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NOTICE OF MEETING

Meeting	Cabinet
Date and Time	Tuesday, 8th February, 2022 at 10.30 am
Place	Ashburton Hall, EII Court, Winchester
Enquiries to	members.services@hants.gov.uk

Carolyn Williamson FCPFA
Chief Executive
The Castle, Winchester SO23 8UJ

FILMING AND BROADCAST NOTIFICATION
This meeting may 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 OF PREVIOUS MEETING (Pages 3 - 22)

To confirm the minutes of the previous meeting

4. DEPUTATIONS

To receive any deputations notified under Standing Order 12.

5. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6. LEARNING TO LIVE WITH COVID-19 AND WORKING TOWARDS ECONOMIC RECOVERY (Pages 23 - 88)

To consider a report of the Chief Executive regarding the recovery from the COVID-19 pandemic.

7. REVENUE BUDGET AND PRECEPT 2022/23 (Pages 89 - 198)

To consider a report of the Chief Finance Officer and Director of Corporate Operations regarding the revenue budget and precept 2022/23

8. CAPITAL PROGRAMME 2022/23 TO 2024/25 (Pages 199 - 242)

To consider a report of the Chief Finance Officer and Director of Corporate Operations regarding the capital programme 2022/23 – 2024/25

9. SERVING HAMPSHIRE – 2021/22 HALF YEAR PERFORMANCE REPORT (Pages 243 - 272)

To consider a report of the Director of HR, OD, Communications and Engagement presenting the 2021/22 half year performance report.

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact members.services@hants.gov.uk for assistance.

County Councillors attending as appointed members of this Committee or by virtue of Standing Order 18.5; or with the concurrence of the Chairman in connection with their duties as members of the Council or as a local County Councillor qualify for travelling expenses.

AT A MEETING of the Cabinet of HAMPSHIRE COUNTY COUNCIL held at the Castle, Winchester on Tuesday, 7th December, 2021

Chairman:
* Councillor Keith Mans

* Councillor Rob Humby
* Councillor Roz Chadd
* Councillor Liz Fairhurst
* Councillor Steve Forster

Councillor Edward Heron
* Councillor Russell Oppenheimer
* Councillor Stephen Reid
* Councillor Jan Warwick

Also present with the agreement of the Chairman: Councillors Glen, Hayre, House, Porter, and Withers.

25. **APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Heron

26. **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 5 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.

27. **MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 12 October 2021 were reviewed and agreed

28. **DEPUTATIONS**

No requests to make a deputation had been received, but it was noted that Councillors House and Porter would speak on items on the agenda with the agreement of the Chairman.

29. **CHAIRMAN'S ANNOUNCEMENTS**

In advance of the report later on the agenda, the Chairman highlighted a number of recent meetings regarding County Deal proposals with the Leaders of District and Unitary Councils, which had led to an agreed statement of common purpose and noted that the Government's White Paper was expected in the new year. The importance of place and local accountability as well as growth and enterprise and therefore the role of key partners in a County Deal was highlighted.

30. **LEARNING TO LIVE WITH COVID-19 AND WORKING TOWARDS ECONOMIC RECOVERY**

Cabinet considered a report of the Chief Executive regarding the recovery from the COVID-19 pandemic.

With the agreement of the Leader, Councillor House addressed Cabinet. He asked how other County Councillors would be engaged in the proposals; asked what the position was on elected mayors and questioned what red lines would lead to devolution rather than levelling up.

In response the Leader clarified that there would be increased engagement with County Councillors as the process developed. He confirmed his historic opposition to elected mayors but confirmed that on this and any red lines it was important to first see the White Paper, however, the County Deal should be an opportunity to work more efficiently to deliver services and an agency delivery scenario would not be acceptable.

Key elements of the report relating to both the public health situation and the delivery of council services were set out. Increasing infection rates in younger age groups across the county were highlighted and it was suggested that this was a result of increased mixing and reducing immunity. It was clear that the vaccine was working and making a difference and the County Council was working with NHS partners on delivery. There had been a small number of instances of the omicron strain in Hampshire and work was underway to understand the impact. With reference to the priority of keeping children in school, it was noted that attendance in Hampshire was above the national average and the corporate priority of managing a return to office working was detailed.

The report was welcomed by Cabinet. Rising infections in schools were highlighted as a cause for concern and it was confirmed that vaccines were available for eligible children via both schools and GPs. The importance of pro-active communications in the recent omicron outbreak was recognised.

The recommendations in the report were considered and agreed. A decision record is attached to these minutes.

31. **FINANCIAL UPDATE AND BUDGET SETTING AND PROVISIONAL CASH LIMITS 2022/23**

Cabinet considered a report of the Chief Finance Officer and Director of Corporate Operations regarding 2022-23 budget setting an update on the in-year financial position.

With the agreement of the Leader, Councillor House addressed Cabinet, asking what financial implications had arisen as a result of the Environment Bill and questioning how the shortfall of £17 million would be resolved.

With the agreement of the Leader, Councillor Porter also addressed Cabinet. She noted the positive investments in Children's Services that were detailed in the report, but expressed concern that where work was delayed the agreed spend could prove insufficient due to price inflation. Councillor Porter also questioned the implications for Parish and Town Councils and for the lengthsman scheme.

The Leader noted that a meeting for all Town and Parish Councils was scheduled to take place and this would provide an opportunity to discuss.

Key points in the report were set out, in particular the implications of the spending review on funding for adult social care. It was highlighted that the usual approach was being proposed of meeting shortfalls with reserves and then incorporating them into future savings programmes; greater certainty would be available when the settlement had been announced. It was confirmed that the implementation date of the Environment Bill would determine the level of savings arising from it and the permanent funding proposed for the climate change team was highlighted.

Cabinet welcomed the report and the long-term commitment to the climate change team. Efficiency upgrades to schools using Salex grant funding from government were recognised as was success in the recycling of asphalt.

The recommendations in the report were considered and agreed. A decision record is attached to these minutes.

32. ANNUAL SAFEGUARDING REPORT - CHILDREN'S SERVICES 2020-21

Cabinet considered the annual safeguarding report of the Director of Children's Services.

The report was introduced and the approach and response to the key national issues of child exploitation, unaccompanied asylum seeking children and recruitment and retention were drawn out.

Cabinet members welcomed the report and noted its poignancy in light of recent news about Arthur Labinjo-Hughes. It was noted that it was too soon to know whether this tragedy would lead to structural changes to social care and potential budget pressures. However the service was already dealing with an increased number of referrals due to Covid and it was confirmed that Hampshire social workers would always make decisions in the interests of individual children and not according to budget constraints. The above national average rate of school attendance in Hampshire during covid and the success of joined up working between social care, schools and health partners had assisted safeguarding.

The recommendations in the report were considered and agreed. A decision record is attached to these minutes.

33. **ANNUAL SAFEGUARDING REPORT – ADULTS' HEALTH AND CARE 2020-21**

Cabinet considered the annual safeguarding report of the Director of Adults' Health and Care.

In introduction of the report, the strong ongoing performance of the department was highlighted in the context of increasing demand and the need to respond to Covid. The contribution of the Hampshire Adult Safeguarding Board was highlighted and recognised by Cabinet.

The recommendations in the report were considered and agreed. A decision record is attached to these minutes.

34. **HAMPSHIRE COMMUNITY SAFETY STRATEGY GROUP**

Cabinet considered a report of the Director of Adults' Health and Care regarding the Hampshire Community Safety Strategy Group.

With the agreement of the Leader, Councillor Porter addressed Cabinet, thanking officers for their previous detailed presentation to the Policy and Resources Select Committee. The importance of informing communities about the impact of drug use both personally and in relation to county-lines activity was highlighted.

The report was introduced and it was noted that the Director of Adults' Health and Care was chairman of the Group and its activity centred around the facilitation of effective partnership working to ensure priorities were being addressed. Attention was drawn to the revised priorities as set out in the report and these were welcomed by Cabinet. With reference to a recent increase in reporting of crimes against women it was highlighted that the Group had recognised violence against women as high priority and this would include working with partners, including schools on a number of areas.

The recommendations in the report were considered and agreed. A decision record is attached to these minutes.

35. **ANNUAL PREVENT REPORT**

Cabinet considered the annual PREVENT report of the Director of Adults' Health and Care.

The report was introduced and it was noted that its purpose was to update and provide oversight of national and local events. Specifically the recent murder of an MP and the Liverpool hospital bombing had raised the national threat level. Locally there had been an increase in the number of cases being considered. Within the County Council, e-learning training on extremism had been undertaken by 93% of the workforce. Cabinet welcomed the update and recognising the role of social media, highlighted the importance and need for such platforms to take responsibility for their content.

The recommendations in the report were considered and agreed. A decision record is attached to these minutes.

36. **REVIEW OF THE PUBLIC HEALTH PARTNERSHIP FUNCTION BETWEEN ISLE OF WIGHT COUNCIL AND HAMPSHIRE COUNTY COUNCIL.**

Cabinet considered a report of the Director of Public Health regarding the Public Health partnership with Isle of Wight Council.

The Director of Public Health provided an update on the partnership with Isle of Wight Council, noting the benefit to the wider area at no detriment to HCC and a number of service delivery achievements. Cabinet recognised the positive benefit to officers of gaining a greater breadth of experience and that the County Council was able to enter into such a partnership as a result of its scale and expertise.

The recommendations in the report were considered and agreed. A decision record is attached to these minutes.

Chairman,

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HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	7 December 2021
Title:	Learning to live with Covid-19 and working towards Economic Recovery
Report From:	Chief Executive

Contact name: Carolyn Williamson, Chief Executive

Tel: 01962 845252 **Email:** Carolyn.williamson@hants.gov.uk

1. The decision:

That Cabinet

1. Note the position on economic recovery action taken and the opportunities that arise for the region through the prospects of a County Deal and the potentially significant contribution a Deal could make to both the strength and nature of that economic recovery as outlined in the report, as well as an opportunity to secure wider public services reform and enhanced place leadership at different spatial levels.

2. Notes the Statement of Common Ground attached at Annex 3 that was unanimously agreed by Pan-Hampshire Leaders.

3. Endorses the draft County Deal Prospectus attached at Annex 4 which is being further developed through engagement and collaboration with partners for submission to Government in due course.

4. Endorses the current direction of travel for the devolution/County Deal work as set out in this report and authorises further work with partners to explore and develop these ideas.

5. Note that through the implementation of the COVID vaccination programme the link between infection rates and hospitalisation and deaths has been largely broken. Nevertheless, as a society and in our role as the public health authority there is a need to manage rates of infections.

6. Note the contents of this report as a further summary of the exceptional events and recovery actions taken by the County Council concerning the COVID-19 crisis, bearing in mind that this remains a high-level analysis of what continues to be such a substantial and potentially fast changing crisis.

7. Note the fuller analyses contained in this report of continued recovery work, through the Collective Wisdom project related particularly to the return to the office.

8. Continue to recognise the on-going exceptional commitment and flexibility of the staff of the County Council as the crisis has progressed.

2. Reason(s) for the decision:

2.1. To provide Cabinet with an update on the Covid crisis as it is affecting the County Council, as an organisation and for the residents of the county.

3. Other options considered and rejected:

3.1. None.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker:

4.2. Conflicts of interest declared by other Executive Members consulted:

5. Dispensation granted by the Conduct Advisory Panel: none.

6. Reason(s) for the matter being dealt with if urgent: not applicable.

7. Statement from the Decision Maker:

Approved by:	**Date:**
---	**7 December 2021**
Chairman of Cabinet **Councillor Keith Mans**	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	7 December 2021
Title:	Financial Update and Budget Setting and Provisional Cash Limits 2022/23
Report From:	Chief Finance Officer and Director of Corporate Operations

Contact name: Rob Carr, Chief Finance Officer and Director of Corporate Operations

Tel: 0370 779 2467 **Email:** Rob.carr@hants.gov.uk

1. The decision:

That Cabinet

1. Notes the latest financial position for the current year as at the end of September compared to that reported to the last Cabinet

2. Notes the increasing cost pressures building across both Adults, Health and Care and Children's Services Departments.

3. Notes the announcement of a three year Spending Review and the impact on the County Council's medium term financial planning, set out in Section E.

4. Approves the revised baseline position for the forecast completion of the Transformation to 2019 and Transformation to 2021 Programmes as outlined in Section F.

5. Approves the allocation from corporate contingencies of £326,000 recurring funding and one-off funding of £125,000 per annum for two years for the Council's Climate Change Team from April 2022.

6. Approves the provisional revenue cash limits for 2022/23 set out in Appendix 1.

7. Approves the capital guideline amounts for the next three years set out in paragraph 96.

8. Approves the reallocation of £1.5m of Public Sector Decarbonisation Scheme grant funding from the boiler controls programme to a new programme of cavity wall insulation and approves a contribution of up to £150k from the Schools Condition Allocation underwrite funding for the decarbonisation programme approved in March 2021.

2. Reason(s) for the decision:

For Cabinet to consider:

2.1. The in-year financial position as at the end of September, including the transformation programmes (Transformation to 2019 and to 2021).

2.2. The process and framework for setting the 2022/23 budget.

2.3. The financial impact of the Autumn Budget and Multi-Year Spending Review for the County Council, announced by the Government on 27 October, and the Council's financial prospects over the medium term.

2.4. The unavoidable pressures and investment priorities that have been identified to date as part of the preparatory work for the 2022/23 budget.

3. Other options considered and rejected:

3.1. None.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker:

4.2. Conflicts of interest declared by other Executive Members consulted:

5. Dispensation granted by the Conduct Advisory Panel: none.

6. Reason(s) for the matter being dealt with if urgent: not applicable.

7. Statement from the Decision Maker:

Approved by:	**Date:**
--	**7 December 2021**
Chairman of Cabinet **Councillor Keith Mans**	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	7 December 2021
Title:	Annual Safeguarding Report - Children's Services 2020-21
Report From:	Director of Children's Services

Contact name: Stuart Ashley

Tel: 01962 846370 **Email:** Stuart.ashley@hants.gov.uk

1. The decision:

That Cabinet

1. Notes the positive progress and continued consistently high performance with regards to safeguarding children in Hampshire.

2. Notes the commitment of a wide range of Children's Services officers in achieving this level of performance.

3. Receives further updates on safeguarding on an annual basis.

2. Reason(s) for the decision:

2.1. For Cabinet to consider an annual update on safeguarding children activity within Children's Services during 2020/21.

3. Other options considered and rejected:

3.1. None.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker:

4.2. Conflicts of interest declared by other Executive Members consulted:

5. Dispensation granted by the Conduct Advisory Panel: none.

6. Reason(s) for the matter being dealt with if urgent: not applicable.

7. Statement from the Decision Maker:

Approved by:	**Date:**
--	**7 December 2021**
Chairman of Cabinet **Councillor Keith Mans**	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	7 December 2021
Title:	Annual Safeguarding Report – Adults' Health and Care 2020-21
Report From:	Director of Adults' Health and Care

Contact name: Jess Hutchinson, Principal Social Worker and Assistant Director

Tel: 0370 7796723 **Email:** Jessica.hutchinson@hants.gov.uk

1. The decision:

That Cabinet:

1.1 Notes the positive progress and strong performance of the Department to keep adults at risk safe from abuse and/or neglect, whilst acknowledging ongoing risks to fulfilling statutory safeguarding duties.

1.2 Notes the commitment of a wide range of Adults' Health and Care staff, and wider partner agencies, to delivering robust safeguarding arrangements in Hampshire.

1.3 Notes the contribution of the Hampshire Safeguarding Adults Board (HSAB) to safeguarding strategy, assurance and the development of policy across the four local authority areas of Hampshire, Portsmouth, Southampton and the Isle of Wight.

2 Reasons for the decision:

2.1 This report provides an annual update in respect of the local authority statutory duty to safeguard vulnerable adults.

3 Other options considered and rejected:

3.1 None

4 Conflicts of interest:

4.1 Conflicts of interest declared by the decision-maker: None

4.2 Conflicts of interest declared by other Executive Members consulted: None

5 Dispensation granted by the Conduct Advisory Panel: None

6 Reason(s) for the matter being dealt with if urgent: Not applicable

7 Statement from the decision maker:

Approved by:	**Date:**
--	7 December 2021
Chairman of Cabinet Councillor Keith Mans	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	7 December 2021
Title:	Hampshire Community Safety Strategy Group
Report From:	Director of Adults' Health and Care

Contact name: Robert Ormerod

Tel: 0370 779 6752 **Email:** Robert.ormerod@hants.gov.uk

1. The decision:

1.1 That Cabinet notes the progress on the work of the Hampshire Community Safety Strategy Group (HCSSG), including the role in providing oversight and assurance of collaborative arrangements at the Hampshire county-level to address community safety priorities.

