£'000	£'000	£'000	£'000		Qtr	Months		
	2021/22 Schemes (continued)											
	Schemes Supported by the Government											
	Schools Condition Allocation (SCA)											
10	Hart Plain Junior School, Waterlooville	750	124	-	874	-	17	Owned	-	-	SCOLA Recladding	10
11	Nightingale Primary, Eastleigh	1,300	215	-	1,515	-	30	Owned	-	-	SCOLA Recladding	11
12	Crookhorn College, Waterlooville	1,200	198	-	1,398	-	28	Owned	-	-	SCOLA Recladding	12
13	St John the Baptist, Waltham Chase	250	41	-	291	-	6	Owned	-	-	Window Upgrade	13
14	Henry Beaufort, Winchester	1,250	206	-	1,456	-	29	Owned	-	-	SCOLA Recladding	14
15	Cranborne School, Basingstoke	1,550	256	-	1,806	-	36	Owned	-	-	SCOLA Recladding	15
16	Hiltingbury Junior School, Eastleigh	1,327	219	-	1,546	-	31	Owned	-	-	SCOLA Recladding	16
17	Warblington School, Havant	1,570	259	-	1,829	-	37	Owned	-	-	Recladding	17
18	Horndean College, Horndean	250	41	-	291	-	6	Owned	-	-	Boiler Upgrade	18
19	Swanmore College, Swanmore	330	54	-	384	-	8	Owned	-	-	External Works	19
20	Redbarn Primary, Fareham	601	99	-	700	-	14	Owned	-	-	Upgrade Roof	20
21	Wavell School, Farnborough	250	41	-	291	-	6	Owned	-	-	Boiler Upgrade	21
22	Vyne Community School, Basingstoke	225	37	-	262	-	5	Owned	-	-	Boiler Upgrade	22
23	Portchester Community School, Portchester	225	37	-	262	-	5	Owned	-	-	Boiler Upgrade	23
24	Marnel Junior School, Basingstoke	1,202	198	-	1,400	-	28	Owned	-	-	SCOLA recladding	24
25	Wavell School, Farnborough	2,275	375	-	2,650	-	53	Owned	-	-	SCOLA recladding	25
26	Samuel Cody Sports College, Farnborough	250	41	-	291	-	6	Owned	-	-	Roof Upgrade	26

Policy and Resources

Capital Programme - 2021/22

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes (continued)											
27	Schools Condition Allocation (costing less than £250,000)	9,361	1,544	-	10,905	-	218	Owned	-	-	Major improvements to school buildings	27
	Total Schemes Supported by the Government	24,164	3,987	-	28,151	-	563					
	Total Excluding Land				37,586		1,023					
	Advance and Advantageous Land Purchases				646							
	Total Programme				38,232		1,023					

Appendix 1

Policy and Resources **Capital Programme - 2022/23**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes											
	Schemes Supported from Local Resources											
	Culture, Communities and Business Services											
28	Vehicles for Hampshire Transport Management #	-	-	3,400	3,400	-	340	N/A	-	-	Continuing programme of replacing vehicles	28
29	CCBS Capital	328	-	-	328	-	7	N/A	1	12	Provision of minor works across the department including Library and Countryside services	29
30	Contingency	185	-	-	185	-	3	N/A	-	-		30
	Total Programme Supported by Local Resources	513	-	3,400	3,913	-	350					
	Schemes Supported by the Government											
31	Schools Condition Allocation	14,946	2,466	-	17,412	-	348	Owned	-	-	Major improvements to school buildings	31
	Total Schemes Supported by the Government	14,946	2,466	-	17,412	-	348					
	Total Excluding Land				21,325		698					
	Advance and Advantageous Land Purchases				646							
	Total Programme				21,971		698					

controlled on an accrued expenditure basis

Appendix 1

Page 226

Policy and Resources — **Capital Programme - 2023/24**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2023/24 Schemes											
	Schemes Supported from Local Resources											
	Culture, Communities and Business Services											
32	Vehicles for Hampshire Transport Management #	-	-	3,400	3,400	-	340	N/A	-	-	Continuing programme of replacing vehicles	32
33	CCBS Capital	328	-	-	328	-	7	N/A	1	12	Provision of minor works across the department including Library and Countryside services	33
34	Contingency	185	-	-	185	-	3	N/A	-	-		34
	Total Programme Supported by Local Resources	513	-	3,400	3,913	-	350					
	Schemes Supported by the Government											
35	Schools Condition Allocation	14,946	2,466	-	17,412	-	348	Owned	-	-	Major improvements to school buildings	35
	Total Schemes Supported by the Government	14,946	2,466	-	17,412	-	348					
	Total Excluding Land				21,325		698					
	Advance and Advantageous Land Purchases				646							
	Total Programme				21,971		698					

controlled on an accrued expenditure basis

HAMPSHIRE COUNTY COUNCIL

Project Appraisal

Decision Maker / Committee / Panel:	Cabinet
Date:	9 February 2021
Title:	HCC Estate Oil to Gas Conversion
Report From:	Director of Culture, Communities and Business Services

Contact name: James Williams

Tel: 07900 908367 **Email:** James.williams@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to seek spend approval for a HCC Estate Oil to Gas Conversion programme across the Schools and Corporate Estate funded through the Public Sector Decarbonisation Scheme Grant.

Recommendations

2. That Cabinet grants spend approval to the proposal for a HCC Estate Oil to Gas Conversion programme at the total cost of £2.045m.

Executive Summary

3. In September, The Government announced a new £1 billion Public Sector Decarbonisation Scheme (PSDS) providing grant funding for De-Carbonisation of buildings. This is a scheme offering 100% funded grants for public sector organisations to fund energy efficiency and heat decarbonisation projects across their estates. The scheme is part of the Chancellor's 'Plan for Jobs 2020' commitment, which aims to boost the UK's economic recovery from Covid-19, as well as the Government's net zero and clean growth goals, aimed at supporting skilled jobs in the low carbon and energy efficiency sectors.
4. Hampshire County Council (HCC) has always been proactive in managing the energy use and Carbon reduction across its estate buildings and supporting its partners by delivering solutions and installing low-cost measures that have allowed the authority to gradually reduce its energy and Carbon consumption. However, without investing in significant energy efficiency measures across all the County Council's estate, it is unlikely to meet targets to be carbon neutral by 2050.

5. The County Council's recent declaration of a Climate Emergency on 7 June 2019 has reinforced its commitment to continuing to mitigate climate change through reducing carbon emissions and reflects the work undertaken through the Hampshire 2050 commission.
6. Hampshire County Council's corporate and school's estate carries a significant energy bill. With the expectation of fuel prices' continuing to increase consistently in the future, the emphasis on efficiency and savings is increasing.
7. A PSDS grant application had been submitted for Oil to Gas Conversions and is expected to be successful. The grant will allow for heating systems to be converted from Oil to Natural Gas fuelled and the associated installations of new high efficiency boiler plant.
8. This programme looks at converting existing oil fired heating boilers to gas fired and includes upgrading the gas infrastructure on site and installing gas safety equipment within the plant room. Gas is a cleaner fuel and therefore means lower carbon emissions and a decrease in our greenhouse gas (GHG) emissions. We also anticipate that the replacement of the boilers will improve efficiency and decrease the energy use by 20%.
9. Heating controls incorporating optimiser and compensation and intelligent building management systems (BMS) shall be incorporated with the boiler replacement works.
10. Conversion works to be completed to 6 HCC Schools and 9 Corporate Sites with an overall programme value of £2.045m.
11. This proposal creates an opportunity to realise energy savings and reduce carbon. It also looks to further improve carbon credentials in conjunction with the works already carried out and future carbon reduction projects.
12. Site locations have been identified based on those currently with oil fired boilers with high fuel consumption and gas mains in the locality.
13. It is anticipated the works will commence in March 2021 and complete by 30 September 2021.
14. Once completed, this programme is expected to save 286 tonnes of carbon per year and reduce the Councils overall fuel costs.
15. The anticipated costs and funding for this scheme are as follows:

Funding	Buildings £	Fees £	Total Cost £
Public Sector Decarbonisation Scheme	1,755,365.00	289,635.00	2,045,000.00
Total	**1,755,365.00**	**289,635.00**	**2,045,000.00**

16. The sites included in the programme are as follows:

- Fernhill School
- Foxhills Infant School
- Glenwood School
- Chandlers Ford Infant School
- Court Moor School
- Swanmore College
- Bar End Warehouse Store
- Hampshire Museum
- Waterlooville Library
- Hayling Island Library
- Andover Day Services
- Green Meadows
- Petersfield HTM
- The Mead
- The Aviary CS

HAMPSHIRE COUNTY COUNCIL

Project Appraisal

Decision Maker / Committee / Panel:	Cabinet
Date:	9 February 2021
Title:	Calshot Activity Centre Oil to Gas Conversion
Report From:	Director of Culture, Communities and Business Services

Contact name: James Williams

Tel: 07900 908367 **Email:** James.williams@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to seek spend approval for an Oil to Gas Conversion at Calshot Activity Centre funded through the Public Sector Decarbonisation Scheme Grant.