2. Reasons for the decision:

2.1 This report provides an update on the work of the Hampshire Community Safety Strategy Group.

3. Other options considered and rejected:

3.1 None

4. Conflicts of interest:

4.1 Conflicts of interest declared by the decision-maker: None

4.2 Conflicts of interest declared by other Executive Members consulted: None

5. Dispensation granted by the Conduct Advisory Panel: None

6. Reason(s) for the matter being dealt with if urgent: Not applicable

7. Statement from the decision maker:

Approved by:	**Date:**
--	7 December 2021
Chairman of Cabinet Councillor Keith Mans	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	7 December 2021
Title:	Annual PREVENT Report
Report From:	Director of Adults' Health and Care

Contact name: Graham Allen

Tel: 03707 795574 **Email:** Graham.allen@hants.gov.uk

1. The decision:

1.1 That Cabinet notes this update on PREVENT activity in Hampshire, including the work being undertaken by the County Council and its partners in the management and mitigation of issues related to duties under the Counter Terrorism and Security Act 2015, and the Counter Terrorism and Border Security Act 2019.

1.2 That Cabinet receive a further update in 12 months' time.

2. Reasons for the decision:

2.1 The purpose of this annual report is to provide information and assurance on:

- the County Council's delivery of the PREVENT duty and responsibilities hosted within Adults' Health and Care;
- delivery of the County Council's Channel Panel responsibilities; and
- notable local events and national highlights.

3. Other options considered and rejected:

3.1 None

4. Conflicts of interest:

4.1 Conflicts of interest declared by the decision-maker: None

4.2 Conflicts of interest declared by other Executive Members consulted: None

5. Dispensation granted by the Conduct Advisory Panel: None

6. Reason(s) for the matter being dealt with if urgent: Not applicable

7. Statement from the decision maker:

Approved by:	**Date:**
---	7 December 2021
Chairman of Cabinet Councillor Keith Mans	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	7 December 2021
Title:	Review of the Public Health Partnership Function between Isle of Wight Council and Hampshire County Council.
Report From:	Director of Public Health

Contact name: Simon Bryant, Director of Public Health

Tel: 0370 779 3256 **Email:** Simon.bryant@hants.gov.uk

1. The decision:

That Cabinet

1. Support the continuation of the Public Health Partnership with Isle of Wight Council which will support the further improvement of public health outcomes for Isle of Wight residents at no detriment to Hampshire, with a review point in three years in line with the agreement.

2. Reason(s) for the decision:

For Cabinet to consider:

2.1. An update on the Public Health Partnership with Isle of Wight Council, specifically on progress against the remaining recommendations from the 2018 review which had not been met at the time of the formal partnership.

3. Other options considered and rejected:

3.1. None.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker:

4.2. Conflicts of interest declared by other Executive Members consulted:

5. Dispensation granted by the Conduct Advisory Panel: none.

6. Reason(s) for the matter being dealt with if urgent: not applicable.

7. Statement from the Decision Maker:

Approved by:	**Date:**
---	**7 December 2021**
Chairman of Cabinet **Councillor Keith Mans**	

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	8 February 2022
Title:	Learning to live with Covid-19 and working towards Economic Recovery
Report From:	Chief Executive

Contact name: Carolyn Williamson, Chief Executive

Tel: 01962 845252 **Email:** carolyn.williamson@hants.gov.uk

Purpose of this Report

1. This regular report to Cabinet summarises the County Council's continuing responses to the COVID-19 pandemic. The focus is now on learning to live with Covid-19 and working towards economic recovery.

Recommendations

It is recommended that Cabinet:

2. Note the position on economic recovery action taken and the opportunities that arise for the region through the prospects of a County Deal and the potentially significant contribution a Deal could make to both the strength and nature of that economic recovery as outlined in the report, as well as an opportunity to secure wider public services reform and enhanced place leadership at different spatial levels.

3. Endorses the continuing work and direction of travel of a Pan Hampshire County Deal as set out in the draft County Deal Prospectus attached at Annex 4 and the further opportunities developed through workshops with key stakeholders in November and December and recommends that the County Council note and endorse the continuing work and direction of travel of a Pan Hampshire County Deal, as set out in this report.

4. Note that through the implementation of the COVID vaccination programme the link between infection rates and hospitalisation and deaths has been largely broken. Nevertheless, as a society and in our role as the public health authority there is a need to manage rates of infections.

5. Note the contents of this report as a further summary of the exceptional events and recovery actions taken by the County Council concerning the

COVID-19 crisis, bearing in mind that this remains a high-level analysis of what continues to be such a substantial and potentially fast changing crisis.

6. Continue to recognise the on-going exceptional commitment and flexibility of the staff of the County Council as the crisis has progressed.

Executive Summary

7. This report, as its predecessor reports, attempts to provide Cabinet with a general update on the Covid crisis as it is affecting the County Council, as an organisation and for the residents of the county. Clearly every function and service, and every member of staff in the organisation, continue to be deeply affected by the pandemic and continue to sustain the highest levels of professional practice against what have been often extreme, if now more common place, conditions particularly as we now learn to live with Covid-19.

8. As before, inevitably there will be dimensions of this report which will be increasingly out of date immediately after publication. Officers will ensure any such issues are highlighted in the presentation of the report at the Cabinet meeting. This will particularly apply to the latest data on the transmission of the virus, the position of hospitals in Hampshire and the progress of the vaccination programme.

9. This report provides a full analysis of the economic impact and longer-term implications of the pandemic. It outlines those issues in more detail and sets out a framework for how the County Council should go about using its scale and influence to contribute to the county’s and the sub-region's economic recovery going forward.

10. The report outlines the position on economic recovery and action taken alongside the opportunities that arise for the County through the prospects of a County Deal and the potentially significant contribution a Deal could make to both the strength and nature of that economic recovery as well as an opportunity to secure wider public services reform and enhanced place leadership at different spatial levels. The report presents a draft County Deal Prospectus that incorporates the initial work to develop an evidence base and possible high level asks, alongside the further detail and opportunities jointly developed with stakeholders in November and December.

11. The implementation of the COVID vaccination programme and the link between infection rates and hospitalisation and deaths has been largely broken, with a strong push nationally regarding the Covid Booster and winter flu vaccinations. Nevertheless, as a society and in our role as the public health authority there is a need to manage rates of infections.

12. The report refers to the work of the County Council’s Health Protection Board under the leadership of the Director of Public Health and in close liaison with the Leader-led Local Outbreak Engagement Board. That includes now routine and effective communications channels set between

those boards and the leadership of district and borough councils within Hampshire County. While the pandemic will undoubtedly continue, as the crisis elements to the pandemic abate, there will be future consideration about a proposal to merge the role of the LOEB with the Health and Wellbeing Board, to be determined.

13. The report involves a detailed service by service analysis of the work of the County Council in terms of the pandemic. For the sake of clarity and brevity, those issues are drawn out here more on an exceptional basis for issues or circumstances that need to be highlighted.

14. Our communications and engagement activity has focused on vaccinations and promotion of regular asymptomatic testing. This has involved continuing to promote a range of key messages as part of the Government's 'keep life moving' campaign as well as amplifying the messages from the NHS 'Stay Well This Winter/Choose Well' campaign.

15. Once again it is important that this report to Cabinet should pay regard to the continuing and unflagging commitment of the staff and managers of the County Council to sustain the highest levels of performance and service throughout this long and punishing crisis. As the crisis continues so too does the need for this commitment to be acknowledged and applauded.

Economic Impact and Recovery from Covid-19

16. The impact of the pandemic on Hampshire's (Hampshire & the Isle of Wight) economy in 2020 was enormous and most likely greater than nationally, due to its greater exposure to a range of consumer facing services, education, and transport related activities. The impact on the labour market and Hampshire businesses has been significant but far more modest than the impact on economic output.

17. The impact on Hampshire's consumer facing local services was much greater than on traded services, construction, or manufacturing activities. In terms of the impact on occupations there was a sharp fall in demand for elementary occupations (those typically employed in consumer facing services), followed by the highly skilled managers, directors and senior officials' occupational group and process, plant, and machine operatives.

18. In 2020 as a whole labour demand among Hampshire's residents increased for professional and associate professional occupations (typically employed in higher value-added traded services and production) and skilled trade occupations (like those sought by construction).

19. A wide range of business support measures that have been made available to businesses meant that the overall impact of the pandemic on businesses insolvencies in Hampshire has been relatively modest to date but nevertheless greater than the regional and national average. In March 2021 Hampshire had 0.3% fewer enterprises (about 265 enterprises) and 0.5% fewer local business units (about 490 local business units) than in March 2020.

20. Economic downturn affected Hampshire's businesses in production, local services, and higher value-added traded services to varying degrees. The number of higher value-added traded services (ICT, finance & insurance, and professional, scientific & technical businesses) decreased by 4.3% but this was driven by the fall in micro and small businesses. The number of large businesses remained unchanged while medium-sized business in all three sectors, and small businesses in professional, scientific & technical category increased on the year.

21. Lifting of public health restrictions unleashed a stronger than expected rebound in economic activity and growth in the second quarter. Estimated growth in Hampshire was faster than the UK average but Hampshire's recovery slowed down sharply in the third quarter.

22. Estimated growth in Hampshire slowed from 5.6% in the second quarter to 0.9% in the third quarter, below the UK average (1.1%). Faster growth was held back by falling output in several large industrial sectors (wholesale & retail, manufacturing, construction, and health & social work).

23. Economic recovery continues to depend on consumer spending. Government spending decreased on the quarter and net trade was another drag on economic growth. Trade deficit widened to 1.4% of GDP which contributed to the current account deficit widening to 3.7% of GDP.

24. Business investment in the third quarter was revised down, from sluggish growth to a 2.5% fall which suggests that significant product shortages and rising prices had greater impact on business investment than initially thought. Business investment is still 11.7% below its pre-pandemic level (Q4 2020).

25. Several private investors have made recent investments in Hampshire (Annex 1) and Hampshire's Economic Development working jointly with DIT colleagues continues to support investment projects across Hampshire, the most recent project being an investment by TÜV SÜD, a Fareham-based German engineering firm.

26. Preliminary monthly estimates for October suggest that Hampshire's growth was sluggish at just 0.2%, but nevertheless faster than the UK average. Survey evidence from purchasing managers showed that business activity in the region bounced back in November to the highest level in nine months. A strong growth in new business orders was an indicator of relatively favourable demand conditions but these data predate the emergence of the Omicron variant and the surge in COVID-19 infections which has already prompted a weakening of consumer and business activity.

27. Retail sales in November increased at a faster pace than in October and there was some good news for the high-street as the proportion of online retail sales decreased to 26.9% in November 2021, the lowest proportion since March 2020.

28. Ending of the government job support schemes on 30th September has affected 27,400 Hampshire residents on the furlough scheme and 35,400 residents on the SEISS scheme. Some fallout after the furlough scheme ended was anticipated but the recent labour market data has been fairly strong even after the furlough scheme ended.

29. The claimant count unemployment in Hampshire decreased in October and November and HMRC's PAYE measure of company payrolls suggests that the labour market in Hampshire strengthened again in November. Annual growth in median pay in Hampshire was running at 4.8% in the three months to November, considerably slower than over the summer months.

30. Job demand in Hampshire grew strongly in November as indicated by the strong growth in the number of online job postings (hiring intentions) with survey evidence suggesting that the supply of labour was struggling to keep up with demand.

31. December saw a sharp slowdown in job demand in Hampshire. This was most likely related to two factors – some seasonality of demand and the Omicron-induced fall in demand for labour. Labour shortages in Hampshire appear worst among care workers and nurses, sales accounts and business development managers, van driver, some elementary occupations and among programmers and software developers.

32. UK inflation increased to 5.1% in November, well above the Bank of England expectation (4.5%). The Bank responded by increasing the base rate from 0.1% to 0.25% at its meeting in December. The persistent strength of inflation and the labour market implies that the rate will increase again this year. The increase in the rate poses the greatest risk to consumer spending, the main driver of economic growth, and the housing market.

33. Global surveys of purchasing managers showed some early signs that material shortages have begun to dissipate in early December, but this was before the emergence of the Omicron variant. There is a strong possibility that the major headwinds from labour and supply shortages will continue to hamper Hampshire's growth with cost pressures remaining elevated for longer than initially expected.

34. A monthly comparison of independent economic forecasts compiled by HM Treasury in November 2021 suggested that economic growth in 2022 was projected at 5.2% but December forecast showed a central projection of 4.7%. Inflation expectations for next year have also shifted from 2.6% in November to 3.1% in December. Unemployment is expected to decrease faster than previously thought.

35. On 21 December 2021 Government announced the introduction of grant support for hospitality and leisure businesses, the Omicron Hospitality and Leisure Grant in recognition that the rise of the Omicron variant will impact on the sector. The new grant is in addition to the Additional Restrictions Grant which allows local authorities to use their discretion to support other businesses in their area, based on local economic need.

36. A handful of local authorities in Hampshire have been successful in accessing government funding through recent bidding rounds and the short-term economic recovery action planning continues to be undertaken by the County Council.

37. The County Council understands that the recovery from Covid is going to be uneven at local level which places greater emphasis on place-based strategies and major regeneration initiatives, including breathing new life into our towns, city centres and high streets. The Council seeks to work on a collaborative basis with individual local authorities to develop bespoke place-based strategies and initiatives for faster recovery from Covid and stronger development and growth of Hampshire.

38. It is proposed that the foundation for this collaborative approach would be a stronger focus on co-production and co-delivery and a governance model that would involve Executive Lead Member for Economy Transport & Environment representing the County Council on strategic governance boards and the Executive Director for Economy Transport & Environment representing the County Council on delivery arrangements.

39. Replicating this model across all Local Authorities that share our aspirations for a collaborative approach to place-based initiatives through the development of local regeneration and growth partnerships and that are able to demonstrate how to accelerate economic recovery, is an emergent opportunity. This approach will bring consistency and coherence and allow for deeper insight into prioritisation as well as secure good practice and recovery from Covid. More detail is provided in the forthcoming March Cabinet Report.

40. The Solent Freeport represents a major nationally significant opportunity to transform Hampshire and rejuvenate its towns, cities and industrial sectors via major international inward investment, increased trade, new infrastructure investments (including unlocking new sites for development with additional fiscal incentives) and the growth of new knowledge intensive industries. It is estimated that the Freeport will generate £3.6bn in GVA and over 52,000 jobs across the country, including over 26,000 jobs and £2bn GVA directly in the area. Southampton’s bid to become the UK City of Culture in 2025 is another major opportunity that could attract millions of pounds in additional investment, creating jobs and attracting thousands of visitors to Southampton and the rest of Hampshire.

41. A new monthly Economic Intelligence Dashboard has been developed for Hampshire County Council to keep abreast of the economic activity and to help inform progress. Attached as Annex 1 is the third issue of the Economic Intelligence Dashboard produced in early January 2022 that includes an overview of the current economic trends and business intelligence (the most up to date at the time of writing). Also attached at Annex 2 is an economic briefing on the Autumn Budget and Spending Review.

County Deal

42. As has been previously reported, a County Deal has the potential to strengthen the economic recovery across Hampshire as a whole and deliver major strategic economic initiatives and programmes. It also provides the opportunity for major public services reform including securing new functions, powers and resources to enhance place leadership at regional, sub-regional and local levels for the benefit of local residents.

43. A draft County Deal prospectus, appended as Annex 4 was endorsed by Cabinet in December. This evidences a clear functional socio-economic geography of a Pan-Hampshire region and a strong economic foundation as a net contributor to the UK economy. Crucially the draft prospectus outlines a range of opportunities and associated strategic proposals that would have a measurable positive impact on the lives of residents and would form the basis for further discussions with stakeholders and Government.

44. In November 2021 a Statement of Common Ground, detailed in Annex 3, was agreed by all Leaders, setting out the ambition to explore opportunities for a potential County Deal. This was agreed by:

Hampshire County Council – Cllr Keith Mans
Basingstoke and Deane Borough Council – Cllr Ken Rhatigan
Bournemouth Christchurch and Poole Council – Cllr Drew Mellor
East Hampshire District Council – Cllr Richard Millard
Eastleigh Borough Council – Cllr Keith House
Fareham Borough Council – Cllr Seán Woodward
Gosport Borough Council – Cllr Graham Burgess
Hart District Council – Cllr David Neighbour
Havant Borough Council – Cllr Alex Rennie
Isle of Wight Council – Cllr Lora Peacey-Wilcox
New Forest District Council – Cllr Edward Heron
Portsmouth City Council – Cllr Gerald Vernon-Jackson
Rushmoor Borough Council – Cllr David Clifford
Southampton City Council – Cllr Dan Fitzhenry
Test Valley Borough Council – Cllr Phil North
Winchester City Council – Cllr Lucille Thompson

45. In accordance with the principles set out in the Statement of Common Ground, 8 thematic workshops were facilitated in November and December 2021, to begin the process of collaboratively developing the detail behind any proposals and engaging with key stakeholders in advance of any wider public engagement or negotiation with Government. These workshops have engaged with:

- All District and Unitary Councils
- Local Economic Partnerships (LEPs)
- Higher and Further Education Sectors
- National Park Authorities
- Homes England
- Clinical Commissioning Groups (CCGs)
- Hospital Trusts and Community Healthcare Providers

46. The workshops have so far identified and agreed the following specific ambitions, which, along with the draft prospectus, will form the basis of on-going engagement with stakeholders and Government, to continue to develop the specific detail underpinning these high-level strategic proposals:

- **Accelerating housing delivery** – in exchange for the powers to increase the rate of delivery.
- A **single investment fund** to grow the economy and transition to net zero.
- **Net Environmental Gain Pathfinder** Deal with Government – trialling the devolution of Environment Agency functions, innovative financing and investment for decarbonisation and bio-diversity offsetting, and nature recovery strategies.
- **Investment and devolved skills funding** to support to key sectors and projects – developing the Freeport to benefit the Pan-Hampshire economy, marine, advanced manufacturing, engineering, digital.
- **Greater strategic transport power** through a Passenger Transport Executive (PTE) structure to respond to changing travel patterns and environmental imperatives.
- **Devolved skills funding to reduce inequalities** in employment and income.
- **Pooled and joint oversight of NHS community care and adult social care budgets**, building a joint approach to improving the wider determinants of health, piloting reforms to strengthen the adult social care workforce, and maximising the impact of health innovation with a Health and Care Innovation Hub in the area.

47. Alongside the Pan-Hampshire County Deal discussions, the County Council is also directly exploring further place based economic development partnerships which could complement any wider County Deal and potentially extend beyond the Pan-Hampshire geography involving bordering areas. These include the exploration of a wider regional Economic Prosperity Board (EPB), primarily at this stage with Surrey County Council and discussions on potential collaboration with Bournemouth, Christchurch and Poole Council, alongside our Pan Hampshire Unitary colleagues from the Cities and Isle of Wight, and more localised place-based Regeneration and Growth partnerships at a District Council level.

48. At the time of writing this paper the anticipated Levelling Up White Paper has not been released, and therefore there is still an element of uncertainty regarding any Central Government requirements for County Deals, including the associated governance or wider ambition for service reform to deliver Levelling Up priorities. Although this delay has introduced an element of uncertainty, the County Council remains committed to maintaining the momentum of developing proposals in partnership with stakeholders, to develop the detail behind the opportunities and priorities that would benefit Hampshire residents.

49. Leaders across Pan Hampshire continue to be engaged and bilateral individual meetings were offered to every District and Unitary Council

Leader in January, prior to a wider collective Leaders' meeting on 18 January. Key areas of agreement were:

- Proposals must be both bold and practical, ensuring necessary steps are taken to build trust.
- Through the collective development of the proposals so far, there are significant opportunities in the potential asks of Government, and work needs to continue to further develop and shape the detail around these priorities.
- Officer groups will continue working together to further develop the ambition and detail around the high-level proposals. This will involve the continued engagement of a range of key stakeholders such as the LEPs, the Further Education Sector, the National Parks and Health colleagues in helping to shape and co-develop the detail behind the proposals.
- Work will continue to explore the significant place-based opportunities of Regeneration and Growth Partnerships at a District Level, which will continue to shape the thinking around the development of a wider regional Economic Prosperity Board, potentially incorporating wider regional opportunities with Surrey County Council and Bournemouth, Christchurch and Poole Council.

Living with COVID

50. Following the implementation of the COVID vaccination programme the link between infection rates and hospitalisation and deaths has been largely broken. Nevertheless, as a society and in our role as the public health authority there is a need to manage rates of infections which in turn will reduce hospitalisation and deaths.

51. Through the pandemic we have seen rates rising and falling in line with the timing of increasing national control measures and subsequent easing. The current 7-day rate (06.1.23) for Hampshire rose to a peak in Mid-January and subsequently falling in all ages, however we are seeing a rise in the younger population where there is now current vaccination programme. due to the increased mixing of population including in educational settings and the transmitability of the Omicron variant. It is essential that the community, with the County Council's leadership, continues to manage infection rates, outbreaks and supports the continued rollout of the vaccine programme.

52. The modelling predictions set out a rise in cases in the Autumn, this has found to be correct. The rise in hospital cases is also in line with modelling predictions at a lower rate than wave 1 and wave 2. However, each wave of cases is different and a watchful eye on the data needs to continue.

53. With the evolution of the Omicron variant there has been a rapid rise in the number of cases of COVID. Omicron spread more rapidly, however is less severe in terms of disease impacts.

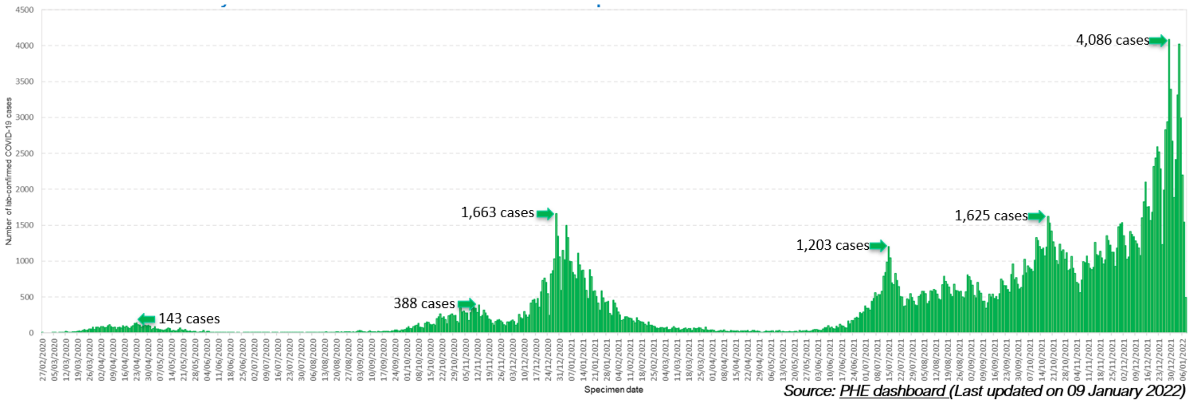
End to Plan B restrictions

54. On the 19 January the Prime Minister announced the end of Plan B Restrictions. Therefore, from the date of the announcement the public are no longer being asked to work from home and face coverings are no longer advised for staff and pupils in the classroom. From 27 January 2022, face coverings no longer advised for staff and pupils in communal areas; face coverings are no longer a legal requirement by general public – however, the public are advised to wear them in crowded areas and when meeting people they don't normally see; the NHS COVID Pass is no longer a legal requirement, but it can be used on a voluntary basis.

55. Individuals testing positive for COVID-19 are still required to self-isolate for ten days. Individuals may be able to leave isolation early on Day 6, subject to negative LFD tests on both days 5 and 6. The need for a confirmatory PCR test following a positive lateral flow test has been temporarily suspended. Individuals must assure they report positive LFDs to allow for contact tracing to take place. Individuals who may require financial support to self-isolate must still get a PCR test.

56. Testing for fully vaccinated individuals (at least two doses) arriving in the UK to be suspended from 11 February (subject to ministerial approval).

Cases of infections



Health Protection Board and Local Outbreak Engagement Board

57. The arrangements for oversight, management and community engagement are now securely in place in the County Council, with the Director of Public Health continuing to chair the Health Protection Board which now meets on at least a monthly basis. This remains important due to the situation as outlined in this report.

58. The Leader chairs the Local Outbreak Engagement Board as a political sub-committee of this Cabinet which is also joined by members of the County Council's main opposition party, representatives from district councils and an NHS non-executive director. During the first part of 2022 the meeting of

the board has been held in a briefing format to ensure all parties are able to be kept up to date with the changes.

COVID programmes of work

59. Testing of symptomatic people remains a priority for management of the pandemic locally, although responsibility for the delivery of the majority of the testing programme remains at a national level. The Council continues to have the lead role in the organisation and oversight locally.

60. A well-developed programme of asymptomatic testing is in place to support early identification of disease in people. This also continues with a Community Collect model where people can collect tests kits from community pharmacies for home testing. This is likely to remain in place into the summertime.

Tracking and Tracing

61. Case testing investigation and contact tracing are fundamental public health activities in the management of all infectious diseases. This involves working with an individual (patient or resident) who is either symptomatic or asymptomatic and has been diagnosed with an infectious disease. The aim is to identify and provide support to people (contacts) who may have been infected through exposure to the infectious individual. This process prevents further transmission of the disease by separating people who have (or may have) an infectious disease from people who do not.

62. For Hampshire County the contact tracing programme continues successfully and since August the programme has changed as people who are fully vaccinated don't need to isolate. The programme checks vaccination status to provide correct information and ensure contact know what course of action is required. The service contact approximately 1000 people per day. The programme was given high praise by the national team as exemplar practice.

Vaccination

63. The development and rollout of the vaccination for Covid-19 is the most effective public health measure to prevent illness and transmission of the virus. The programme is led by the NHS with strong input and supportive leadership from The Council. Latest data at time of writing (and to be updated verbally at Cabinet) was that around 89% of the Hampshire over-12 population has received first vaccination. With 83% having had two doses.

64. The programme continues to see a number of changes. The latest developments include vaccination for 12–16-year-olds and a booster programme for the whole population over aged 16

65. With the onset of Omicron, a rapid programme of booster vaccination delivery for all over 18 was commenced in December and to date 69% of the population over 12 have had a booster which provides increased protection against this variant.

66. A programme of work continues on inequalities to ensure those groups least likely to take up the vaccine can be engaged with. There is some variation in uptake across Hampshire, unsurprising given the size and complexity of the county, due to a number of factors including demographics, with the younger populations and some communities being more hesitant to taking up the vaccination.

Adults' Health and Care

67. The social care market in Hampshire is continuing to experience significant pressures with regards to the recruitment and retention of staff as detailed in the previous update. These pressures are now being compounded by the impact of the Omicron variant on staff sickness and absences. Adults' Health and Care are working with partners and providers across the sector based upon a range of scenarios, in terms of absences, including a prolonged period through January and February of absence levels of up to 30% across the social care system. Positively, these scenarios and the likelihood of them is diminishing, however, staffing absence and outbreaks, albeit at a lower level have continued to be experienced.

68. As detailed in previous updates, Adults' Health and Care continues to provide high levels of support to the care sector.

69. In terms of issues around capacity, there is daily monitoring of providers reporting information into the National Capacity Tracker. All providers reporting pressures in relation to workforce, PPE or capacity receive a follow-up telephone call with the outcome recorded on the provider view area of AIS. This information is then used to inform our departmental monitoring of the provider market and provide support where required.

70. In order that it can respond to specific issues around infection prevention and control, a weekly forum consisting of senior managers from Adults' Health and Care and Public Health has been established. This has a particular focus on outbreak prevention and control, testing and the rollout of vaccinations. This has served us well over time.

71. Adults' Health and Care commissioning teams continue to co-ordinate the effective and rapid distribution of national funding streams to providers, with the latest one-off funding, received in December, targeted at supporting the wider social care workforce (residential care, nursing care, domiciliary care, day care, personal assistants etc). Further national funding, being received in January and February, will also be rapidly provided to the sector.

Mandatory Vaccinations

72. All staff who work in CQC-registered care home settings needed by law to be doubly vaccinated by 11 November 2021. Monitoring and support around

the mandatory vaccination requirement is now in place for staff in care homes.

73. In Hampshire, as at 29 December, 100% (including exemptions) of staff working in care homes have received their double vaccination. Some individuals are exempt, and self-exemption guidance has been extended up until the end March 2022. We anticipate that 100-150 staff will have exited the sector, as a result of non-compliance. Our focus has shifted to promotion of the booster vaccine to further protect staff, working with health colleagues to signpost staff to local vaccination services/walk in centres. The booster is not mandatory, and updates on the NCT are not being kept up to date, our own records based on direct contact with the homes suggest that 61% staff have now had their booster. We continue to support the booster programme in social care settings.

74. A national HM Government public consultation has been completed for vaccination to be applied in NHS settings and the wider social care sector. Consequently, regulations were laid before Parliament on 14 December enacting mandatory vaccination for NHS and social care staff in all patient / public facing roles – to come into effect from 1 April 2022. Our teams are supporting our care providers to ensure as many staff as possible comply with this new regulation. The main focus of this work will be our domiciliary care providers.

Home Visiting

75. During previously national restrictions, the ability of the Adults' Health and Care teams to visit people in their homes, be that their own home, a residential home, or a supported living setting was reduced in order to minimise infection risk. Contact with people who use social care services, including assessments and reviews was largely carried out online, using tools such as MS Teams, or over the telephone although visits were undertaken when necessary. Over time this general lack of face-to-face contact has had a negative impact in some situations.

76. As a result, when Plan B was introduced by the Government, Adults' Health and Care, revised its Home and Service Visits Guidance, to ensure that staff have a clear understanding about when they should still carry out face to face visits. As has been the case throughout the pandemic, visits must continue to take place where face to face contact is required to carry out the County Council's statutory duties, and/or the purpose of the contact cannot be achieved without face-to-face contact.

Winter Plan - resilience and service delivery

77. The foundation for the NHS Winter Plan is to build upon the Discharge to Assess (D2A) and Short-Term services that have been supporting the Hampshire system since the beginning of this financial year. These services have been commissioned in such a way that they can be flexed when there is a surge in demand.

78. Over the past 3 years we have consistently experienced a 20% increase in demand between November and December and a further 10% increase in demand between January and March. This year, CCGs have brought winter plans forward to the start of October and we have been increasing capacity in services from this time, as when required.

79. Demand for hospital discharges has increased as the public continue to present to emergency departments around the County in large numbers. We have maintained additional staff working in each service. Acute and community partners have seen significant operational challenges, including increased occupancy, ambulance handover delays, reduced availability of workforce, elective care pressures and challenging levels of capacity in community resources. Additional Health funding has been made available for recruitment into Single Point of Access (SPOA) and reablement teams if candidates come forward.

80. Work is ongoing with the NHS to look at what can be done to reduce demand at the front door, for example promotion of preventative services, promotion of the flu and booster vaccine and increased working with voluntary sector.

81. It should be noted that whilst managing winter pressures, considerable effort is also underway to support a response to the NHS of the potential impacts of the recent Covid19 variant, Omicron. Hospitals across HIOW and Frimley ICS footprints all remain at Opel 4 (highest operational risk level) and Adults' Health and Care is delivering surges in short term services to support high volumes of safe discharges at the back door. Furthermore, given modelling on staff absence and continued high demands for services in mid-January a multi-agency discharge event to reduce acute hospital occupancy has been scheduled during mid-January.

82. The County Council also plays a crucial part in supporting public service delivery through its winter maintenance and severe weather programmes to keep the highway network open and serviceable, including pre-cautionary salting and treatment of main routes to prevent ice formation. This service has been maintained throughout the pandemic to date, despite the impacts on staffing of Covid19 and the challenges around HGV driver resources.

Schools and Children's Services

83. Schools continue to follow the DfE published guidance to all educational settings which sets out the prevailing arrangements. The local authority does not issue separate guidance, as the information and expectations are already clearly set out within the DfE materials.

84. The DfE guidance is amended periodically to reflect the latest public health intelligence. When changes are made the local authority communicates with schools so that their risk assessments and contingency plans are based on the most up-to-date guidance. Where schools are unsure about the guidance, they are encouraged to contact the School Improvement Team who ensure the correct advice is given including the involvement of Public

Health colleagues where necessary. There has been significant activity carried out by our staff in supporting schools in this way.

85. The priority for this academic year has been for schools to provide face-to-face, high-quality education within an environment which is as ‘normal’ as possible, enabling flexibility in curriculum delivery and the most effective teaching and learning modes, not least interaction in person with others. Schools have reported that children have relished the opportunity to be with their friends again, learning from each other, playing, and socialising with each other and being a physical part of a community again.

86. Schools need to continue to have a risk assessment/mitigation plan in place, including a focus on good hygiene, cleaning regimes, ventilation, regular testing arrangements in secondary schools, promoting the vaccination programme and encouraging positive cases to self-isolate.

87. Beyond that, there is also an expectation that additional measures are planned for on a contingency basis in response, for example, to an outbreak. Schools have a range of measures they can introduce in the event of an outbreak occurring. These are set out in DfE guidance and include introduction of more regular testing arrangements for defined groups for specific periods in secondary schools, encouraging parents of primary aged school pupils identified as close contacts or household contacts to use LFDs in some circumstances, advocating the use of face coverings, staggering start, and end of school days, limiting residential visits, open days, and transition days. Of course, government guidance has reintroduced face coverings in classrooms for secondary pupils for the start of this term.

88. The last attendance data that has been published nationally was on the 9 December 2021. This data showed that 90.7% of primary aged children were attending on that date and 87.3% of secondary aged students were in attendance. The data source is a daily return of attendance that schools have been asked to return to the DfE. This return is not mandatory and therefore not all schools have returned it either nationally or locally. The figures are from those schools that have chosen to make a return on that particular day.