Recommendations

2. That Cabinet grants spend approval to the proposal to complete an Oil to Gas Conversion at Calshot Activity Centre at the total cost of £766,636.

Executive Summary

3. In September, The Government announced a new £1 billion Public Sector Decarbonisation Scheme (PSDS) providing grant funding for De-Carbonisation of buildings. This is a scheme offering 100% funded grants for public sector organisations to fund energy efficiency and heat decarbonisation projects across their estates. The scheme is part of the Chancellor's 'Plan for Jobs 2020' commitment, which aims to boost the UK's economic recovery from Covid-19, as well as the Government's net zero and clean growth goals, aimed at supporting skilled jobs in the low carbon and energy efficiency sectors.
4. Hampshire County Council (HCC) has always been proactive in managing the energy use and Carbon reduction across its estate buildings and supporting its partners by delivering solutions and installing low-cost measures that have allowed the authority to gradually reduce its energy and Carbon consumption. However, without investing in significant energy efficiency measures across all the County Council's estate, it is unlikely to meet targets to be carbon neutral by 2050.
5. The County Council's recent declaration of a Climate Emergency on 7 June 2019 has reinforced its commitment to continuing to mitigate climate

change through reducing carbon emissions and reflects the work undertaken through the Hampshire 2050 commission.

6. Hampshire County Council's corporate and school's estate carries a significant energy bill. With the expectation of fuel prices' continuing to increase consistently in the future, the emphasis on efficiency and savings is increasing.
7. A PSDS grant has been confirmed for the Oil to Gas Conversion at Calshot Activity Centre. The grant will allow for the heating systems at Calshot Activity Centre to be converted from Oil to Natural Gas fuelled and the associated installations of new high efficiency boiler plant. Conversion works to be completed to an overall value of £766,636.

Background

8. Calshot Activity Centre is Hampshire County Council's biggest oil user by a considerable margin. Sitting on Calshot Spit, the conversion of oil to gas will have a huge benefit on the environment and mitigate risk due to the sea level rise and flooding.
9. This will be a complex project. Gas infrastructure will be required down the spit from the gas supply in Calshot village. Recent works here routed a drainage pipe along the spit and the gas mains can run adjacent to this.
10. This project looks at converting the existing oil fired heating boilers to gas fired and includes upgrading the gas infrastructure on site and installing gas safety equipment within the plant room. Gas is a cleaner fuel and therefore means lower carbon emissions and a decrease in our greenhouse gas (GHG) emissions. We also anticipate that the replacement of the boilers will improve efficiency and decrease the energy use by 20%.
11. There are a wide range of benefits with oil to gas conversions which will not only benefit the council but our site users as well. For example:
    - No fuel shortages
    - Lower energy bills
    - Convenient – no access issues or the need for deliveries
    - Better for the environment.
12. The project will include installing a new 180mm Gas main from the existing medium pressure gas supply in the Calshot Village. Distance of this is approximately 1000m. This site sits on the Calshot spit so there will also be environmental benefits in converting from oil to gas and to also mitigate the risk of flooding and the sea level rise.
13. Condensing boilers rigs with offsite construction where possible shall be used to streamline the installation process and costs. Heating controls incorporating optimiser and compensation and intelligent building management systems (BMS) shall be incorporated with the boiler replacement works. Gas pipework shall be moled where possible to ensure minimum site disruption and accelerated programme of works.

14. This proposal creates an opportunity to realise energy savings and reduce carbon. It also looks to further improve carbon credentials in conjunction with the works already carried out and future carbon reduction projects.
15. The Site location has been identified due to it being the largest consumer of fuel oil in the HCC Estate.
16. It is anticipated the works will commence in March 2021 and complete by 30 September 2021.
17. Once completed, this programme is expected to save 110 tonnes of carbon per year and reduce the Councils overall fuel costs.

Finance

18. The anticipated costs and funding for this scheme are as follows:

Funding	Buildings £	Fees £	Total Cost £
Public Sector Decarbonisation Scheme	658,057	108,579	766,636
Total	**658,057**	**108,579**	**766,636**

COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Chief Executive

PART I

1. HAMPSHIRE COUNTY COUNCIL PAY STATEMENT FOR FINANCIAL YEAR 2021/2022

1.1. By virtue of Section 38 of the Localism Act, the County Council is required to prepare a Pay Statement ("Pay Statement") for each financial year. Section 39 of the Localism Act requires that a Pay Statement required under the Localism Act is prepared and approved by full Council prior to 31 March immediately preceding the year to which it relates.

1.2. By virtue of Sections 38 - 43 of the Localism Act, the Pay Statement needs to set out the County Council's policies in respect of the remuneration of its Chief Officers, the remuneration of its lowest paid employees, and the relationship between the remuneration of its Chief Officers and the remuneration of employees who are not Chief Officers.

1.3. The County Council must comply with the provisions of the approve Pay Statement when making any determinations in respect of the remuneration of Chief Officers in the financial year to which such Pay Statement relates.

1.4. A copy of the proposed Pay Statement for 2021/22 is attached as an Appendix to this report. Members of the EHCC Committee have been consulted on the content of the proposed Pay Statement.

2. Contextual Information

2.1. "Chief Officer" is defined as Section 43 (2) of the Localism Act, and means each of the following:

- The Head of Paid Service
- The Monitoring Officer
- A Statutory Chief Officer
- A Non-Statutory Chief Officer
- A Deputy Chief Officer

2.2. Together with the Head of Paid Service, the terms "Statutory Chief Officer" and "Non-Statutory Chief Officer" include the County Council's current Corporate Management Team (CMT), and the Director of Public Health.

2.3. The Statutory definition of “Deputy Chief Officer” is however much wider and goes beyond the County Council’s local definition of how a Chief Officer post might be described, and includes not only Deputy Directors, but also Assistant Directors and Heads of Service, if reporting directly or are directly accountable to a member of CMT in respect of all or most of their duties.

2.4. Section 38 (3) of the Localism Act also requires that the County Council includes within its Pay Statement a definition of its “lowest paid” employees, and the County Council’s reasons for adopting the definition. “Lowest paid” employees are defined at paragraph 5 of the Pay Statement to mean those members of staff employed at Grade A on the County Council’s main pay framework.

2.5. Section 38 (4) of the Localism Act sets out a number of mandatory matters which must be included within a Pay Statement. These are:

- The level and elements of remuneration of each Chief Officer
- Remuneration of Chief Officers on appointment
- Increases and additions to remuneration for each Chief Officer
- The use of performance-related pay for Chief Officers
- The use of bonuses for Chief Officers
- The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the County Council
- The publication of an access to information relating to the remuneration of Chief Officers.

2.6. There is discretion within the Localism Act for the County Council to also include within its Pay Statement, policies in respect of the remainder of its workforce. In the interests of openness and transparency, the County Council’s Pay Policy in respect of employees who are not Chief Officers for the purposes of the Localism Act is set out at Section 1 of the Pay Statement.

3. Statutory Guidance

3.1. Section 40 of the Localism Act requires that in performing its functions under the Localism Act and in preparation and approval of a Pay Statement the County Council must have regard to any guidance issued by the Secretary of State. Guidance (‘the Guidance’) has been issued by the Department of Communities and Local Government ‘Openness and Accountability in local pay’ dated February 2012 in this regard. Further guidance (‘the Supplementary Guidance’) has been issued dated February 2013 supplementing the Guidance.

3.2. Under the provisions of the Guidance and the Supplementary Guidance the County Council is required to explain in its Pay Statement, its policies in respect of the employment of ex-Chief Officers in receipt of a redundancy payment, including its policy towards the re-engagement of Chief Officers previously employed by the County Council, under a Contract for Services.

4. Commentary

4.1. The draft Pay Statement attached at Appendix A is divided into three parts. These are an opening generic introduction covering the requirements of the Localism Act and specifically the definition of 'Chief Officers', followed by two policy sections. Section 1 describes the position in respect of employees who are not Chief Officers within the meaning of the Localism Act, and whose remuneration is covered by the County Council's main pay framework. Section 2 describes the position in respect of Chief Officers as defined by the Localism Act.

4.2. As indicated at paragraph 2.3 of this report, the Localism Act contains a wider definition than the traditional definition of 'Chief Officer', and includes not only Deputy Directors, but also Assistant Directors and Heads of Service, if reporting directly to or accountable to a member of CMT in respect of all or most of their duties. Given the differing scale, size and responsibilities of the respective Chief Officer posts, it is sensible from an organisational perspective to group Chief Officers into three categories as set out below, and referred to at paragraphs 23–25 of the Pay Statement. In doing so the Pay Statement makes better sense of those existing post holders paid at or beyond grade K on the main pay framework. These three categories are:

a) the Head of Paid Service

b) Statutory Chief Officers and Non-Statutory Chief Officers

c) The Monitoring Officer, and other Senior Officers falling within the definition of Deputy 'Chief Officer'.

4.3. The County Council's Constitution requires that the salaries of Chief Officers on appointment outside the main pay framework require Chief Executive and EHCC Committee approval. In accordance with the Statutory Guidance, the County Council has agreed that the EHCC Committee will continue to exercise this responsibility with regard to all Chief Officer and Deputy Chief Officer remuneration outside the main pay framework, whether on appointment or otherwise. This point is covered at paragraph 22 of the Pay Statement.

4.4. In exercising these responsibilities, it is recognised that the EHCC Committee will continue to be the responsible Committee for remuneration of all Chief Officer appointments arising from the implementation of any future structural management arrangements and/or any appointments (joint or otherwise) arising from the formalisation of any new shared services arrangements or legislative changes. The EHCC Committee will determine remuneration in respect of all future Chief Officer appointments or changes to Chief Officer remuneration after appointment in accordance with the policies set out in the Pay Statement. The County Council has also agreed that the EHCC

Committee is responsible for approval of any severance packages in respect of Chief Officers leaving the County Council.

4.5. Salary ranges of staff on Grades A-K referred to at paragraphs 9 and 12 and detailed at Annex 1 of the Pay Statement are as per April 2020, and cover the period to 31 March 2021. Pay categories for Chief Officers referred to at paragraphs 23 to 25 of the Pay Statement are also as per April 2020 and cover the period to 31 March 2021. Should there be a pay award for staff for 2021/22, the table at Annex 1 and Paragraphs 23-25 of the Pay Statement will be updated accordingly.

4.6. Finally, it should be noted that Government is currently considering responses to a consultation on wider reforms that may impact calculation of redundancy pay. The EVR2 Scheme referred to in the table at Annex 2 of the draft Pay Statement reflects the position as it currently stands. Accordingly should this be necessary the table at Annex 2 will be updated to reflect any legislative change so that it remains legally compliant.

RECOMMENDATION

That the County Council approves the Pay Statement for 2021/22 as referred to in this report and contained at Appendix 1, setting out the County Council's policies in respect of pay accountability for the financial year 2021/22, in accordance with the requirements of the Localism Act.

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Hampshire County Council Pay Statement Financial Year 2021/22 (Draft)

1. The purpose of this Pay Statement ("Pay Statement") is to set out Hampshire County Council's pay policies relating to its workforce for the financial year 2021-22, including the remuneration of its Chief Officers and that of its lowest paid employees.

2. The responsibility for functions and delegated authority in respect of the determination of the terms and conditions of staff employed by the County Council is detailed in the County Council's Constitution; in particular, Part 2: Chapter 2.1 and Part 2: Chapter 4, and this Pay Statement is subject to those provisions.

3. With the exception of teaching staff and associated school advisory roles where pay is governed by National consultation groups and apprentices on the National Minimum Wage, pay for all staff, including Chief Officers, is set by the Employment in Hampshire County Council ("EHCC") Committee with annual pay awards below senior management level being determined by the outcome of the national local government award and customarily applied to senior managers. The EHCC Committee is proportionally constituted and comprises elected County Councillors from the main political parties, and has responsibility for locally determined terms and conditions of employment for staff.

4. For the purposes of this Pay Statement and in accordance with the Localism Act 2011 ("Localism Act"), staff employed by the County Council have been separated into two groups:
   (a) Employees who are not Chief Officers as defined by the Localism Act
   (b) Chief Officers as defined by the Localism Act

5. An "employee who is not a Chief Officer" refers to all staff, who are not covered within the "Chief Officer" group as outlined below. This includes the "lowest paid employees". In the context of the County Council other than apprentices the "lowest paid employees" are those employed at grade A on the County Council's pay framework. This is because grade A is the lowest grade on the County Council's pay framework.

6. Section 43(2) of the Localism Act defines Chief Officers for the purposes of the Localism Act. Currently, the following roles within the County Council fall within the definition of "Chief Officers":

   (a) Head of Paid Service (Chief Executive)
   (b) Monitoring Officer

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

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

7. These staff are subject to the County Council's main pay framework. This was implemented in April 2007 in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities, and a number of other public sector employers, to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer. As part of this, the County Council determined a local pay framework.

8. There are 11 grades (A-K) in the pay framework, grade A being the lowest and grade K the highest. Each employee will be on one of the 11 grades based on the job evaluation of their role. Each grade consists of 5 steps, with the exception of grades A and B which consist of fewer steps. Employees can progress within the salary range of their grade, having regard to the County Council's performance management arrangements.

9. All employees are paid within the salary range for their grade. Each "lowest paid employee" is paid within the salary range for grade A. All other employees are paid within the salary range for the grade of their role i.e. B-K. Details of the Council's salary ranges are published on the County Council's website, and a copy of those salary ranges currently as at 1 April 2020 is attached at Annex 1 to this Pay Statement.

10. Employees new to the County Council will normally be appointed to the first step of the salary range for their grade. Where the candidate's current employment package would make the first step of the salary range unattractive or where the employee already operates at a level commensurate with a higher salary, a different starting salary may be considered by the recruiting manager. This will be within the salary range for the grade. The candidate's level of skill and experience should be consistent with that of other employees in a similar position on the salary range.

11. Employees' performance during the course of the year is reviewed within the County Council's performance management arrangements, and pay progression within the grade is subject to satisfactory performance.

12. Pay awards are considered annually for staff. For those staff up to and including grade G the outcome of the national consultations by the Local Government Employers in negotiation with the Trades Unions is applied. For staff at grade H and above the value of any pay award is determined by the EHCC Committee. Since the implementation of the County Council's pay framework, the EHCC Committee has applied the same percentage award determined nationally. The question of a pay award for staff for 2021/22 has not yet been determined. Should there be a pay award for staff for the year 2021/22, then the table at Annex 1 will be updated accordingly.

13. There is a Special Recognition Scheme, under which a one-off payment may be awarded to a member of staff as a recognition for a particular piece of work or a substantial achievement above what is expected as part of their ordinary day-to-day work. All Special Recognition Scheme payments are subject to departmental governance arrangements, and where required Chief Officer approval, are not consolidated into base salary and are funded from within existing budgets.

14. Allowances such as relocation assistance or other payments, for example shift working, may be made to staff in connection with their role or the patterns of hours they work in accordance with the County Council's collective agreement ('EHCC 2007') and subsequent amendments thereto, and other governance arrangements.