89. The same data source indicates that attendance in Hampshire was slightly higher on the 9 December with 91.3% of primary aged pupils in attendance and 87.7% of secondary aged pupils. The data suggests that around 3.4% of primary absences were due to children testing positive and isolating or being suspected of being Covid positive. In secondary, the equivalent figure is 2.5%.

90. During the autumn term we have supported NHS Hampshire to carry out a vaccination programme for 12–15-year-olds through schools. Approximately 60% of eligible students were vaccinated which is reported to be the highest figure in England. 98% of students with parental permission to be vaccinated received their first vaccine during the initial phase. The programme will be rolled out again during the spring term offering a second vaccination to those already vaccinated, as well as a first

vaccination to those that have turned 12 since the last roll out and any students that now have parental permission to be vaccinated.

91. The home to school transport service runs approximately 1,300 transport arrangements each morning and afternoon supporting over 3,000 students with special educational needs (primarily in taxis and minibuses) and 9,000 mainstream pupils (mostly in coaches and buses).

92. From September 2021, home to school transport arrangements operated without restrictions and no additional Covid capacity. The service was significantly affected during lockdowns, and more recently by Covid cases and self-isolation of pupils, drivers, and passenger escorts. There is a daily impact on services requiring daily reconfiguration of some transport arrangements and on occasions transport routes could not run.

93. The transport market faces a nationwide shortage of drivers and increased costs, particularly for fuel. This has added to the challenge for the home to school transport service and consequently there have been some delays in setting up transport for new applications during the school year and when re-awarding contracts that have needed to be reprocured.

94. Children's Services continues to support the childcare sector to remain open, prioritising opportunities for new provision or changes in providers, and providing a wide range of Covid, business and recruitment related support. Over £56,000 has been distributed in sustainability grants childcare providers to date. The Government's Holiday Activity and Food programme has helped to strengthen and raise the quality of delivery for providers in the out of school sector during 2021 Easter, summer, and Christmas school holidays, as well as directly supporting vulnerable families though provision of enriching activities as well as food.

95. It should also be noted that children's social care services still remain extremely busy with the average number of referrals into the service consistently reaching 1100 per week and in some cases exceeding 1200 per week, at least 20% up on the pre-Covid period. Those referrals include increasingly complex and difficult casework at least some of which has been masked during the crisis if not caused by it.

96. However, as we enter the period of Covid recovery, this increased activity is now mainly at the front door in the Multi Agency Safeguarding Hub (MASH) and in the social work assessment teams. In the first twelve months of the pandemic numbers of children coming into care had increased though this has since stabilised; numbers of children on child protection plans had risen but have since started to reduce; numbers of open cases had increased but are now broadly static. This suggests the rise in referrals appears to (rightly) reflect professional anxiety for vulnerable children and the need for social workers to assess and quantify the risk, rather than longer term demand for higher cost services such as placements for children coming into care.

Corporate Services

97. As previously reported, the majority of Corporate Services staff provide support to the front-line Departments and the majority have been working effectively from home since the beginning of the pandemic and did so again during December and early January in line with ‘Plan B’ arrangements, albeit that a full-scale return to the new ways of working was achieved on 31 January.

98. Recovery activity continues however, still centred on providing help, support, and guidance to Departments in areas of HR, wellbeing, and finance in response to the rapidly changing environment and government announcements.

99. The ‘Open Working Policy’ continues to be embedded across the organisation and seems to be lending itself well to the rapidly changing environment in which we find ourselves across the organisation. Obviously, we will continue to monitor this as further transitions out of Plan B are implemented in the future.

100. HR have continued to work closely with colleagues in Adults Health and Care and the IBC to ensure the new ‘Mandated Vaccination Policy’ is implemented.

101. We are beginning to feel the negative impact of repeated ‘isolation’ incidences, in unvaccinated staff, particularly in the wider care sector and public facing roles. HR have been asked to consider options for responding to these challenges and any necessary changes to our policies or practices will only be introduced after the usual engagement with staff, Trade Unions and EHCC if necessary, and only following evidence-based discussion at CMT.

Communications and community engagement

102. Since the last report, the focus for communications and engagement activity has centred on changes to Government rules and the introduction of **Plan B,** following identification of the Omicron variant and swift increase in infection rates. This ‘Omicron response phase’ focused initially on informing the public about the changes to restrictions and the introduction of ‘new rules’, as well as encouraging adherence to key behaviours to help minimise the spread of infection. Communications have involved promoting a variety of messages to enhance the Government response via a wide range of engagement platforms – examples are highlighted below.

103. Two key County Council multimedia winter campaigns, **‘Be COVID savvy’** and **‘Don’t be the one to miss the fun’,** promoted the continuing adoption of safe behaviours via county-wide outdoor media. This included profile in shopping centres, community billboards and bus sides, as well as through radio and a wide range of digital channels. The messaging was also carried through into the promotion of COVID-safe seasonal events during the festive period and over new year, with careful and detailed messaging to

educational communities, amplifying direct communications from the Department for Education.

104. A significant focus for communications and engagement activity during the period has also been the introduction and roll-out of the **COVID-19 booster programme** and messaging support to Local Resilience Forum partners across Hampshire and Isle of Wight. Activity has involved County Council and partner collaboration on the amplification of NHS messaging, particularly via social media channels and the news media, urging local residents to book their booster jab, and to avail themselves of the wide range of local vaccination booking/walk-in options available. In addition, the Authority has continued the development of its own bespoke vaccination campaigns. **'Three is the magic number'** encouraging full vaccination and targeted at the under-35s proved highly successful in terms of its audience reach during the run-up to Christmas and has subsequently been rolled out more widely to general audiences, with **'Who are you boosting for?'** - the centre-piece multimedia campaign for January.

105. Targeted campaigns aimed at young people and pregnant women have further urged local residents to prioritise immunisation to protect themselves and those around them.

106. **Regular asymptomatic testing** 'before you socialise' has remained a prominent theme throughout the winter with promotion via social media postings, alongside news media and social media campaigns to signpost to routes for symptomatic testing. The public were also encouraged to persevere with attempts to continue to access asymptomatic tests as demand soared nationally before and over the festive period.

107. A targeted multimedia campaign, incorporating the use of the popular digital vans, focused on the support available for those self-isolating. **'Help is at hand'** recognises that isolation can be challenging and was further incorporated into the overarching communications strategy during December, running again in January and into February.

108. Future messaging, beyond the review of national restrictions on 26 January, will continue to align to Government updates and announcements.

109. The **Community Researchers Network** have supported a project on covid contact tracing in schools Covid contact tracing among school age children (sharepoint.com)

Culture Communities and Business Services (CCBS)

110. HC3S continues to support schools with classroom feeding where this is required by the school to assist with managing Covid risks and / or staffing shortages. However, classroom feeding has adversely impacted on meal uptake and meal numbers remain below target, as they have been since the start of the pandemic.

111. County Supplies and the Emergency Planning team have been jointly managing the Local Resilience Forum PPE warehouse since the start of the pandemic. They are currently supporting occasional emergency issues of stock. Regular PPE supplies are provided to a variety of settings and individuals as required by the DHSC and which are not provided by the Government's PPE Portal. With supply chains remaining stable and experience of demand gained in the last 18 months, plans are being made to decommission the PPE warehouse in early April and to ensure a small emergency contingency stock is retained for at least the rest of the year.

Staff returning to the office

112. As previously reported our office accommodation was safe for staff to return to from 19 July and we implemented a programme of 'phased returning to the office' across the organisation. By the end of October all departments had confirmed that their return plans were implemented on schedule.

113. 'Plan B' was implemented from Monday 13th December which saw staff required to revert to working from home where possible and, for those required to attend the office, a reintroduction of mandatory face coverings. The end of Plan B on 26 January saw the County Council return to the end of October position.

114. Each Department has different working arrangements in place for their staff, all in accordance with our Open Working Policy, and with variations relating to differing nature of our work across the Council. Early anecdotal indications up to Monday 13 December were that the low levels of nervousness that we expected from some of our staff has indeed been observed and support was provided to those staff in line with our wider HR policies and wellbeing practices. In the main however most people seemed to be enjoying the opportunity to connect with their colleagues and teams on an 'in person' basis. We will consider means of more formally evaluating our return to the office once the January 'return to the office' arrangements have had time to embed, and staff had an opportunity to settle into new routines.

Conclusion

115. This Covid report to Cabinet focusses upon recovery and learning to live with Covid. Restrictions were largely lifted through the summer and the County Council's crisis management mechanisms were wound down accordingly. Following the announcement of Plan B, the crisis management mechanisms were stood back up and remained in place during that uncertain period, these crisis management mechanisms were stood back down following the removal of Plan B Government restrictions. Following the implementation of the COVID vaccination programme the link between infection rates and hospitalisation and deaths has been largely broken, with a strong push nationally regarding the Covid Booster and winter flu vaccinations. Nevertheless, as a society and in our role as the public health

authority there is a need to manage rates of infections. While the phases of the pandemic may be changing now in welcome ways, the impact, on the community and on HCC, will remain profound for years to come. The Collective Wisdom project successfully prepared the organisation for new ways of post-pandemic working and the work on economic recovery and, in particular, the opportunity presented through the County Deal initiative, are core to the way forward for the community as well as the economy. All these points noted, there will remain a strong emphasis on constant vigilance, subject to whatever decisions are taken by Government in future.

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

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:**

(a) No equality impacts have been identified arising from this Report

ANNEX 1

Hampshire Economic Recovery Dashboard

January 2022

Hampshire County Council
Economy, Transport and Environment

Summary of Economic Conditions

i

- The impact of the pandemic on the labour market and Hampshire businesses has been significant but far more modest than the impact on economic output. In terms of the impact on occupations there was a sharp fall in demand for elementary occupations (those typically employed in consumer facing services), followed by the highly skilled managers, directors and senior officials occupational group and process, plant and machine operatives (mainly lower skilled occupational category).
- In both the relative and absolute terms the largest impact was on elementary occupations, down 13.6% or 12,600 followed by the impact on managers, directors and senior officials, -7.8% or 9,300.
- Employment increased in several occupational categories in Hampshire, such as professional and associate professional occupations (typically employed in higher value-added traded services and production) and skilled trade occupations (like those demanded by construction).
- The number of Hampshire residents working in professional occupations and associate, professional and technical occupations increased by about 10,000 respectively in 2020.
- Economic downturn affected Hampshire's businesses to varying degrees. The number of higher value-added traded services (ICT, finance & insurance, and professional, scientific & technical businesses) decreased by 4.3% on the year but this was driven by the fall in micro and small businesses. The number of large businesses remained unchanged while medium-sized business in all three sectors increased on the year. Professional, scientific & technical businesses also saw growth in the number of small businesses.
- Estimated economic growth in Hampshire slowed from 5.6% in the second quarter to 0.9% in the third quarter, below the UK average (1.1%). Faster growth was held back by falling output in several large industrial sectors (wholesale & retail, manufacturing, construction and health & social work).
- Preliminary monthly estimates for October suggest that Hampshire's growth was sluggish at just 0.2%, but nevertheless faster than the UK average. Business activity in the region bounced back in November to the highest level in nine months. A strong growth in new business orders was an indicator of relatively favourable demand conditions but these data predate the emergence of the Omicron variant and the surge in COVID-19 infections which has already prompted a weakening of consumer and business activity.

Summary of Economic Conditions

ii

- Ending of the government job support schemes on 30th September has affected 27,400 Hampshire residents on the furlough scheme and 35,400 residents on the SEISS scheme. The evidence to date suggests that unemployment did not increase and that the labour market in Hampshire went from strength to strength.
- The absolute number of unemployed claimants in Hampshire decreased in October and November and the fall in unemployment continues to be driven by the young people and older workers.
- Another timely source of employment data, HMRC's PAYE measure of company payrolls suggests that the labour market in Hampshire strengthened again in November.
- Job demand in Hampshire grew strongly in November as indicated by the strong growth in the number of online job postings (hiring intentions) but December saw a sharp slowdown in job demand in Hampshire. This was most likely related to two factors – some seasonality of demand and the Omicron-induced fall in demand for labour.
- Labour shortages in Hampshire appear worst among care workers and nurses, sales accounts and business development managers, van driver, some elementary occupations and among programmers and software developers.
- UK inflation increased to 5.1% in November, well above the Bank of England expectation (4.5%). The Bank responded by increasing the base rate from 0.1% to 0.25% at its meeting in December. The persistent strength of inflation and the labour market implies that the rate will increase again this year. The increase in the rate poses the greatest risk to consumer spending, the main driver of economic growth, and the housing market.
- Global surveys of purchasing managers showed some early signs that material shortages have begun to dissipate in early December, but this was before the emergence of the Omicron variant. There is a strong possibility that the major headwinds from labour and supply shortages will continue to hamper Hampshire's growth with cost pressures remaining elevated for longer than initially expected.
- A monthly comparison of independent economic forecasts compiled by HM Treasury in November 2021 suggested that economic growth in 2022 was projected at 5.2% but December forecast showed a central projection of 4.7%. Inflation expectations for next year have also shifted from 2.6% in November to 3.1% in December. Unemployment is expected to decrease faster than previously thought, from 4.7% in November's forecast to 4.3% in December's forecast.

Policy and Sector Headlines

iii

National Cyber Strategy

- A new National Cyber Strategy has been published setting out the government's approach to protecting and promoting the UK's interests in cyberspace. The strategy builds on the significant progress made on cyber over the last five years which has seen the UK cyber security sector grow rapidly, with over 1,400 businesses generating revenues of £8.9 billion last year, supporting 46,700 skilled jobs, and attracting significant overseas investment.
- Hampshire, like the UK, has seen strong growth in cyber businesses and employment. The sector has accelerated significantly over the last 12 months as demand for cyber services has surged. Beyond Encryption, Censornet, Talion and Razor Secure, all based in Hampshire, have all reported growth in the last year and secured combined investments totalling more than £5m.

Government Funding

- On 21 December 2021, Government announced the introduction of grant support for hospitality and leisure businesses in England; the Omicron Hospitality and Leisure Grant. The scheme provides grants of up to £6,000 to support to hospitality, leisure and accommodation businesses, in recognition that the rise of the Omicron variant will impact on the sector. Funding will be made available to all Local Authorities from January 2022. The scheme will close for applications on 28 February 2022 and all final payments must be made and dispersed to recipients by 31 March 2022.
- The new grant is additional to the Additional Restrictions Grant (ARG) which allows local authorities to use their discretion to support other businesses in their area, based on local economic need. As of the 28 November 2021 Hampshire authorities received £71,041,458 in ARG and had distributed £60,233,070. The remainder has to be administered by 31 March 2022.
- The Government has made a further £30 million available and extended the application window for emergency funding through the Culture Recovery Fund to support museums, cinemas, theatres and heritage organisations through the impact of the Omicron variant. The fund is administered by the Arts Council and provides emergency funding awards to organisations that were financially sustainable before Covid-19 but are now at imminent risk of failure and have exhausted all other options for increasing their resilience.
- Basingstoke and Deane have launched a new Apprenticeship grant scheme to support Basingstoke and Deane businesses taking on new apprentices or to use apprenticeships for existing staff. There is £150k available (to support 30 apprenticeships).

Policy and Sector Headlines

iv

Skills and Labour Shortages

- Survey evidence and Hampshire businesses continue to point to skills and labour shortages in a number of hard-to-fill occupations and this is causing increased pressures on supply chains in several sectors. Labour shortages in Hampshire appear worst among care workers and nurses, sales accounts and business development managers, van driver, some elementary occupations and among programmers and software developers.
- Global surveys of purchasing managers showed some early signs that material shortages have begun to dissipate in early December, but this was before the emergence of the Omicron variant.

Aerospace and Space

- The Air Capability Symposium 2022 will be held at Farnborough in April 2022, providing an opportunity for the Royal Air Force Capability team to engage with the aerospace industry.
- At the recent COP26 in Glasgow, UK aviation is committed to a 10 percent uptake by 2030 of sustainable aviation fuel (SAF), that can emit up to 99 percent less carbon than Jet A-1.
- The UK Space Agency anticipates making at least £65,000 available under its 'Space for All' community funding scheme for financial year 2022–2023. The scheme is run to support the education and outreach aims and objectives of the UK Space Agency with applications closing in February.

Green Economy

- According to news sources ExxonMobil, SGN, and Green Investment Group are exploring the potential for a major new hydrogen production and carbon capture facility. As such, Southampton's industrial cluster could be home to a new hydrogen production hub.
- Reported by Marine UK, the UK as the number one globally on MIT Technology Review's Blue Technology Barometer, which ranks 66 coastal countries and territories on their progress and commitment toward protecting ocean sustainability.
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Policy and Sector Headlines

Marine and Maritime

- Wightlink's £1.5million investment to upgrade its Portsmouth Harbour FastCat terminal reaches its next stage. The upgrade to the route between Portsmouth Harbour and Ryde Pier Head starts on Wednesday, January 5 2022.
- Associated British Ports (ABP) has unveiled plans to bring forward more than 1,000 acres of land across its UK-wide portfolio for new employment development targeting the manufacturing and renewable sectors. In England ABP has identified port land at Southampton and other sites across England for development.