15. The County Council recognises that employees sometimes incur necessary expenditure in carrying out their responsibilities, for example travel costs. Employees will be reimbursed for reasonable expenses incurred on County Council business in accordance with the County Council's collective agreement ('EHCC 2007') and subsequent amendments.

16. Other than where required in order to carry out specific requirements of a role, for example the provision of accommodation for care workers required to live on site, there will be no benefits in kind payable to employees of the County Council

17. All employees as a result of their employment are eligible to join the Local Government Pension Scheme. The County Council will not consider the purchase of additional pension for employees under the provisions of the Local Government Pension Scheme Regulations 2014. However, it will consider enabling employees to use part of any redundancy payment to buy additional pension, where they leave on the grounds of efficiency.

18. Redundancy payment arrangements will be based on the County Council's standard redundancy scheme. In support of efficient organisational change and transformation linked to the need for efficiencies and expenditure

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

19. Except in exceptional business circumstances, no employee who has left the County Council under the terms of the standard redundancy scheme or any voluntary redundancy scheme or severance arrangement, will be re-employed by the County Council in any capacity for a minimum period of 12 months from the dismissal date. If re-employment is sought within 12 months of the termination date, approval is required from the relevant Chief Officer, the Deputy Chief Executive and Director of Corporate Resources as Section 151 Officer and the Assistant Director - Human Resources and Workforce Development. In addition, if the ex-employee was previously employed at grade H and above and/or is seeking re-employment at grade H and above, Chief Executive approval is also required.

20. Except in exceptional business circumstances, no employee who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangements, will be re-engaged by the County Council under a contract for services within a minimum period of 12 months of the dismissal date. In this case the authorisation requirements set out at Paragraph 19 of this Pay Statement in respect of re-engagement of ex-employees will apply.

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

21. Chief Officers are paid either within the County Council's main pay framework, or on "spot" remuneration. The remuneration of Chief Officers on appointment has regard to the relative size, breadth and challenge of the role compared to other Chief Officer roles within the County Council, performance and taking appropriate advice from Korn Ferry (formerly known as HAY)and follows the same principles operated within the main pay framework. Account is also taken of other relevant available information, including the remuneration of Chief Officers in other similar sized organisations.

22. The Constitution requires that remuneration of Chief Officers on appointment outside the main pay framework requires Chief Executive and EHCC Committee approval. The EHCC Committee will continue to exercise responsibility for all Chief Officer remuneration outside the main pay framework, whether on appointment or otherwise. Chief Officer remuneration payable from 1 April 2020 falls within three categories as outlined below.

23. The Head of Paid Service is paid remuneration of £231,115.

24. Statutory Chief Officers and Non - Statutory Chief Officers are paid remuneration within the range of £123,000 - £196,800.

25. The Monitoring Officer and Deputy Chief Officers are paid remuneration within the range £83,064 - £135,000.

26. The annual pay review for Chief Officers paid outside the main pay framework is considered by the EHCC Committee each year, alongside recommendations for staff paid between grades H and K in accordance with Paragraph 12 of this Pay Statement. Likewise to support the annual review of remuneration of these Chief Officers, information may be provided on inflation, earnings growth, and any significant considerations from elsewhere in the public sector.

27. Typically, Chief Officers have received the same percentage pay award as other managers and staff groups within the County Council. In each year since implementation of the new pay framework, EHCC Committee has applied the same percentage award determined nationally for other grades of employees within the County Council. Chief Officers are subject to the same performance management arrangements as detailed for employees who are not Chief Officers. Chief Officers paid outside the main pay framework do not receive incremental pay progression. In years where a pay award is available, performance will be taken into account when determining whether any award will be made. Should there be a Pay Award for Chief Officers for the year 2021/22 then Paragraphs 23-25 will be updated accordingly.

28. Within the above Chief Officer categories any increase to the remuneration of Chief Officers outside the annual review process, for example as a consequence of increased responsibilities arising from the formalisation or implementation of new shared services arrangements, requires Chief Executive and EHCC Committee approval.

29. The Special Recognition Scheme referred to at Paragraph 13 of this Pay Statement is however also applicable to Chief Officers. Any proposed Special Recognition Payment in respect of CMT is subject to ratification by EHCC.

30. No other charges, fees or allowances or remuneration are payable to Chief Officers in connection with their responsibilities. No fees for election duties are included in Chief Officer remuneration, nor are any additional fees payable for such responsibilities.

31. Chief Officers may where applicable receive allowances, such as relocation assistance in accordance with the County Councils collective agreement

(EHCC 2007), and subsequent amendments thereto, and other governance arrangements.

32. The County Council recognises that Chief Officers sometimes incur necessary expenditure in carrying out their responsibilities e.g. travel costs. Chief Officers will be reimbursed for reasonable expenses incurred on County Council business in accordance with the County Council's collective agreement (EHCC 2007) and subsequent amendments.

33. There are no benefits in kind, such as private health insurance, payable to Chief Officers.

34. Chief Officers as a result of their employment are eligible to join the Local Government Pension Scheme in the same way as other employees. The County Council will not consider the purchase of additional pension for employees under the provisions of the Local Government Pension Scheme Regulations 2014.However, it will consider enabling employees to use part of any redundancy payment to buy additional pension, where they leave on the grounds of efficiency.

35. Chief Officers are subject to the same redundancy payment and severance arrangements as other staff as outlined in Paragraph 18 of this Pay Statement.

36. Chief Officers, who have left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangements are subject to the same policy on re-engagement by the County Council outlined at Paragraph 19 of this Pay Statement as other employees.

37. Except in exceptional business circumstances, no Chief Officer who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangement, will be re-engaged by the County Council under a contract for services within a minimum period of 12 months of the termination date. In this case the authorisation requirements set out at Paragraph 20 of this Pay Statement in respect of re-engagement of ex-employees will apply. No Chief Officer, as defined at Paragraphs 23-25 of this Payment Statement, will be employed by the County Council on terms and conditions which allow such an officer to be an employee of the County Council whilst operating in practice as a limited company for taxation reasons.

38. Details of Chief Officer remuneration have been published annually since 2010 as an extract from the County Council's Statement of Accounts and according to accountancy standards, as soon after the end of the relevant financial year as is reasonably practical. At that time the County Council will also update the publication of its pay multiple, that is the ratio between the highest paid employee and the median average earnings across the organisation, based on base pay. Gender Pay Gap reporting information will

also be published as part of the County Council's Open Data in accordance with statutory requirements.

Pay Statement Annex 1

Hampshire County Council's Pay Framework

Salary Ranges – from April 2020

	Step	Grades A	Grades B
Salary Range	3	18,198	18,877
	2	17,962	18,562 (see note 1 below)
	1	17,842	18,562 (see note 1 below)

	Step	Grades C	D	E	F	G	H	I	J	K
Salary Range	5	19,941	24,055	29,583	37,876	46,776	54,525	64,204	80,758	93,491
	4	19,699	23,358	28,724	36,777	45,416	52,940	62,331	78,404	90,768
	3	19,314	22,771	27,887	35,705	44,092	51,397	60,515	76,121	88,124
	2	19,129	22,003	27,300	34,663	42,805	49,900	58,752	73,901	85,555
	1	18,933	21,403	26,544	33,653	41,562	48,447	57,042	71,750	83,064

Note:

1. The salaries for steps 1 and 2 of grade B are the same. Staff paid on either step 1 or 2 of grade B will progress to step 3 from April 2021, as appropriate.

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

Pay Statement Annex 2

Hampshire County Council

Standard and Voluntary Redundancy Schemes

Payments Based on Actual Weekly Pay

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

COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Cabinet

PART I

1. 2020 REVIEW OF THE HAMPSHIRE MINERALS & WASTE PLAN AND REVISED DEVELOPMENT SCHEME

1.1 At its meeting on 9 February 2021, the Cabinet considered proposals relating to a review of the Hampshire Minerals & Waste Plan in terms of policy performance, compliance with the latest National Planning Policy Framework.

1.2 Cabinet approved the conclusions of the 2020 Review of the Hampshire Minerals & Waste Plan as set out in the report and acknowledged the requirement and the timetable, set out in the Development Scheme, to undertake a partial update to the Plan, subject to agreement by the Plan-making partner Authorities. The Cabinet resolved to make a number of recommendations to the County Council. The report considered by Cabinet is attached as Annex A to this Part I report.

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

Cabinet

RECOMMENDATIONS

a. That County Council endorses the conclusions of the 2020 Review of the Hampshire Minerals & Waste Plan as set out in the report and approves its publication following agreement by the Plan-making Authorities.

b. That County Council approves the Hampshire Minerals & Waste Development Scheme setting out the timetable and programme for the partial update of the Hampshire Minerals & Waste Plan to come into effect from March 2021, and authorises the work required to undertake this, subject to agreement by the Plan-making partner Authorities.

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ANNEX A

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	9 February 2021
Title:	2020 Review of the Hampshire Minerals & Waste Plan and revised Development Scheme
Report From:	Director of Economy, Transport and Environment

Contact name: Melissa Spriggs

Tel: 0370 779 7153 **Email:** melissa.spriggs@hants.gov.uk

Purpose of this Report

1. The purpose of this paper is to provide the reasons why a partial update of the Hampshire Minerals & Waste Plan (2013) is required following the completion of the 2020 Review as required by the National Planning Policy Framework (NPPF) and to set out the timetable for completing the update.

Recommendations

2. That Cabinet approves the conclusions of the 2020 Review of the Hampshire Minerals & Waste Plan as set out in the report and recommends that County Council endorses this and also approves its publication following agreement by the plan-making Authorities.
3. That Cabinet recommends that County Council resolves that the Hampshire Minerals & Waste Development Scheme which sets out the timetable and programme for the partial update of the Hampshire Minerals & Waste Plan comes into effect from March 2021, and authorises the work required to undertake this, subject to agreement by the plan-making partner Authorities.

Executive Summary

4. This paper seeks to
    - Provide the background to why a Review of the Hampshire Minerals & Waste Plan is required;
    - Highlight the findings of the 2020 Review;
    - Outline the financial status of the Hampshire Minerals & Waste Plan (2013) and budgeting implications of a partial update to the Plan; and
    - Set out the timetable and programme of work to be undertaken to support a partial Plan update.

Background to the Review

5. The National Planning Policy Framework (2018) requires that Local Plans should be reviewed to assess whether they require updating at least once every five years[1]. The Hampshire Minerals & Waste Plan (the 'Plan') was adopted in October 2013.

6. The Plan was produced in partnership with Portsmouth and Southampton City Councils and the New Forest and South Downs National Park Authorities. Since adoption, there has been an on-going relationship between Hampshire County Council and these Authorities regarding the monitoring and implementation of the Plan. Therefore, a decision on the future of Hampshire Minerals and Waste Plan needs to be made by each authority.

7. A Review was undertaken in 2018 based on the data obtained through annual Monitoring Reports. The 2018 Review concluded that an update of the Plan was not required at that time. The reasons given were that the development management policies were functioning well to protect communities and the environment. Whilst some issues were identified in the delivery of minerals and waste development, the policies were considered to enable suitable development to come forward. However, the 2018 Review also concluded that some of the issues should be kept under review and a commitment was made to undertake a workshop to explore the issues and a further review of the Plan in 2020.

8. The 2020 Review of the Hampshire Minerals & Waste Plan (see Appendix 1) follows the approach taken for the 2018 Review including a 'RAG' (Red, Amber, Green) status for the policies but also takes into account the guidance provided by the Planning Advisory Service toolkit (published in 2019). Therefore, the 2020 Review includes a review of compliance of the Plan with national policy (National Planning Policy Framework and National Planning Policy for Waste) and a review of the Plan Vision, Plan Objectives and Spatial Strategy.

Findings of the 2020 the Review

9. The 2020 Review not only takes into account the monitoring data and compliance with national policy but also the raft of policy documents which have been issued by Government since the Plan was adopted. This includes, but is not limited to, the 25 Year Environment Plan, the Industrial Strategy and Waste & Resources Strategy as well as other policy drivers such as the Environment Bill and the current 'Planning for the future' White Paper.

10. The 2020 Review not only considers national policy drivers but also local agendas such as the climate change emergencies that have been declared by

[1] National Planning Policy Framework (Para. 33) - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf

Hampshire County Council and partners as well as the 2050 Commission of Inquiry.

11. In addition, the 2020 Review outlines the key messages from the Review Workshop held on 25th September 2019.

12. The 2020 Review concludes the following:

Development Management Policies

13. The monitoring data suggests that most of these policies are performing well with Policy 14 (Community benefits) as the exception. However, reviewing national policy compliance highlights that the policies would benefit from a light touch update in their terminology and in some cases, their delivery. In addition, Policy 2 (Climate change – mitigation and adaption) needs to be strengthened and Policy 9 (Restoration of minerals and waste developments) needs to ensure that climate change is suitably embedded in its implementation.

Minerals Policies

14. The 2018 Review highlighted that the required 7-year landbank for sand and gravel (for both sharp sand and soft sand) was not being met along with other mineral requirements. The situation remains in 2020 as well as an increasing risk to recycled and secondary aggregate delivery and capacity issues at the wharves.

15. The aggregate delivery requirements (Policy 17 (Aggregate supply – capacity and source) would benefit from being updated. This would help ensure the requirements of national policy were being met.

16. Whilst the policies are enabling suitable development to come forward, they would benefit from outlining any additional sustainable opportunities to help meet requirements and provide certainty to industry and communities.

Waste Policies

17. The 2020 Review shows that in general, the waste forecasts continue to be relatively accurate and additional capacity is coming on stream albeit focused more on recovery than recycling. However, to ensure compliance with the national policy, they would benefit from an update to enable greater alignment with the waste hierarchy and the emerging national waste strategy.

18. Whilst landfill is a last resort, there remains a need to landfill some wastes and current landfill capacity continues not to meet the forecasted need. Therefore, the policy would benefit from considering possible sustainable options alongside other sites for waste management.

Monitoring Indicators

19. The 2020 Review has not assessed these in detail but is it is recognised that not all indicators obtain the information required to monitor the effectiveness

of the Policies. However, any update of the policies should include a further review of the monitoring indicators to ensure that they are SMART[2].

Vision, Plan Objectives, Spatial Strategy and Key Diagram

20. The issues identified through this Review could suggest that the economy was not being supported adequately. The current Vision could also be considered to be lacking in spatial identity and specificity in its aims in relation to minerals and waste.

21. The Plan Objectives generally align with the policies and would help achieve the current Vision. As some of the Policies are currently not delivering their aim, this would suggest the Plan Objectives are not being met. An update of the Policies and/or Vision would need to include a review of the Plan Objectives to ensure they align.

22. Any update to the Policies would need to be reflected in both the Spatial Strategy and Key Diagram. To ensure compliance with national policy, the Policies, Spatial Strategy and Key Diagram need to be unambiguous.

2020 Review recommendations

23. The 2020 Review recommends that an update of the HMWP is undertaken to ensure compliance with national policy but also to ensure that the Plan is delivering a steady and adequate supply of minerals and enabling sustainable waste management provision.

24. In addition, the Vision, Plan Objectives, Spatial Strategy and Key Diagram will need to be further reviewed to ensure that all requirements of the Plan are delivered but also that the Vision aligns with the 2050 principles for Hampshire and the climate change agenda.

25. To support the Plan update, an assessment of mineral and waste site options would ensure any suitable sites for enabling sustainable minerals and waste development are included in the Plan helping provide certainty to the industry and local communities.

Partial Plan update Timetable

26. The timetable for the partial update set out in the new Development Scheme (see Appendix 2) is outlined as follows:

HMWP Key Milestones	Timescale	Description
Regulation 18 (Preparation)	March 2021 – Sept 2021	Call for Sites (Fixed period) Preparation of Evidence Base
Regulation 18 (Consultation)	Oct 2021 – Dec 2021	Consultation on the Draft Plan Update and Evidence

[2] Specific, Measurable, Achievable, Realistic and Timely.