Lifesciences

- University Hospital Southampton has announced it has launched a recruitment campaign to take on 100 new staff, while two new cardiac labs to open at Basingstoke hospital in 2022. Biotage has acquired Southampton based DNA synthesis and purification company ATDBio for £45 million.

Commercial Property

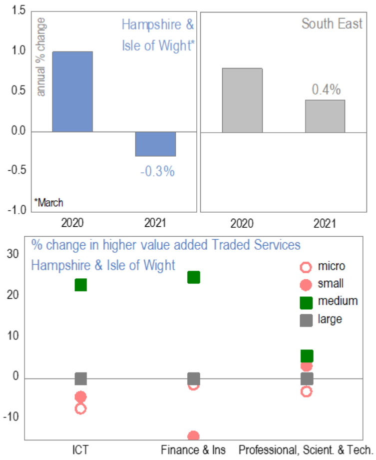
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight decreased by 6.7% in the final quarter of last year compared to the previous quarter.
- Industrial accounted for over 70% of total demand but it decreased by 15% on the quarter. The final quarter of the year saw strong demand for offices, up 49% on the quarter with offices accounting for over a quarter (27%) of all demand (take-up) in Hampshire. Retail, leisure & hotels fell by 57% but this was on the back of strong demand in the third quarter (up 134%).

Tourism and Hospitality

- Tourism related activities saw strong growth in output in the third quarter but growth slowed down sharply in October. Reports suggest casual dining sector demand supported by home deliveries, which were in some cases more than 25% above pre-pandemic levels.
- Labour shortages and staff self-isolating continue to affect the hospitality sector as a whole. Social-distancing measures are still limiting capacity and therefore profitability, with some businesses restricting services by reducing opening times or offering fewer menu choices.

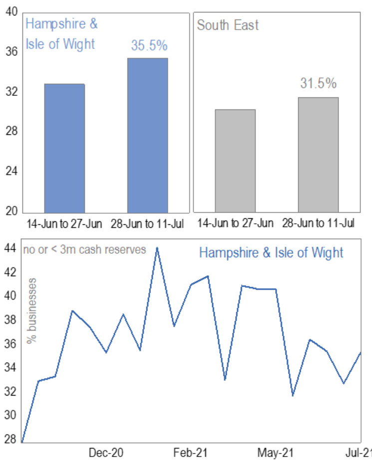
Business Activity and Growth in Hampshire

Business Stock



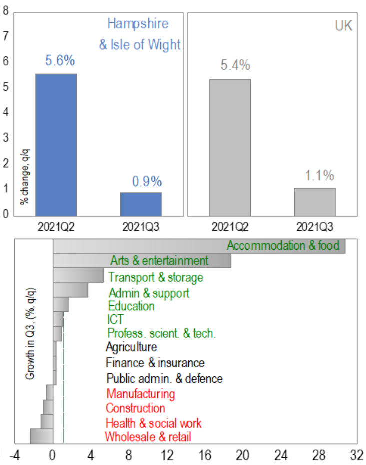
- In March 2021 Hampshire & Isle of Wight had 81,895 enterprises with 95,300 local business units (-0.3% and -0.5% fewer than in the previous year respectively).
- Hampshire saw growth in the number of medium-sized higher value added traded services and in small professional, scient. & techn.

Cashflow

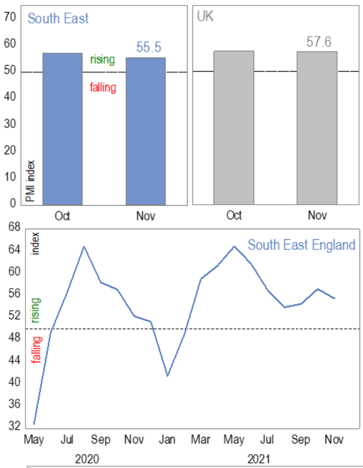


- The percentage of Hampshire businesses reporting no or less than three months cash reserves stood at 35.5% at the beginning of Q3 slightly higher than at the end of June but lower than in late April/early May.
- The proportion of businesses with no or less than 1 month cash reserves improved slightly to 7%.

Economic Growth



- Hampshire's recovery slowed to 0.9% in Q3 from 5.6% in Q2, and an estimated growth in Q3 was slower than the national average. Growth in Q3 was driven by consumer spending.
- October saw sluggish growth in economic output in Hampshire, just 0.2% but faster than the UK average

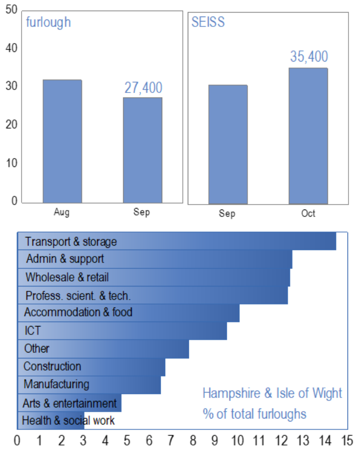


- Business activity in the region bounced back in November to the highest level in nine months.
- Strong growth in new business orders was an indicator of relatively favourable demand conditions but these data predate the emergence of the Omicron variant and the surge in COVID-19 infections.

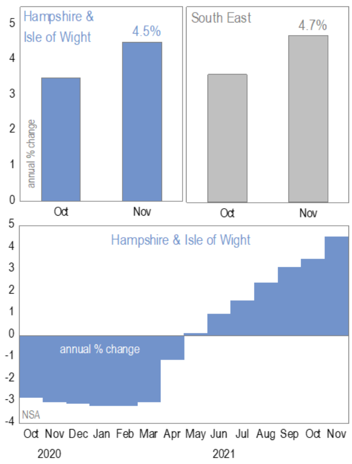
Employment and Jobs in Hampshire

2

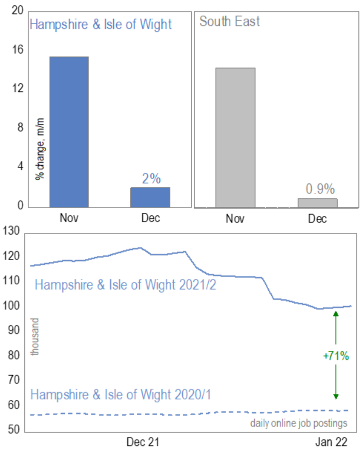
Employment Support



Payrolled Employees



Job Demand



Demand by Occupation

Unique Job Postings by Occupation	Dec
Care Workers and Home Carers	1,232
Nurses	1,198
Sales Accounts and Business Development Managers	818
Van Drivers	780
Other Administrative Occupations n.e.c.	747
Programmers and Software Development Professionals	717
Chefs	706
Elementary Storage Occupations	631
Kitchen and Catering Assistants	629

Unique Job Postings by Occupation	Sept
Nurses	2,037
Care workers and home carers	1,884
Kitchen and catering assistants	1,620
Sales accounts and business development managers	1,602
Van drivers	1,553
Other administrative occupations n.e.c.	1,427
Elementary storage occupations	1,425
Sales and retail assistants	1,330
Programmers and software development professionals	1,229
Chefs	1,229

- Hampshire & Isle of Wight had 62,800 residents on the job support schemes in Sept (revised): 27,400 on furlough (3% take-up, below the 4% UK average) and 35,400 self-employed residents (35%, below the 38% UK take-up). 12. Evidence to date suggest that ending of the schemes had not affected unemp.

- Hampshire & the Isle of Wight had approaching 898,000 payrolled employees in November 2021, about 9,580 more than in October 2021.
- Preliminary data for November suggests that payrolled employment stood at 2.1% (+18,370) above February 2020 levels and 4.5% higher than at a year ago.

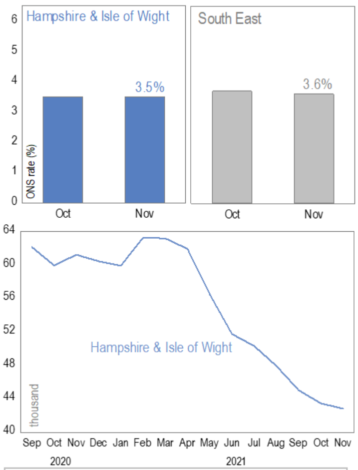
- Jobs demand in Hampshire increased in December but at a considerably slower pace than in November Nevertheless, by early January 2021, labour demand was 71% higher than in January 2020.
- Survey evidence suggests that the supply of labour is struggling to keep up with demand.

- In-demand jobs in Hampshire continue to be associated with nursing and care, logistics, hospitality and several higher value-added occupations.
- Median job posting duration in December was the highest in nursing, business & finance professionals and IT operations.

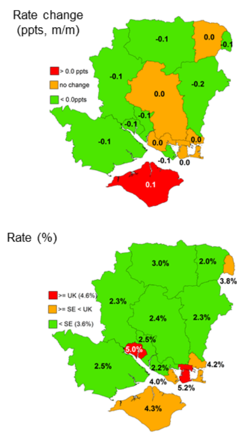
Unemployment in Hampshire

3

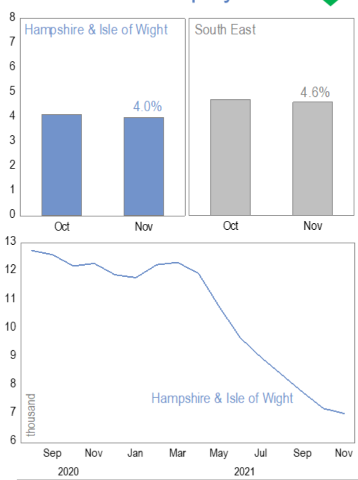
Claimant Unemployment

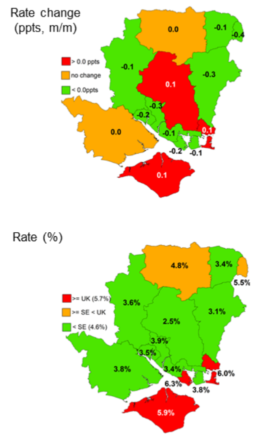


Local Claimants



Youth Unemployment





- Claimant count unemployment in Hampshire & Isle of Wight not adjusted for seasonal factors fell by 630 to 42,810 in Nov. The 50+ age group accounted for 37% of the decrease while the under 25 age group for 27%. Nonetheless, the working age unemployment rate remained unchanged at 3.5%.

- In November, the claimant count rate increased on the Isle of Wight but for all other HIOW local authorities the rate decreased or was unchanged.
- Monthly UK data suggests that there was some fallout after the furlough scheme ended in September, but this didn't last long as unemployment was falling by the end of October.

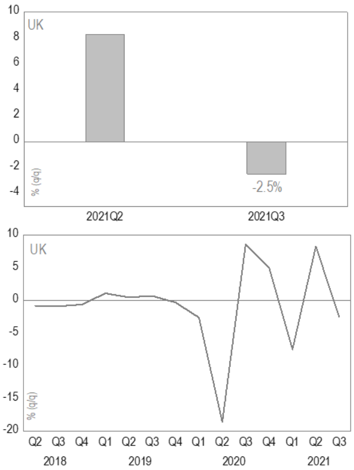
- The number of young (18-24 year old's) unemployed people on the claimant count measure in Hampshire & Isle of Wight decreased by 175 to 7,020 in November. Hampshire had 5,275 fewer claimants than last Nov.
- The rate decreased from 4.1% in October to 4.0% in November, faster than the fall in the overall rate.

- The youth unemployment rates edged higher in Havant, IoW and Winchester, remained unchanged in Basingstoke and New Forest and decreased in all other local authorities in Hampshire & Isle of Wight in November.*
- Gosport, Havant and IoW rates above the UK average in November.

Sentiment and Investment in Hampshire

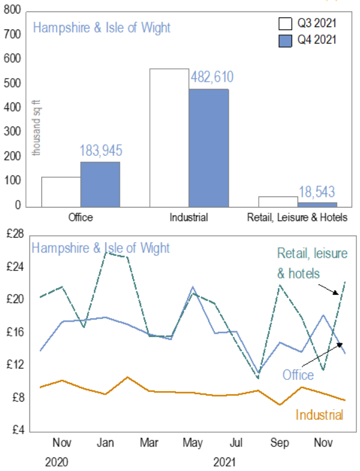
4

Business Investment



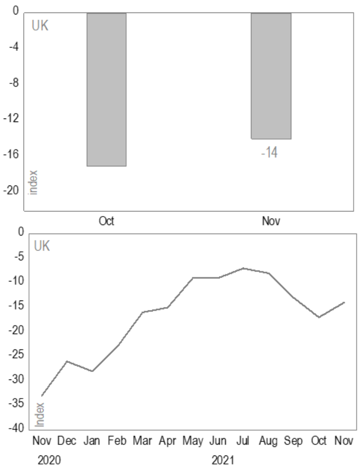
- Business investment fell by 2.5% in Q3, faster than previously thought and business investment remains 11.7% below its pre-pandemic level .
- BoE intelligence points to continued recovery in investment intentions in Q4, notably in consumer services. In businesses services investment mostly focused on digital and ICT.

Commercial Property



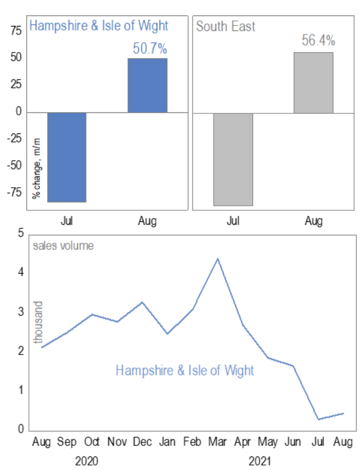
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight amounted to 685,098 sq ft in Q4, down 6.7% on Q3 .
- Demand for retail leisure & hotels fell by 57% on the quarter but office demand was strong, up 49%. Industrial demand was down 15%.

Consumer Confidence



- Retail sales increased by 1.4% in Nov, faster than Oct (1.1%, revised).
- Despite inflation reaching ten-year high consumer confidence saw an uptick in Nov according to GfK.
- The big risk now is that the Omicron variant triggers a sharp fall in consumer sentiment and spending in early 2022.

House Sales



- House sales, not adjusted for seasonal factors, in Hampshire & Isle of Wight bounced back in August following a sharp fall in July.
- About 1,120 residential property transactions too place in August, around a half higher than in July. In contrast, property sales remain 48% below February 2020's levels.

Sectoral Overview

5

Manufacturing

- Manufacturing output expanded by 1.8% in Q2 but output contracted by 0.7% in Q3. Monthly data suggests that manufacturing output remained flat in October.
- According to Make UK, manufacturers continue to report good performance in Q4 but output has slowed as supply bottlenecks and labour shortages constrain production. This is mirrored by a slow down in orders, while rising inflation and supply-chain issues are beginning to hold back growth.
- According to the Bank of England, exports of manufactured goods eased in Q4 (mostly due to decline in automotive output caused by semiconductor shortages), but also ongoing reports of UK companies losing EU-based customers and some production being moved from the UK to the EU due to Brexit.
- There are changes to customs arrangements with stricter trade rules for full customs declarations and controls coming into effect from 1 January 2022. While there is less concern around UK business readiness there are concerns for smaller EU businesses not being ready.

Aerospace, defence, and space

- The Air Capability Symposium 2022 will be held at Farnborough in April 2022, providing an opportunity for the Royal Air Force Capability team to engage with the aerospace industry.
- At the recent COP26 in Glasgow, UK aviation is committed to a 10 percent uptake by 2030 of sustainable aviation fuel (SAF), that can emit up to 99 percent less carbon than Jet A-1. While according to aerospace trade body ADS Group, British Airways demonstrated interest in SAF through an agreement with fuel producer Phillips 66, while Virgin Atlantic have similar targets.
- The Space to Connect 2022 event is due to go ahead in London on 1 February 2022, and provides a networking event for companies, organisations and individuals involved in innovating at the forefront of space applications.
- The UK Space Agency anticipates making at least £65,000 available under its ‘Space for All’ community funding scheme for financial year 2022–2023. The scheme is run to support the education and outreach aims and objectives of the UK Space Agency with applications closing in February.