Regulation 19 (Proposed Submission Document Preparation)	Jan 2022 – March 2022	Update Evidence Base Revise Plan based on Evidence Base and Consultation
Regulation 19 (Proposed Submission Document Consultation)	April 2022 – June 2022	Consultation on the Updated Plan to be submitted to the Secretary of State
Regulation 22 (Preparation)	July 2022 – Oct 2022	Update Evidence Base Proposed Modifications based on Evidence Base and Consultation
Regulation 22 (Submission to SoS)	Winter 2022	Submitting the Plan to the Secretary of State who appoints a Planning Inspector
Regulation 24 (Public Examination)	Spring 2023	Pre- Examination Hearing Planning Inspector examines the Plan
Regulation 25 (Inspector's Report)	Summer 2023	Planning Inspector delivers his report on the Plan
Regulation 26 (Adoption)	Autumn 2023	All authorities adopt the Plan, as modified by Planning Inspector

27. The consultations will be carried out in line with the Statement of Community Involvement[3] (2017).

28. It is recognised that the recent consultation on the 'Planning for the future' White Paper outlines proposed changes to plan-making and timescales. The timetable for the Plan update sits within the proposed 30-month period and it is expected that submission by Winter 2022 will also be within any transition period relating to changes to the planning system.

Programme of work

29. To support the partial update of the Plan, several studies and assessments will need to be undertaken. These include the following:

- Waste Background Study
- Minerals Background Study
- Wharves & Depots Needs Assessment
- Climate Change Topic Paper
- Aggregate Recycling Topic Paper
- Restoration Topic Paper
- Minerals and Waste Proposal Studies

[3] Statement of Community Involvement (2017) - https://documents.hants.gov.uk/planning-strategic/HampshireStatementofCommunityInvolvementAdoptedNovember2017.pdf

- Sustainability Appraisal (incorporating Strategic Environmental Assessment)
- Habitats Regulations Assessment
- Strategic Flood Risk Assessment
- Strategic Technical Assessments on issues such as Transport, Landscape, Ecology and Heritage.

30. A call for minerals and waste site nominations will commence immediately that the update is approved, to explore suitable site options for allocation.

31. It is intended that the studies and assessments will be prepared in-house where possible to make use of skills and resources within the Council, minimise costs and develop officers.

Financial Implications

32. Hampshire County Council has contractual arrangements with the plan-making partner Authorities regarding the monitoring and implementation of the Plan. The partners pay 8% each of the yearly cost for these services, with Hampshire County Council covering the remaining 68%.

33. Final budgetary arrangements are yet to be agreed with partners. However, an initial total budget estimate for the partial Plan update is approximately £816,750k. Based on the current distribution of costs, partner authorities would be contributing approximately £261,360 to the estimated total budget. The remaining £555,390 would be paid by Hampshire County Council.

34. The cost of the partial Plan update would be funded from monies previously identified and earmarked for a Plan update (£230,000 which remained from the preparation of the adopted (2013) Plan) with the remaining resource requirements met through re-prioritisation of work programmes and activities within ETE Planning budgets, subject to appropriate contributions being secured from the partner authorities.

35. Hampshire County Council will lead the technical preparation of the partial Plan update working with officers from each of the partner Authorities, as required.

Next Steps

36. The findings of the Review need to be published and it is proposed to do this by making the '2020 Review of the Hampshire Minerals & Waste Plan' public as soon as possible.

37. The Development Scheme outlines the programme for the partial update of the Plan and will come into effect following resolution by each partner Authority.

38. Due to the focused nature of the update, it is not expected that the outcome of the current consultation on the 'Planning for the future' White Paper will impact the timetable.

39. It is necessary for all partner Authorities to agree to carrying out a partial Plan update, and contribute the required funding, before the work can proceed. Discussions with partner Authorities are positive and on-going.
40. Once completed, the decision to agree and adopt the updated Plan will be taken to Full Council.

REQUIRED CORPORATE AND 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

Other Significant Links

Links to previous Member decisions:	
2018 Review of the Hampshire Minerals & Waste Plan https://democracy.hants.gov.uk/documents/s25501/Report.pdf	13 November 2018
Direct links to specific legislation or Government Directives	
National Planning Policy Framework https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf	February 2019

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
2020 Review of the Hampshire Minerals & Waste Plan	Appendix 1
Hampshire Minerals & Waste Development Scheme	Appendix 2
2018 Review of the Hampshire Minerals & Waste Plan	https://www.hants.gov.uk/landplanningandenvironment/strategic-planning/hampshire-minerals-waste-plan

EQUALITIES IMPACT ASSESSMENT:

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. **Equalities Impact Assessment:**

The 2020 Review recommends that a partial update to the Plan is required but does not contain the detail. The new Development Scheme sets out the programme and timetable for the partial Update but not the outcomes. Therefore, any impacts are unknown at this stage and are considered neutral. The update will be supported by an Equalities Impact Assessment.

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NOTICE OF MOTION

Notice of Motion proposed by Councillor David Harrison and seconded by Councillor Martin Tod submitted in accordance with Standing Order 18.1.

1. Council notes that:

   a. Carers – paid and unpaid, young and old – do a remarkable and important job. They are an integral part of our Hampshire community. They deserve our support, but are far too often forgotten and ignored.

   b. Carers in Hampshire and across the country face big challenges every single day; challenges that have been made even harder by the Covid-19 pandemic. Most are having to spend more time looking after loved ones during the pandemic; most haven't been able to take a single break since it started; and most are simply exhausted.

   c. Situations provoking care interventions can happen with little warning. Often those giving care have to reduce their working hours or give up work to juggle competing demands.

   d. The pressures on young carers can negatively impact on their experiences and outcomes in education, having a lasting effect on their life chances.

   e. Many carers are unaware of their entitlement to financial support, a carers assessment or break, and the support services available.

2. Council further notes that:

   a. 12,924 full-time unpaid carers in Hampshire rely on Carer's Allowance.

   b. At just £67.25 a week, Carer's Allowance is the lowest benefit of its kind.

   c. In response to the Covid-19 pandemic, the Government increased the Universal Credit standard allowance and the Working Tax Credit basic element by £20 a week above the planned uprating in April 2020, but it has not increased Carer's Allowance.

   d. Many unpaid carers are facing extreme financial hardship. A recent survey by Carers UK found that more than a third of those on Carer's Allowance are struggling to make ends meet. Many have been struggling for months, often relying on foodbanks to feed themselves and the people they care for.

e. The Carers UK survey found that “43% of carers felt that a rise in Carer’s Allowance would help them, given the financial pressures they are facing.”

3. Council resolves that:

a. We must stand up for carers, do more to support them, and build a more caring society as we emerge from the Covid-19 pandemic.

b. We will review how carers in Hampshire are made aware of existing support that is available and to bring back any recommendations to Hampshire County Council.

c. Promote Young Carers Action Day on March 16th 2021 as widely as possible on an annual basis, particularly to young carers and their families.

4. Council calls on the Leader of the Council to:

a. Write to the Chancellor of the Exchequer and the Secretary of State for Work and Pensions, urging them to raise Carer’s Allowance by £20 a week immediately, in line with the increase in Universal Credit, and copy in our local MPs, asking for their support.

COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Hampshire Fire and Rescue Authority

PART II

1. CHAIRMAN'S REPORT

1.1. At its meeting on 19 December 2020, the Hampshire Fire and Rescue Authority (HFRA) approved the Anti-Theft, Fraud, Bribery and Corruption policy, which is to now be embedded into the Fire Service's way of working.

1.2. Members also noted progress on recommendations following the Grenfell Tower incident and investigation, which had included the setting up of a High-Rise Risk Based Inspection Programme (HRRBIP) team, development of a new high-rise procedure, new response plans, and relevant and specialised areas of training and new strategy being implemented.

1.3. Further on the agenda, the Mid-Year Performance report and six month progress on the new Safety Plan were also noted.

1.4. On the 10 February 2021, the HFRA had its final meeting after 24 years of being established. From 1 April, the Combined Fire Authority with the Isle of Wight will formally come into being, clerked by the Chief Fire Officer for Hampshire and the Isle of Wight Fire Service.

Further details can be found at the following links:

HFRA – 19 December 2020 Papers
HFRA - 10 February 2021 Papers

COUNCILLOR CHRIS CARTER
Chairman of Hampshire Fire and Rescue Authority

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COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Hampshire and Isle of Wight Fire and Rescue Authority (Shadow Authority)

PART II

1. CHAIRMAN'S REPORT

1.1. On 19 December 2020, the Hampshire and Isle of Wight Fire and Rescue Authority (H&IWFRA) Shadow Authority received a report from the Treasurer on the first budget for the new Combined Fire Authority, which provided an update to members of the current financial position for the 2020/21 Hampshire FRA Revenue Budget and an update on the 2021/22 Hampshire and Isle of Wight FRA budget setting process.

1.2. Members approved the growth pressures presented to the Authority, and noted the elements that were still unknown, including uncertainties on the level of Council Tax Base in the current and future years as a result of the impacts of the Covid pandemic.

1.3. On 10 February 2021, H&IWFRA Shadow Authority had its final meeting in its capacity as a Shadow Authority, and as from 1 April 2021, the formal Combined Fire Authority for Hampshire and the Isle of Wight will come into being.

1.4. It was a very busy agenda for the Shadow Authority, which approved the budget for the upcoming year after considering the variations and uncertainties still to come. The transfer of policies, statutory officer appointments, Members allowance scheme, safety policy, and the health, safety and wellbeing Statement of Intent were also approved.

1.5. Further details can be found at the following links:

HIWFRA Shadow Authority – 19 December 2020 Papers
HIWFRA Shadow Authority - 10 February 2021 Papers

COUNCILLOR CHRIS CARTER
Chairman of Hampshire & Isle of Wight Fire and Rescue Authority (Shadow Authority)

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COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Conduct Advisory Panel

PART II

1. Chairman's Report

1.1. On 9 December 2020, in accordance with the County Council's Arrangements for the Assessment, Investigation and Determination of Complaints under the County Council's Code of Conduct for Members ('Arrangements'), a Hearing Panel of the Conduct Advisory Panel determined a complaint against Councillor Woodward, a Member of the County Council.

1.2. The complaint related to Councillor Woodward's handling of a grant of £15,000 to the Rockets Motorcycle Display Team, made by the Executive Member for Countryside and Rural Affairs on 7 May 2019 under the Recreation and Heritage Executive Member Community Fund Grant Scheme, at the Decision Day of Councillor Woodward, then Executive Member for Recreation and Heritage.

1.3. The Hearing Panel considered the report of the Monitoring Officer and an Independent Investigator. Councillor Woodward also presented evidence to the Hearing Panel.

1.4. An Independent Person was also present at the Hearing Panel, in accordance with the Arrangements and the requirements of the Localism Act 2011.

1.5. The decision of the Hearing Panel, having sought and taken into account the views of the Independent Person, was that in his actions relating to the grant Councillor Woodward constituted a breach of paragraphs 3.4 and 3.7 of the County Council's Members' Code of Conduct as set out below:

> *3. 4 Exercising independent judgement and not compromising your position by placing yourself under obligations to outside individuals or organisations who might seek to influence the way you perform your duties.*
>
> *3.7 Contributing to making the County Council's decision-making processes as open and transparent as possible.*

1.6. In coming to this position, the decision of the Hearing Panel was that:

1.6.1. Councillor Woodward compromised his position on 14 January 2019 when approving the grants scheme by mentioning to officers a specific application he expected, from an organisation with which he had strong links.

1.6.2. Councillor Woodward put himself under an obligation to the Rockets to try to influence the decision making process, by failing to exercise independent judgement.

1.6.3. Following declaring his interest and putting into the public domain that he would not be making the decision, it is clear that Councillor Woodward reinvolved himself in the grant payment process by making contact with officers in relation to the Solent Stars.

1.7. The Chairman considered that there was no suggestion of dishonesty, but it was a unanimous decision that Councillor Woodward had lapsed in judgement.

1.8. The findings of the Hearing Panel have been published and are reported to the County Council, in accordance with the Arrangements and the decision of the Hearing Panel.

Further details can be found at the link below:

https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=744&MId=7530&Ver=4

COUNCILLOR KEMP-GEE
Chairman of the Conduct Advisory Panel

COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Leader/Cabinet

PART II

1. School Streets

1.1. At its meeting on 9 February 2021 the Cabinet approved a limited trial of the "School Streets" initiatives in Hampshire during 2021, as part of the Active Travel programme.

1.2. Following consideration of a Notice of Motion to the County Council on 24 September 2020, a report on School Streets including the potential environmental benefits and traffic impacts was presented to the Economy, Transport and Environment Select Committee in October 2020 where it was agreed that further proposals for a Hampshire trial would be brought forward. This was considered by the Select Committee in January 2021 and the proposals were supported. The trial, planned for the autumn term of 2021 was approved by Cabinet on 9 February and the outcomes will be brought back to the Select Committee as well as Cabinet when available.

1.3. The trial will take place across three schools in a mixture of areas (rural/urban) and a further three to six control schools will enable an assessment of the impact of the measures to be made. These trials will be funded by the Active Travel Fund Tranche 2 award. Full details of the trial can be found in the Cabinet report.

2. Regulation 11 (Key Decisions)

2.1. Regulation 11 (special urgency) allows for a key decision to be made if it is impracticable for notice of the intention to take a key decision under Regulation 9 to be given 28 clear days in advance of the taking of the decision. This also allows for a Key Decision to be taken where it is impractical for public notice at least five working days before the decision is taken to be given in accordance with Regulation 10. Regulation 11 sets out the actions required to be taken in those circumstances which include gaining the consent of the Chairman of the relevant Select Committee or in their absence, of the Chairman of the County Council. Details of Key Decisions taken under Regulation 11 must be presented to the County Council.

2.2. On 30 November 2020, the Executive Lead Member for Children's Services and Young People took a Key Decision on Covid Winter Grants – Funding for Schools, Colleges and Early Years Providers. It was impracticable to give the required 28 days notice of the Executive Lead Member's intention to take this Key Decision due to the timing of the Central Government announcement on the Covid Winter Grant scheme and funding allocation, and the expectation from Government that delivery against the grant would need to commence in December 2020. In accordance with Regulation 11, agreement was obtained from the Chairman of the Children and Young People Select Committee, that the Key Decision was urgent and could not reasonably be deferred.

2.3. On 8 February 2021, the Executive Member for Public Health took a Key Decision on Asymptomatic Community Testing for COVID-19 in Hampshire. It was impracticable to give the required 28 days notice of the Executive Member's intention to take this Key Decision due to the state of the pandemic and spread of COVID-19. This was an urgent key decision to enable progress with the proposal to set up asymptomatic testing sites in Hampshire, targeted to those people who need to leave home to go to work during this period of national restrictions. The programme is funded by the Department of Health and Social Care up until 31 March 2021 and is proposed to run for an initial 6-week period. In accordance with Regulation 11, agreement was obtained from the Chairman of the Health and Adult Social Care Select Committee, that the Key Decision was urgent and could not reasonably be deferred.

Further details can be found at the links below:

Cabinet - 9 February

Executive Lead Member for Children's Services and Young People 30 November 2020 Decision Day

Executive Member for Public Health 8 February 2021 Decision Day

COUNCILLOR KEITH MANS
Leader and Chairman of Cabinet

COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Executive Lead Member for Children's Services and Young People

PART II

1. COVID WINTER GRANTS

1.1. On 30 November 2020, 9 December 2020 and 2 February 2021, the Executive Lead Member for Children's Services and Young People approved a number of decisions in relation to Covid Winter Grants.

1.2 On Sunday 8 November 2020, the government announced a significant package of extra targeted financial support for those in need over the winter period. The £170 million COVID Winter Grant Scheme would be distributed through County and Unitary Councils and aims to support those most in need across England with the cost of food, energy and water bills and other associated costs. The government expects top tier local authorities to administer the scheme and provide direct assistance to vulnerable households and families with children particularly affected by the pandemic, and to include families whose children are eligible for Free School Meals (FSM) as well as those who qualify by age for the universal free school meal offer.