Sectoral Overview

6

Green Economy

- According to news sources ExxonMobil, SGN, and Green Investment Group are exploring the potential for a major new hydrogen production and carbon capture facility. As such, Southampton's industrial cluster could be home to a new hydrogen production hub, following an agreement between gas distribution network SGN, Macquirie's Green Investment Group (GIG), and oil and gas giant ExxonMobil.
- The three companies will explore the potential for hydrogen production and carbon capture in Southampton, one of the largest industrial and port hubs in the UK, in a bid to reduce emissions in the area. Hydrogen production could commence as early as 2030, according to ExxonMobil, once the technical and commercial feasibility of the plans are confirmed.*

Marine & Maritime

- Wightlink's £1.5million investment to upgrade its Portsmouth Harbour FastCat terminal reaches its next stage that starts on Wednesday, January 5 2022. The upgrade is to the route between Portsmouth Harbour and Ryde Pier Head.
- Associated British Ports (ABP) has unveiled plans to bring forward more than 1,000 acres of land across its UK-wide portfolio for new employment development targeting the manufacturing and renewable sectors. In England ABP has identified port land at Southampton and other sites across England for development.
- Reported by Marine UK, the UK ranks as the number one globally on MIT Technology Review's Blue Technology Barometer, which ranks 66 coastal countries and territories on their progress and commitment toward protecting ocean sustainability.

Lifesciences

- University Hospital Southampton has announced it has launched a recruitment campaign to take on 100 new staff – including nurses, allied health professionals and consultants that will help increase resource and meet already high and increasing demand.
- Two new cardiac labs to open at Basingstoke hospital in 2022.Currently under construction by Hampshire Hospitals NHS Foundation Trust (HHFT), and will be fully operational in October 2022.
- Biotage has acquired Southampton based DNA synthesis and purification company ATDBio for £45 million. The acquisition is expected to strengthen Biotage as a leading life science tool and impact tech service provider.

Sectoral Overview

7

Construction

- Construction output decreased by 1.8% in October 2021 following a fall of 1% in Q3. This is the largest fall seen in construction since April 2020, and driven mostly by a decrease in new work as repairs and maintenance remained flat. Construction is now 2.8% below its pre-pandemic level. This reflects recent challenges faced by the construction industry from rising input prices and supply-chain issues such as shortages of some construction products (notably steel, concrete, timber and glass) to increasing labour shortages over recent months.
- According to Bank of England agents, Q4 construction output slowed as materials, labour shortages and cost increases impacted on activity. Delays and rising costs are seeing slower build-out rates amid caution around investing in new developments in light of supply-chain issues material shortages, rising costs and a lack of available development land and planning constraints.
- Public infrastructure projects continue to support construction output although there were also some reports of slowing demand.
- The property market remains robust as housing demand out-paces supply, leading to house price inflation although rising cost of living and rising interest rates are expected to see house price growth soften in the coming months. Demand for rental properties remains high although evidence suggests that smaller landlords are exiting the market which will add to the shortage of rental properties.

Commercial Property

- Investor demand for commercial property is strong according to Bank of England, with demand centred on industrial and logistics-related property. However, there is a shortage of warehousing properties with reports of speculative builds and properties being sold off-plan. Despite uncertainty in the office market there is a reported uptick in demand for office space, particularly modern and flexible space in locations with good transport links. Also shift in retail demand from city centre to prime high street premises in commuter towns as more people work from home.
- Total floorspace of all new lettings or sales to occupiers (take-up) in Hampshire & Isle of Wight decreased by 6.7% to 685,098 sq ft in Q4. The final quarter of last year saw a small recovery in office, industrial and retail, leisure & hotels rents in Hampshire.
- There was a 57% slump in demand for retail, leisure & hotels but this was on the back of strong growth in Q3. The fall in Q4 was most likely influenced by the increase in uncertainty about the outlook driven by the emergence of the Omicron variant.

Sectoral Overview

8

- Office take-up was strong with 183,945 sq ft in Q4, a 49% increase on the previous quarter. Offices accounted for over a quarter of all commercial space take-up in Hampshire in the fourth quarter of last year.
- Industrial decreased by 15% on the quarter to 482,610 but industrial demand in Hampshire remains strong with 70% of all take-up accounted for by industrial.
- Lending to commercial property is likely to remain weak over the short-term, as both investors and banks remain cautious given the recent increase in economic uncertainty.

Retail

- Retail continue to rise with sales up 1.4% in November. However, some good news for the high-street as the proportion of online retail sales decreased to 26.9% in November 2021, the lowest proportion since March 2020 (22.6%), and thereby keeping the downward trend since the peak in February 2021 (36.8%). Sales remain above pre-pandemic levels (February 2020).
- According to the Bank of England consumer demand remains strong in Q4 2021, supported by steady retails sales – with seasonal spending brought forward over fears of shortages.

Tourism and Hospitality

- Tourism related output saw exceptionally strong growth in the third quarter with accommodation & food expanding by 30.7% (quarter-on-quarter) and arts, entertainment & recreation expanding by 18.7%. Monthly data suggests that October saw a slowdown in arts, entertainment & recreation to 3.3% with accommodation & food contracting by 5.5%.
- Labour shortages and staff self-isolating continue to affect the hospitality sector as a whole. Social-distancing measures are still limiting capacity and therefore profitability, with some businesses restrict services by reducing opening times or offering fewer menu choices. Supply issues/inflated input costs are still a concern.
- Across the hospitality sector, contacts said labour shortages had constrained growth by International visitors, and group/school bookings are very limited. Visit Britain forecasts a full recovery in international travel by 2025, with 75% of European travellers returning by 2022 and 50%

Sectoral Overview

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- The Omicron variant and Government movement to Plan B had a significant negative impact on trading in the run-up to the critically important Christmas/New Year trading period. According to Bank of England agents, some contacts in the casual dining sector report demand supported by home deliveries, which were in some cases more than 25% above pre-pandemic levels. However, other contacts operating in city centres reported lower demand as people continue stay local, work from home or work fewer days in the office.
- Visit England's domestic tourism sentiment tracker for December identified a significant negative impact on attitudes and confidence to travel because of Omicron, however, the overall intention to travel remains stable. Percentage of the population that feels the 'worse is still to come' increased and there was increased hesitancy around visiting urban areas and using public transport.
- A national Tourism Alliance/DCMS survey found that 51 per cent of businesses had suffered a slump in revenue of at least 50 per cent in the key month of December — up from 34 per cent in November.
- Plans unveiled to turn Hayling Island into an exciting watersports destination. Havant Borough Council plans outlining three regeneration hubs, West Beach, Beachlands and Eastoke. with new walking and cycling connections between them. The council plans to enhance West Beach's reputation as a hub for watersports, supported by its heritage as the home of windsurfing.
- Five star Chewton Glen Hotel in New Milton is seeking planning permission for three additional treehouses to accompany the existing seven. The hotel has seen a significant rise in demand for exclusive serviced accommodation during the pandemic and expects this trend to continue into the future.
- Portsmouth City Council secured £20m of Government Levelling-Up Funding for its Transforming the Visitor Economy bid with £8.75m awarded to develop a major urban park urban park incorporating a redevelopment of Hilsea Lido and £11.25m to increase the capacity of Portsmouth International Port to host more passengers and cruise calls

Business Specific Intelligence

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Commercial Property – Significant Occupier Transactions

Sector	Property	Size (sq ft)	Tenant
Industrial	Unit 22, Oriana Way, Southampton	101,299	Formation Freight Services Ltd
Industrial	Unit 4 Reliant, Chandlers Ford	39,320	Argos Distributors Ltd
Industrial	Unit 4 & 5 Building D, Adanac Park, Southampton	24,843	ERIKS UK Ltd
Office	Pinehurst II, Farnborough Business Park	29,831	Siemens
Office	South Building, Chilcomb Park, Winchester	20,862	NNS Leasing Ltd
Office	Form Two Bartley Wood Business Park, Hook	24,808	BCA

Investment and Job Creation

- Underwater robot deal sees Saab Seaeye in Fareham expands, creating 20 new jobs on the back of a large order of its new sustainable underwater robot.
- TÜV SÜD, Fareham-based German engineering (testing & certification engineering) company intend to build a new Certification Facility at its existing Hampshire HQ. This £2.5m and 27 new employees investment project is being actively supported by Hampshire's Economic Development Team through Business Hampshire and DTI. The new facility's will be in addition to five existing ones - significantly increasing test capacity to support growing demand from manufacturing firms.
- An Eastleigh-headquartered shower specialist is raising funds to launch its new product. Kelda is looking to launch the BubbleSpa, which uses patented technology to produce spa-grade water bubbles in a continuous stream to provide a luxury experience. It is now launching its second fundraise with Growthdeck and bring in £1.1m. The company is forecast to increase its turnover more than 80-fold by 2024, with the new shower as the key driver.

Business Specific Intelligence

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- Portsmouth workspace Lakeside North Harbour has secured a string of new lettings. Eco House Solutions has taken 3,122 sq ft of space, alongside concrete and waste management business Service Supply Network, which has signed up for a 2,246 sq ft office to support its continued expansion. Completing the trio with 3,724 sq ft of space is Visitor Chat, a live chat business specialising in automotive and property which has relocated to Portsmouth from Southampton.
- Farnborough-headquartered self-storage company Lok'nStore has exercised the £25m accordion and one-year term extension options within its revolving credit facility. The move increases the war chest to £100m and extends its lifespan to 30 April 2026.

Mergers and Acquisitions

- A private equity-backed communications technology provider Onecom, headquartered in Fareham, has expanded with the acquisition of Russell Telecom- its fourth deal of the year. This follows Onecom's acquisition of Olive Communications at the start of 2021, followed by the takeover of 9 Group, and then the purchase of Devon-based IP Office.
- Hampshire-headquartered fungicide development and supply business Agronatralis has been snapped up by French agriculture and crop disease prevention company DeSangosse, with Quantuma advising on the deal.
- A merger between south of England housing association Aster Group (with offices in Andover) and London-based housing trust Central and Cecil (C&C) has been confirmed.

Guidance and Sources

How to read 'traffic lights':

Refers to decline or growth relative to the previous period (business activity indicators, PMI employment, job postings and business investment).

In the case of business and consumer sentiment it refers to the direction of travel relative to the previous period.

For labour market indicators the change refers to the rate not the level. For example, a rise in the employment rate would see an upward green arrow, while a decrease in unemployment would see a downward green arrow.

Little or no change on previous period.

† The local estimate is preliminary and it needs to be treated with a high degree of caution since it is based on the sectoral mix of Hampshire and the Isle of Wight and the national sectoral impacts.

Sources:

The primary data sources are the Office for National Statistics (ONS), HMRC and the Bank of England while additional data comes from several commercial sources such as IHS Markit, Emsi, G Radius Data, CBI and BCC.

Fortnightly data for Trading Status, Turnover and Cashflow.

Monthly data for Payrolled Employment, Government Job Support Schemes, Job Demand, Demand by Occupation, Unemployment, Consumer Sentiment, House Sales, Commercial Property, UK GVA and a proxy estimate for Hampshire.†

Quarterly data for business investment.

*For further information on Hampshire's labour market see Quarterly Labour Market Updates and Monthly Ward Claimant Count Reports available at:
https://www.hants.gov.uk/business/ebis/reports

Hampshire County Council

Produced by Economic & Business Intelligence Service

EBIS economic business intelligence service

Autumn Budget and Spending Review 2021: Economic Development Briefing

This brief note sets out a summary of the key points from the October 2021 Autumn Budget and Spending Review and the latest economic forecasts from the OBR. Where possible, the note includes a rough estimate of the potential impact of some of the policy measures on Hampshire.

Headline Macroeconomic Announcements

Economic Outlook - GDP in Q2 2021 was 3.7 per cent above the OBR forecast in March, with Q2 2021 growth fastest among the G7. Inflation is expected to rise further to 4.4% in Q2 2022 remaining high over 2022 and 2023 (reflecting the lagged effects of recent increases in wholesale energy and input prices) before returning to target by the end of 2024.

In 2021 the economy is expected to expand by 6.5% in real (inflation adjusted) terms, the fastest growth in nearly half a century, and some 2.4 percentage points faster than the OBR's forecasts in March 2021. However, beyond the fourth quarter of this year the OBR have downgraded their forecasts in 2022 but higher in 2023. In the near-term higher energy prices, supply bottlenecks, and labour shortages will dampen the recovery. In 2022 the UK economy is expected to expand by 6.0% before slowing to 2.1% in 2023. The outlook for next year is weaker than expected in March 2021 but the outlook is now stronger for 2023 than previously forecast.

Table 1: Headline forecasts for GDP (central forecast), unemployment and inflation

	2020	2021	2022	2023	2024	2025	2026
GDP growth	-9.8%	6.5%	6.0%	2.1%	1.3%	1.6%	1.7%
Unemployment rate	4.6%	4.9%	4.8%	4.3%	4.2%	4.2%	4.2%
CPI inflation	0.9%	2.3%	4.0%	2.6%	2.1%	2.0%	2.0%

Source: OBR 2021

There is still a degree of uncertainty around the economic outlook with risks from further pandemics, higher inflation, sustained labour market shortages, a rise in real interest rates, and continuing tensions over post-Brexit trade with the EU.

The OBR is more optimistic about the economic scarring effect of the pandemic (associated lower investment, lower productivity, and lower labour supply) with unemployment at a lower rate than expected and better productivity (mainly R&D and new ways of working) which saw the estimate reduced from 3% to 2% suggests a larger economy, higher revenue and improved fiscal position. However, concerns over the long-term of older workers not returning to the labour market, as well as greater proportion of young people locked into higher education.

Impact on Hampshire: the official estimates of the impact of the pandemic are not available but a preliminary local estimate suggests that in terms of Gross Value Added (GVA) the economy of Hampshire and the Isle of Wight ('Hampshire') contracted faster than the UK economy but as shown by the recovery that followed the great financial crisis of 2008/9 Hampshire's recovery is likely to be faster than the national average.

Unemployment – OBR forecast for unemployment has been revised down to peak at 5.2% in the final quarter of this year from 6.5%. The unemployment rate is then expected to fall to 4.2% in 2024 and remain there for the remainder of the forecast period. The reopening of the economy has seen 3.2 million workers off furlough since March, leaving only 1.3 million on the coronavirus job retention scheme which closed at end of September. Expectations are for a small uptick in unemployment given that business and job support schemes kept unemployment largely in check.

Impact on Hampshire: since the March and gradual reopening of the economy following the third national lockdown the number of people claiming unemployment related benefits in Hampshire has fallen by about 17,100 to approximately 46,100 and the rate decreased from 5.2% in March 2021 to 3.8% by September 2021, still some way off pre-pandemic levels (although claimant eligibility criteria was relaxed which inflated the count).

Headline Fiscal Announcements

The Chancellor was gifted £141 billion over the next four years from a lower borrowing windfall by improved OBR forecasts, reflecting faster growth, smaller permanent economic damage from the pandemic and higher inflation (fiscal drag with frozen income tax thresholds). The chancellor chose to bank most of this £30 billion a year windfall, building in a cushion of over £25 billion against his self-imposed fiscal rule to ensure day-to-day spending is covered by tax revenues from 2024/25, with approximately £5 billion a year as give-aways.

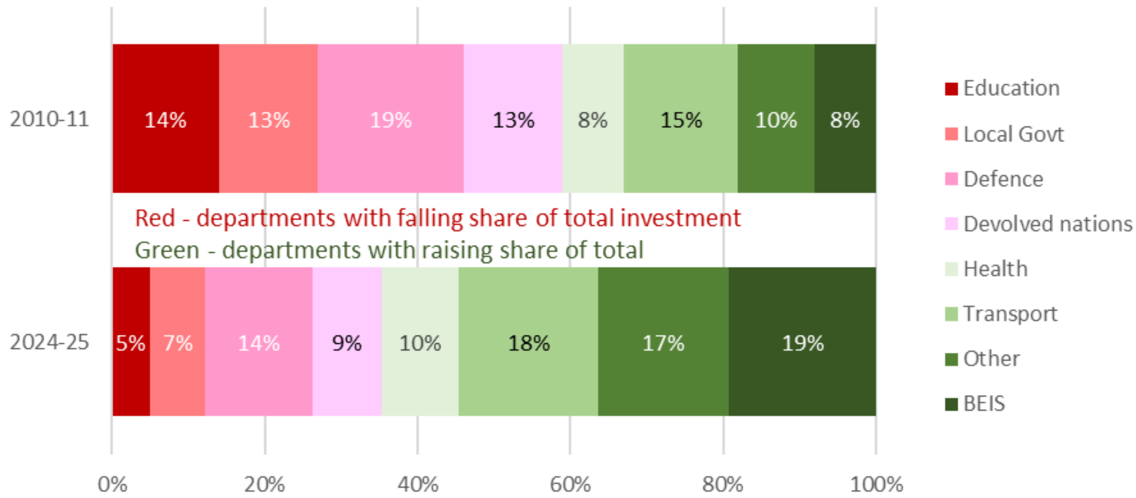
Estimated government borrowing reached a peacetime record of approximately £320 billion (15.2 per cent of GDP) in 2020-21 but it was £35 billion (1.7 per cent of GDP) lower than the OBR estimated in March. Borrowing in 2021-22 would be 7.9% of GDP falling to 3.3% in 2022, to reach £44.0 billion (1.5 % of GDP) in 2026-27.