1.3. Hampshire's share of the COVID Winter Grant is £2.898 million, to be spent between December 2020 and 31 March 2021. Following notification of funding, engagement with major stakeholder groups resulted in a multi-faceted offer across Hampshire, under the programme name of 'Connect4Communities'. The Executive Lead Member has approved funding for a variety of initiatives under the Connect4Communities programme, providing direct financial support to vulnerable households this winter, which have included:

- Distribution of funding to schools, colleges and childcare providers to provide food vouchers to eligible children for the December and February school holidays.
- Discretionary grants for schools and colleges to support families experiencing financial difficulty.
- Funding to provide food and fuel vouchers to care leavers.
- A grant to the Hampshire Young Carers Alliance to support young carers.
- Funding to provide food vouchers to frontline agencies working with families including domestic abuse organisations, health visitors and social work teams.
- A grant to Citizens Advice to provide fuel support to vulnerable households.
- Funding to enable the establishment of a community pantry in each district of Hampshire.

- A community grant fund available to organisations working with local communities.

Further details can be found at the links below:

Executive Lead Member for Children's Services and Young People Decision Day – 30 November 2020

Executive Lead Member for Children's Services and Young People Decision Day – 9 December 2020

Executive Lead Member for Children's Services and Young People Decision Day – 2 February 2021

COUNCILLOR PATRICIA STALLARD
Executive Lead Member for Children's Services and Young People

COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Executive Member for Education and Skills

PART II

1. ENLARGEMENT OF SAMUEL CODY SPECIALIST SPORTS COLLEGE AND ICKNIELD SCHOOL

1.1. On 13 January 2021, the Executive Member for Education and Skills approved the publication of two statutory Public Notices under Section 19(1) of the Education and Inspections Act 2006: to expand and change the designation of Samuel Cody Specialist Sports College, Farnborough with effect from 1 September 2022, and to expand Icknield School, Andover with effect from 1 September 2022. The Executive Member also received feedback on the two public consultations in relation to the proposed expansions.

1.2. Hampshire County Council has a statutory duty to provide school places for all children including those who have special educational needs and/or a disability. The additional Special Education Needs and Disability (SEND) provision will help manage some of the school place pressures generated by the increase in the number of Education, Health and Care Plans (EHCPs) maintained by the Local Authority.

1.3. Samuel Cody Specialist Sports College is a moderate learning disabilities and autism spectrum disorder designated school. Due to the urgent need to provide additional specialist provision for pupils with social, emotional and mental health needs (SEMH), the proposed expansion of Samuel Cody Specialist Sports College would increase the number of places from 205 to 295 by establishing a specialist 90-place co-educational facility on the eastern part of the school site for SEMH pupils aged 10-16 years.

1.4. Icknield School in Andover is a school for pupils aged 5-19 with severe learning difficulties. The proposed scheme would significantly improve and remodel the internal spaces and provide a small extension which would increase the number of places at the school from 78 to 88.

1.5. A further report following the end of the public notice period will be brought to a future Decision Day.

Further details can be found at the link below:

Executive Member for Education and Skills Decision Day – 13 January 2021

COUNCILLOR ROZ CHADD
Executive Member for Education and Skills

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COUNCIL MEETING, 25 FEBRUARY 2021

REPORT OF THE

Executive Member for Adult Social Care and Health

PART II

1. COBOTS IN CARE PROGRAMME

1.1. On 11 January 2021 the Executive Member for Adult Social Care and Health granted approval to spend up to £4.1million over 5 years to source Cobots to support the delivery of the Hampshire Cobots transformation programme.

1.2. Adults' Health and Care undertook an initial pathfinder throughout 2020 to explore the viability of using Cobots in care settings. A cobot is a device that is worn by a person (in this case around the lumbar region) that assists the wearer to carry out normal manual functions, like moving an object or person, with more ease. The purpose of the Pathfinder was to establish the extent to which Cobots could contribute to greater efficiency in care delivery, in particular impacting on the levels of 'double up care' delivered (where two formal carers are required). Based on findings from the pathfinder evaluation, there is a strong economic and outcome efficacious business case for the mainstream deployment of Cobots across both internal and external Social Care settings.

1.3. A desktop review of double-up older adult care packages suggests that there is significant scope to reduce double-up care packages with the support of Cobots. The findings were used to develop a set of conservative assumptions that between 13% and 26% of double up packages could be reduced using Cobots. The £4.1million approved is the maximum expected spend over the 5 year period based on a final volume of Cobots of 127. However, it is planned that the increase in Cobots to this level will be gradual and phased over the first two years. It is planned to procure future devices on the basis of lease in the first instance with the opportunity to review commercial arrangements once the Cobots programme is embedded and delivering against outcomes including financial targets.

2. DEMAND MANAGEMENT AND PREVENTION GRANTS

2.1. On 11 January 2021 the Executive Member for Adult Social Care and Health granted approval to award grants under the Local Solutions Grant scheme, the Rural Connections Grant scheme and the Community Based Support Grant scheme. These grants to voluntary and community sector organisations support the demand management and prevention strategy, aiming to reduce the need for social care services.

2.2. The Local Solutions Grants approved will impact communities within East Hants, Havant, Hart, Test Valley and Basingstoke, and are based on local stakeholder engagement. The areas covered in this grant round build on those covered in previous Local Solutions grant rounds.

2.3. The Rural Connections Grant scheme is aimed at organisations that provide a service that develops and supports local volunteers in rural settings to provide information and advice for vulnerable adults in their communities, and to facilitate connections with other services and assets (e.g. community groups and buildings). In particular, the focus would be on supporting people at risk of social isolation and loneliness. A grant of £20,000 was awarded to Age Concern Hampshire for a period between April 2021 and March 2022 to expand the Village Agent service they deliver.

2.4. The Community Based Support Grant supports a county-wide service for Hampshire residents over the age of sixty-five, who are at risk of social isolation and diminished independence. The grant aims to increase social connectivity and exercise opportunities for residents, supporting them to improve their health and wellbeing. Services would be based both in local community venues across Hampshire for face to face activities and also through the phone and online, enabling remote service options. MHA were awarded a grant totalling £480,000 to cover a 2 year period between April 2021 and March 2023.

Further details can be found at the link below:

Executive Member for Adult Social Care and Health Decision Day 11 January 2021

COUNCILLOR LIZ FAIRHURST
Executive Member for Adult Social Care and Health

COUNCIL MEETING, 25 FEBRUARY 2020

REPORT OF THE

Executive Member for Recreation, Heritage, Countryside and Rural Affairs

PART II

1. GRANT FUNDING TO CULTURE AND COMMUNITY ORGANISATIONS IN HAMPSHIRE – INDEPENDENT COMMUNITY LIBRARIES

1.1. At his Decision Day on 12 January 2021, the Executive Member awarded grant funding totalling £40,000 to community organisations to support start up and transition costs to Independent Community Libraries.

1.2. The Hampshire Library Service will also provide initial support to the organisations to assist them in transitioning to Independent Community Libraries including both advice and training, as well as sign posting to longer term sources of support. There is an established community library network which the organisations are also eligible to join.

2. HCC PUBLIC RIGHTS OF WAY ENFORCEMENT POLICY

1.3. At his Decision Day on 12 January 2021, the Executive Member approved the Public Rights of Way Enforcement Policy. The Policy ensures that officers fulfil their duty to safeguard the right of the public to use and enjoy the public Rights of Way network. It will also support officers to carry out their duty to enforce the provisions within legislation in respect of public Rights of Way on behalf of the Council. The Policy will be reviewed annually to ensure a consistent and current approach to enforcement.

Further details can be found at the link below:

Executive Member for Recreation, Heritage, Countryside and Rural Affairs Decision Day – 12 January 2021

COUNCILLOR EDWARD HERON
Executive Member for Recreation, Heritage, Countryside and Rural Affairs

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