According to the IFS, borrowing in the first half of 2021/2 was £108bn, half that of last year, leaving debt at 95.5% of GDP. However, since 40% of debt is held by the Bank of England, net government debt is less than 60% of GDP.

According to IfG the government plans to increase total day-to-day public spending by 10% in real terms between 2021/22 and 2024/25, but with some of these funds ringfenced to address health backlogs. Departmental spending in the current parliament would rise by £150 billion (£90 billion in real terms), with spending growing in real terms by 3.8% per annum.

Public services: The CSR announced real growth in public spending across most departments, although dominated by health given the new health and social care levy announced in September. An additional departmental spending of £25 billion in 2022-23, declining to £19 billion in 2023-24 and £12 billion by 2024-25.

Figure 1: Investment spending priorities have shifted markedly since 2010 Share of departments in total capital spending (capital DEL): UK, 2010-11 and 2024-25



Source: Resolution Foundation 2021

Cumulatively this is a £56 billion increase in forecast departmental spending. The big winner is health and social care mostly because of the levy with the budget is set to be over 40 per cent higher in real terms by 2024-25 than in 2009-10. Education spending is set to rise by about 2% per year, half that of health and social care (4% per year) and above 2010 funding levels for day-to-day spending but lower as a share compared to Resolution Foundation[1] estimates for 2010-11 against 2014-2025 (Figure 1).

Total Departmental Expenditure Limit (DEL) for BEIS will increase by 7.5% over the period 2021-22 to 2024-25, DfT by 1.9%, DWP by 4.4% and DCMS by 5.8%. Some 44% of the cash increases announced in the Spending Review for the next three years will go to the Department of Health and Social Care. Many departments face day-to-day spending budgets that are smaller in real terms than they were in 2009-10.

[1] Resolution Foundation (2021) The Boris Budget: Resolution Foundation analysis of Autumn Budget and Spending Review 2021

Local Government will get grant funding of £4.8 billion (£1.6 billion per year for next three years on top of the funding to implement social care reform), and an estimated average real term increase of 3% in core funding (based on councils increasing council tax to maximum). However, while local government has seen an increase there are constraints on what local authorities will be able to raise council tax, as the option of high council tax rises to relieve local authority spending pressures did not materialize. The spending review documents revealed councils will be able to increase council tax by 2%, with a further 1% social care precept for the relevant authorities. Therefore, with grant funding effectively frozen after next year, combined with no progress on updating the funding formulae and the growing demands of the social care system, some local authorities may have to cut services over the coming years.

According to the IFS 'fiscally speaking this year will go down as a once in a decade event'[2], with £40 billion in tax increases and record spending, underpinned by OBR forecasts driving policy.

Headline Employment and Skills Announcements

In September 2021 at Conservative party conference the Prime Minister announced his vision for a high-wage, high-skilled, high-productivity economy, that will be delivered through its Plan for Growth with significant investment in innovation, infrastructure, and skills.

R&D Spending: R&D £20 billion pledge and extended funding period by two years to 2024 (see also Headline Business Support Announcements). Doubling the available scholarships for AI and Data Science Master's conversion courses with a £23 million investment for under-represented groups.

The **Coronavirus Job Retention or 'Furlough' Scheme (CJRS)** ceased at the end of September 2021.

Impact on Hampshire: as of September 2021, there were 27,200 Hampshire and the Isle of Wight residents on the CJRS scheme with take-up rate of 3%, of which most are expected to return to their employers or into alternate employment based on record vacancy rates.

To access the government's fifth and final round of the **Self-Employment Income Support Scheme (SEISS)** businesses must have had a new or continuing impact from coronavirus between 1 May 2021 and 30 September 2021. This grant is worth either 80% or 30% of average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits, and capped at £7,500 for the higher percentage or £2,850 for the lower percentage. Newly self-employed individuals were able to claim the higher grant.

[2] IFS Autumn Budget and Spending Review 2021, available at [Autumn Budget and Spending Review 2021 - Institute For Fiscal Studies - IFS]

Impact on Hampshire: around 101,000 Hampshire residents were assessed for eligibility for the fifth SEISS grant up to 7th October 2021. Some 35% of eligible Hampshire residents made claims for the fifth grant – a total of 35,300 people. The average payment per claim was around £2,400. Total value of SEISS claims for the fifth grant in Hampshire stood at £84.3m with the total value of all SEISS claims in Hampshire at £884m.

Skills and education: Building on the *Plan for Jobs*, the Budget and Spending Review announced over £6 billion of funding for the Department for Work and Pensions (DWP) over the next three years to assist people earn more and gain the right skills.

The budget announced increased skills spending over the Parliament by £3.8bn. compared to 2019-20, a rise of 42%. **Schools** will receive an additional £4.7bn for the core schools' budget in England by 2024-25. The main areas covered were:

- 16-19-year olds' education in England is to get an additional £1.6bn by 2024-25.
- A portion of the settlement will focus mostly on disadvantaged pupils and will help to recover learning lost due to the pandemic.
- Pupil premium return to 2010 levels worth £1,500 more per pupil – increasing investment to create 30,000 special school places. Support for catchup funding in response to Covid pandemic will approach £5 billion.
- **Special Needs**: Around £2.6bn will be invested over the Spending Review 2021 period for new school places for children with special educational needs and disabilities (SEND) in England.
- There will be opportunities for adults across the whole of the UK to develop their numeracy skills through £560m across the budget period for the Multiply programme, funded through the UK Shared Prosperity Fund);
- A total investment of £554m by 2024-25 to increase retraining and upskilling opportunities for adults.
- Funding for **Apprenticeships** will increase to £2.7 billion by 2024-25 (the first increase since 2019-20) to support businesses invest in a skilled workforce. Funding for the Help to Grow schemes will help SMEs improve their productivity through world-class management skills training and support for digital adoption.
- Additional funding will be used to quadruple the number of places on Skills Bootcamps, expand the offer on free Level 3 qualifications and launch the new Multiply scheme to improve numeracy skills across the UK for up to 500,000 adults

Impact on Hampshire: There were around 32,000 apprenticeship starts in Hampshire in 2018/19 (the latest full year data from DfE). DfE data suggests that in 2020/21 there were over 34,000 SEND pupils in all schools in Hampshire.

Major Regional Policy Announcements

Cost of living: The Government stopped the temporary £20 uplift to standard Universal Credit (UC). However, with effect by December 2021 the Universal Credit taper rate will be cut from 63p in the pound to 55p leaving low earners with more income. However, factoring in the £20 loss in benefit then estimates[3] suggest three in four claimants will be worse off.

Impact on Hampshire: this will boost, in nominal terms, the incomes of up to 143,900 Hampshire residents (up to 81,400 claimants not in employment and up to 62,500 UC claimants in employment).

The **National Living Wage** will increase from £8.91 per hour to £9.50 from April 2022. For those that currently receive the National Living Wage, this will mean a pay rise worth over £1,000.

The most vulnerable families with the cost of living this winter, the government has introduced a £500 million **Household Support Fund**.

Impact on Hampshire: Hampshire will receive £7.12 million from the Household Support Fund, Southampton £2.22 million, Portsmouth £1.88 million, and Isle of Wight £1.13 million.

Net-zero/Green Agenda: Spending was already announced in the net zero strategy last week but did not add to this. Budget announced £21 billion of spending on decarbonising buildings, transport, industry, and energy, and providing support for innovation through to 2024-25 but this is unlikely to meet Government's net zero plans.

However, contradicting the net-zero agenda air passenger duty (APD) will be reduced with the cost of a domestic flight tickets likely to be cut equivalent to adding another 410,000 passenger journeys a year, while long-haul flights may become more expensive. Nine million passengers will see the cut, and regional airports such as Southampton could benefit. Furthermore, the Budget froze fuel duty at a cost of around £1.5 billion a year which was less surprising given the sharp spike in fuel costs but again flying in the face of net-zero. The short-term focus is on recovery rather than net-zero.

£620 million of new investment over the next three years to support the **transition to electric vehicles** and a significant increase in new funding to encourage more people to walk and cycle. **Decarbonising buildings** with £3.9 billion, including £1.8 billion to support tens of thousands of low-income households to transition to net zero while reducing their energy bills. Some £315 million has been set aside for the **Industrial Energy Transformation Fund** which will help firms cut their carbon emissions and reduce energy bills. This will support Southampton's industrial cluster.

Impact on Hampshire: Southampton's industrial cluster has been named as one of the six industrial clusters that will benefit from the Industrial Energy Transformation Fund. Southampton Airport likely to benefit from reduced APD. According to Census

[3] Resolution Foundation -

2011 over 560,000 (60%) residents commuted by driving car/van, over 34,000 (4%) cycled, and approaching 100,000 (10%) walked. Travel by car is likely to be lower once 2021 Census published due to increased working from home through hybrid practices (close to 100,000 (11%) residents worked mainly at or from home in 2011).

Transport and Roads - Treasury said there would be £8bn for local roads maintenance and upgrades over this Parliament. This compares with previous announcements of around £5.5bn for maintenance (based on current levels) and £3.5bn for upgrades.

Level up bus services in England with £3 billion investment over this Parliament, including a new dedicated £1.2 billion new funding for London-style bus transformation deals to improve infrastructure, fares, and services.

Impact on Hampshire: additional spending on transport in Hampshire will include £7 million to develop proposal (the final business case) to reinstate rail passenger services between Totton and Fawley in New Forest.

Housing and homelessness – in the Budget and Spending Review investment in housing worth nearly £24billion announced. This includes previously announced the £1.8bn to deliver new homes on 15,000 hectares of brownfield land. £11.5bn to build affordable homes, and £640m for homelessness. A new tax on property developers to help pay for the removal of unsafe cladding that will be levied on developers with profits over £25m at a rate of 4%.

Impact on Hampshire: - almost £58 million from the £75 million *Brownfield Land Release Fund* (BLRF) has been allocated to 53 councils, with Eastleigh Borough Council the only Hampshire County area authority to benefit so far (The Arch, Chandlers Ford, £260,000), while Portsmouth has 13 sites worth just over £2million, and the Isle of Wight have three sites worth collectively approximately £950,000.

New early years funding with £540m for family hubs (although as many as 1,000 Sure Start children's centres may have been shut down in England since 2010 according to Sutton Trust[4].

Global Britain Investment Fund: £1.4 billion to support some of the UK's leading manufacturing sectors and stimulate regional growth across the UK. This will provide grants to encourage internationally mobile companies to invest in the UK's critical and most innovative industries, including life sciences (£354 million) and automotive production and supply chains (£800 million, although focused in the North East and Midlands).

[4] Sutton Trust (2018) STOP START: Survival, decline or closure? Children's centres in England.

Impact on Hampshire: Hampshire has over 150 life science business employing an estimated 24,000 employee, whilst Southampton as the number one export port for vehicles is likely to benefit from exports of Electric Vehicles from the Midlands.

Freeports – the government announced eight new freeports including Solent in March 2021. Subject to agreeing their governance arrangements and successfully completing business cases Freeports can begin operations from late 2021. However, Solent has not been shortlisted in the Budget/SR21 as one of the first freeport sites that will be able to operate from November. The first sites will be in Humber, Teesside, and Thames, and be able to begin initial operations from November 2021.

The government will legislate in Finance Bill 2021-22 to introduce additional elements to the VAT free zone model for Freeports.

The legislation will:

- Implement a free zone exit charge to ensure businesses do not gain an unintended tax advantage from the zero-rate in the free zone model
- Make amendments to existing VAT law to ensure free zone rules and warehousing rules are mutually exclusive
- Amend elements of the historic free zone legislation, which are incompatible with the new free zone VAT rules

The measure will take effect from 3 November 2021.

Impact on Hampshire: The Solent Freeport has the potential to attract £2billion investment and create more than 50,000 jobs.[5] A mechanism will need to be put in place that minimises job displacements from other parts of Hampshire. The government is actively working with several partners to deliver the remaining Freeports.

Levelling -up: The Chancellor announced £1.7 billion of funding in the first grants from the levelling up fund[6] **(see Impact on Hampshire).** Relatively few areas in Hampshire have directly benefited from the recent government bidding rounds (see individual fund impacts) but the short-term economic recovery action planning continuing to be undertaken by the County Council.

The Levelling Up Fund[7] worth £4.8bn (initially announced in November 2020 as part of the Spending Review) will focus on capital investment in local infrastructure. The focus will be on projects that require up to £20m of funding but there is also scope for investing in larger high value transport projects by exception. The first round of the Fund (2021/22) has focused on three themes: smaller transport projects that

[5] https://solentlep.org.uk/what-we-do/news/2billion-solent-freeport-bid-submitted/
[6] Levelling Up Fund: first round successful bidders - GOV.UK (www.gov.uk)
[7] HMT, MHCLG and DfT (2021) *Levelling Up Fund Prospectus*, available at: Levelling_Up_prospectus.pdf (publishing.service.gov.uk)

make a genuine difference to local areas; town centre and high street regeneration; and support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets.[8]

Impact on Hampshire: First round bids were announced 27 October 2021. A total of 305 Levelling Up Fund bids were received on or before the 18 June 2021 but only 293 met the assessed criteria i.e., 12 were dismissed. In principle, all bids scoring at least 75/100 overall should be funded, but precedence given to the highest-quality bids. Gosport was the only local authority in Hampshire identified as top priority area (Category 1) but was not successful in First round. The Isle of Wight (£5.8 million for East Cowes marina) and Portsmouth (£20milllion to transform visitor economy) both Priority 2 areas were successful. Feedback sessions will be offered to unsuccessful places to support applications into further rounds of the Fund, with Round two due to open in Spring 2022. This suggests an opportunity to strengthen Hampshire existing or new bids for Round 2.

UK Shared Prosperity Fund (replaces the EU Social Fund): over £2.6 billion launched with funding will rise to £1.5 billion a year by 2024-25 and focused on funding programmes that help people into jobs.

Community Ownership Fund is aimed at helping communities protect and manage their most treasured assets: the first 21 projects will receive funding from the £150 million, focusing on local community assets such as, community centres, pubs, and the high street. The Fund will run until 2024/25 with at least eight bidding rounds in total. The second bidding round will be announced shortly.

Impact on Hampshire: Announced on 27 October 2021, two projects in Hampshire have been selected in this first bidding round worth £1.3 million - New Forest (East Boulder Community Stores, £250,000) and Portsmouth (The John Jenkins Stadium with £986,000). With further rounds until 2024/25 there are additional opportunities for Hampshire to submit bids, including unsuccessful bids which are encouraged to re-submit.

To support young people, spending review will invest £560 million in youth services in England, including through the **Youth Investment Fund and National Citizen Service**.

UK Community Renewal Fund – The £220 million UK Community Renewal Fund was introduced as a pilot to provide funding that helps places across the UK prepare for the introduction of the UK Shared Prosperity Fund (designed to replace EU funding) and in so doing contributing to the levelling up agenda through investing in people, places, businesses, and communities improving everyday life across the UK.

Impact on Hampshire: Successful bids announced 3 November 2021. Hampshire County Council received 19 bids for the Community Renewal Fund, totalling £9.6 million and following internal assessment process a shortlist of eight bids totalling

[8] Chapter 4, page 8, Levelling_Up_prospectus.pdf (publishing.service.gov.uk)

£3.3 million was submitted to Government for assessment. Hampshire County Council's own bid worth £211,861 for '*Community Engagement for Household and Community Energy Scheme Development in Hampshire*' was successful alongside two bids from Portsmouth City Council worth £1.59 million.

Levelling-up White Paper and 'County Deal'. The White Paper presents an opportunity to reset the relationship between central and local government and put councils at the heart of delivering the Government's ambitious programme was due to be published late 2021. Neither the Budget or CSR provided a publication date for the white paper on levelling up and English devolution which will provide further direction for the County.

Headline Business Support Announcements

The Government chose not to review business rates, while the planned increase in business rates multiplier will be cancelled, worth an estimated £4.6 billion over the next five years.

An estimated 90% of businesses in **retail, hospitality, and leisure properties** will continue to be eligible in England but with 50 per cent **business rates relief** (capped at £110,000 per business - will benefit SMEs) worth £1.7 billion.

Impact on Hampshire: There were around 15,160 enterprises in retail, tourism, and visitor economy in Hampshire in 2021 (about 19% of all enterprises in Hampshire)**.**

Tax relief on museums and galleries due to expire in March 2022 has been extended to March 2024. According to research[9], local authority spending in England on museums and galleries declined between 2009/10 and 2019/20 by 34% in real terms.

Impact on Hampshire: Hampshire has around 55 museum and art gallery enterprises in 2021.

No announcement on Corporation tax given an increase in the main rate of corporation tax to 25% from April 2023 was announced in March 2021**. However, the banking surcharge will be reduced to 3% from April 2023**. The profits allowance, which effectively acts as a threshold for when the surcharge becomes payable is also increasing, from £25 million to £100m. The surcharge is payable by banks in addition to corporation tax. A review of the surcharge was first announced in the Spring Budget in March.

Impact on Hampshire: No change from March announcement. A vast number of businesses in Hampshire do not pay corporation tax. Some 74,500 Hampshire

[9] Rex, B., and Campbell, P. ((2021) Local Authority Investment in Museums after a Decade of Austerity, London Museums Association.

businesses (91%) have turnover that is less than £1m. Around 1,000 Hampshire businesses have turnover of £10m+.

Chancellor announced an extension of the **Annual Investment Allowance** to March 2023, which gives business rates relief to support plant improvements. Through a **capital allowance on business investment scheme** the Government is creating incentives to bring investment forward from future periods. The new scheme will allow businesses to claim 130% in-year relief for main rate capital expenditure on plant and machinery, and 50% relief for special rate capital expenditure for 2021/22 and 2022/23.

The temporary cut to the rate of VAT on food, accommodation, and entry fees to attractions from 20% to 5%, introduced in July 2020, was extended by Finance Act 2021 until 30 September 2021, while an increased reduced rate of 12.5% applies between 1 October 2021 and 31 March 2022.

Impact on Hampshire: There were about 4,240 enterprises in Hampshire in this sector in 2021 with about 5,750 local business units (about 5.2% of all enterprises in Hampshire).

County Deal - Statement of Common Ground

1. The local authorities are keen to explore the opportunities provided by a county deal.

2. It is commonly held by the local authorities that the interests of the residents and businesses of the HIOW area would be better served by greater devolution of power and funding from central government to local government (and potentially other locally controlled agencies), working under formal arrangements that bring public services together with a shared agenda. This transfer should embody the principles of subsidiarity and local accountability.

3. The purpose of pursuing devolved powers from Government (more recently termed 'county deals') is to secure such powers and funding in order to level up and improve access to, and the quality of, services and opportunities for everyone across the area. In so doing, it will reduce inequalities and improve the well-being of our residents and communities across a range of service areas, potentially including transport, economic development, environment, housing, health welfare, education, trade, energy, employment and skills and parallel government deals such as the recent Solent Freeport agreement.

4. HIOW contains a number of different socio-economic geographies and 'journey to work' catchments that will need to be reflected within any deals sought. The recent HIOW Leaders meeting reflected this through discussion of the different socio-economic geographies (including at a north Hampshire, central Hampshire and the southern or Solent and Isle of Wight level). There was also agreement that consideration should include the strong links and partnership discussions that have been developed with Bournemouth, Christchurch, and Poole (BCP) Unitary Authority since its inception.

5. Across the geography of HIOW and BCP, four separate expressions of interest for 'county deals' have been submitted to DLUHC. The expressions of interest reference a range of potential geographies for a deal, including the 'historic' county of Hampshire, the unitary councils, and the Solent region (including BCP). HMG convened meetings with the council chief executives to discuss potential county deals in both BCP and HIOW areas. HMG confirmed in the HIOW meeting their willingness to consider a deal on the HIOW geography or sub-geographies, and in the BCP meeting a deal that enabled BCP to be part of a deal within the HIOW area.

6. All of the local authorities hold a genuine interest in exploring whether a worthwhile deal can be secured that brings net benefits for each area as well as the whole, acknowledging that different councils have different priorities for their communities, that some options may serve their priorities better than others, but equally that all will strive to find the maximum common ground.

7. Any successful deal(s) will be the product of genuine co-production by equal partners, with the proposals and process for developing them owned and shaped by all, with the final proposals reflecting an equitable distribution of influence and responsibility, including in any voting regime that may be required. It is recognised by Leaders that the HIOW area already has ‘best practice’ examples such as the successful Partnership for South Hampshire (PfSH) which has delivered effective co-produced growth and attracted funding over a 20-year period for the benefits of the partnership area.

8. It is recognised that a deal will comprise 'asks and offers' from both HMG and the local authorities. The greater the asks, the greater the expected offer. From HMG perspective, certainty, consistency, accountability, and mandate in terms of HMG (single) point of contact with the area of the deal is key. Gains in efficiency and effectiveness in the delivery of public services are also important. To secure this, HMG may be willing to offer a range of freedoms, funding, and powers.

9. Ongoing conversations with surrounding areas will continue as we explore the range of options available.

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Best
Deal for
Pan-Hampshire

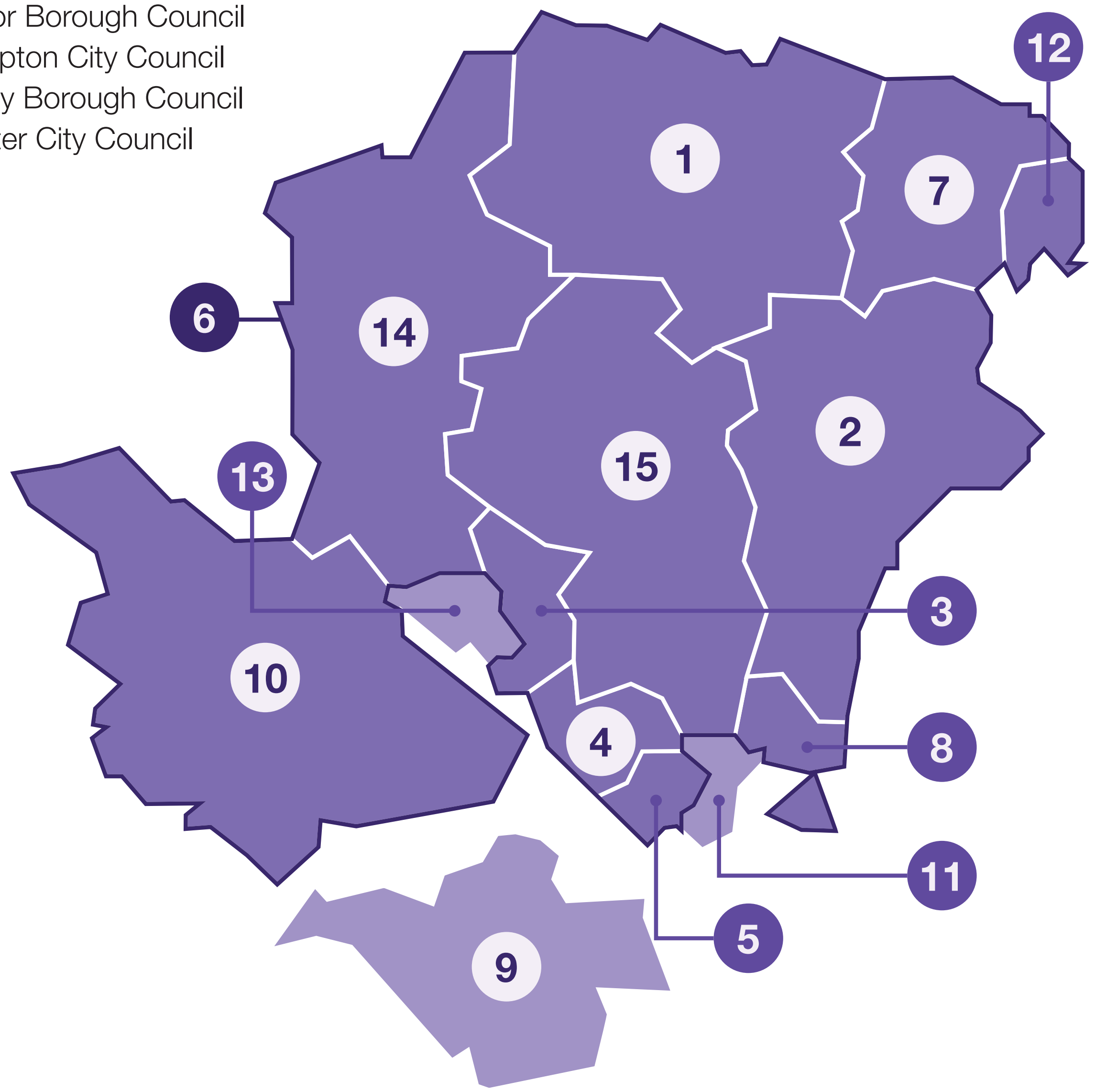
A prospectus for change

Contents

The Pan-Hampshire area

Pan-Hampshire is made up of the following administrative areas:

1. Basingstoke and Deane Borough Council
2. East Hampshire District Council
3. Eastleigh Borough Council
4. Fareham Borough Council
5. Gosport Borough Council
6. Hampshire County Council
7. Hart District Council
8. Havant Borough Council
9. Isle of Wight Council
10. New Forest District Council
11. Portsmouth City Council
12. Rushmoor Borough Council
13. Southampton City Council
14. Test Valley Borough Council
15. Winchester City Council



Foreword

In July 2021, the Prime Minister announced that "we need to re-write the rulebook, with new deals for the counties" and added "there is no good reason why our great counties cannot benefit from the same powers we have devolved to city leaders". Following this speech, Hampshire County Council submitted a County Deal Expression of Interest to the Government in August. Obtaining a **bold and ambitious deal for Pan-Hampshire** will not only allow us to take greater control over our future, but to build on our combined strengths to boost the area as a whole and help benefit the lives and opportunities of residents.

The County Council, together with its Districts, Boroughs, neighbouring Unitaries and other public sector partners, have long worked collaboratively and effectively to create a globally successful and forward-looking economy in one of the country's most historic and environmentally significant regions. Collectively, we recognise the challenges ahead of us, some of which have been expedited by the COVID-19 pandemic. Achieving a County Deal will allow the area to **build back better** – raise living standards, increase opportunities and bolster the resilience of our proud communities.

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We know that significant numbers of residents in the Pan-Hampshire area sadly experience similar levels of poverty, deprivation and skills disadvantage to communities in areas often selected for 'levelling up' funding in the Midlands and the North. These experiences can no longer be masked by the affluence of our wider region. **This is why we are asking the Government for increased freedoms and responsibilities to use our local knowledge and understanding to provide the right opportunities and access to skills and jobs, health, housing, as well as infrastructure investment to make a real difference to people's lives**.

The Pan-Hampshire area is a £67bn economy of two million people that contributes over £9bn a year to the Exchequer. It is bigger than many existing combined authority areas and delivers far more in terms of economic impact. It is only right that **we ask the Government to provide us with the financial investment our residents need**.

Hampshire is also famous for its wonderful and diverse natural environment – a large proportion of our geography is either designated as National Park or Area of Outstanding Natural Beauty, as well as many areas having some form of international, national or local designation for its nature conservation interest. This is why **we are asking the Government for strategic planning powers to ensure that a Pan-Hampshire housing approach ensures the right levels of affordable homes in the right places** ensuring green space is protected and the potential for creating the necessary infrastructure alongside environmental gain can be maximised.

To achieve our shared ambition of being carbon neutral by 2050, as well as building resilience to the impact of climate change, **we are asking for a devolution deal to support our natural environment by giving the Pan-Hampshire area local control over the environmental powers and resources to enable us to deliver climate change and environmental strategies**.

A Pan-Hampshire County Deal provides a once-in-a-generation opportunity to bring more of the power that has been remotely held in Whitehall and Westminster to the people and places of Hampshire. We recognise that this prospectus sets us on a long journey of negotiations. However we value the opportunity presented and look forward to continuing to work positively with stakeholders and the Government in order to demonstrate our commitment and ability to deliver the best possible outcomes for our residents and businesses.

Councillor Keith Mans
Leader of Hampshire County Council

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Introduction

This document makes the case for an ambitious County Deal for Pan-Hampshire. It describes the Pan-Hampshire economy, its major contribution to the UK, and what it could achieve if given the powers and funding already available to some other areas of England. Pan-Hampshire has a proven track record of growth and delivery – but too often fragmented systems and a lack of being able to take our own decisions have prevented us from achieving what we know we can.

This document should be read in conjunction with the technical annex, which shows how the Pan-Hampshire economy works and the evidence that underpins our emerging proposals for new powers and funding.

Over the coming weeks, we will be consulting on the proposals in this prospectus. These will be further developed into a Full Evidence Report for submission to Government in early December.

A global economy, key to the success of Global Britain

The Pan-Hampshire area is a globally important £67bn economy, major international gateway and economic engine for global Britain. Together the existing county and districts of Hampshire, cities of Portsmouth and Southampton and the Isle of Wight are home to 2 million people and 3% of the entire UK economy - bigger than many areas that have significant devolved powers and funding. Compared to existing combined authority areas, Pan-Hampshire is the fourth largest with the third largest number of businesses[1].

We are a knowledge intensive economy, at the heart of the UK's modern maritime sector, with firms such as British Ports and DP World, as well as globally excellent research and innovation, including the National Oceanography Centre and Marine and Maritime Institute, at the forefront of the UK's global leadership on climate change and maritime environmental technology. The Marine and Maritime sector along the Solent supports over 150,000 jobs and £12bn in turnover, and the designation of the Freeport offers outstanding opportunities to create in the UK a world class maritime economy with trading opportunities supporting the UK's Global success.

We are also a major centre for the aerospace sector, including the UK's centre of aerospace research at Farnborough. Leading businesses include BAE Systems, AIRBUS, GKN Aeropsace, Gulfstream and QuinetiQ. Andover is the HQ of the UK Army, with other major training and education bases at Minley, Winchester and a major garrison and associated businesses at Aldershot.

Pan-Hampshire is a major centre of AI, with IBM's research and development laboratory based at Hursley. We have world-leading engineering excellence at the Boldrewood Innovation Campus and major science and innovation strengths in photonics, cyber security and environmental technology, as well as have major sites for ExxonMobil and Zurich operations.

We are extremely well connected. Globally, through our two major ports, Southampton International Airport and excellent links to Heathrow, Gatwick and Bournemouth airports. Nationally, through fast rail and road links to London, Oxford, the Midlands, OxCam Arc and M4 corridor. Locally, through the M3, M27, rail and wider road networks. Our rural areas are better connected than most. We also have strategically important underground links with fuel lines to the major airports.

Alongside a powerful economy and excellent services, Pan-Hampshire has a wealth of natural assets, including two national parks, high quality farmland, beautiful market towns and villages, three AONBs and 290 miles of coastline.

Pan-Hampshire partners also have a well-deserved reputation for delivering growth and infrastructure projects and excellent public services. We are working together in Public Health and across health and care, and are committed to going further and faster to ensure that the needs of our residents are at the centre of our health system.

[1] Note this does not include the Greater London Authority

A diverse and outward looking economy, with strong connectivity to local, national and global markets

The area that a County Deal would cover is both varied and strongly integrated. It draws its strength from its diverse mix of places.

In the south of the Pan-Hampshire area is the sixth largest built-up area in England and Wales, spanning from Southampton to Havant along the M27, in an arc including Portsmouth, Fareham, and Gosport. This area is inextricably linked with the sea, both geographically and economically – as the UK's major maritime and marine economy, with two of its biggest ports. These links connect Pan-Hampshire to Europe, north America, and beyond, at the heart of the Global Britain agenda. This has led to the development of a major industrial cluster in this area, as well as the UK's most significant naval centre.

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The Isle of Wight is tied into Pan-Hampshire by means of several ferry routes to the rest of the area. The Isle, along with the New Forest in the west of Pan-Hampshire, comprises much of Hampshire's visitor economy, with major natural assets.

This southern area is tightly linked to the rest of Pan-Hampshire through major motorway connectivity (the M3) and good rail links. These links continue through the area, binding Pan-Hampshire to the Greater London economy. Winchester is at the centre of an economy focused on professional services and the local government sector, with large office provision in business parks in the wider Winchester district. Basingstoke is a central employment hub and key development area with opportunities for housing and commercial development – such as the Manydown Garden Communities development. Around all of this are the rural areas of Hampshire, which are unusually well-connected, with A-roads coming off the central motorway artery. Other towns in the North of Pan-Hampshire – such as Andover and Farnborough - are specialist economic centres in their own right (for example Farnborough for aviation, where Farnborough is the largest private airport serving the London area) and plays a pivotal role in the local economy.

Pan-Hampshire therefore has a unique combination in the UK of both having strong economic ties into the capital and having a strong industrial cluster in its own right, based around an exporting powerhouse. **However, Pan-Hampshire does not yet have the powers and funding to enable us to deliver to our potential and ensure that all our residents and communities benefit**. There are different, conflicted governance structures and a lack of the co-ordinated functions needed to manage climate change, make the transition to zero carbon and ensure that future growth does not leave people behind.

A highly functional economic area gives a strong basis for a major Deal with Government

This connectivity, geography and the nature of our business sectors mean that Pan-Hampshire is a highly functional economic area, more so than many other parts of the UK. Our supply chains are mature and more self-contained than most – over 40% of inputs are sourced locally and this reaches 50% in some sectors. This is the fifth highest of any area in the UK. Our distinctive business strengths are also shared across the Pan-Hampshire area – the vast majority of the different parts of Pan-Hampshire are more closely aligned to our own industrial structure than the average for England as a whole - with clear and shared specialisations across all the local authorities. These include Pan–Hampshire's nationally important maritime, aerospace, and aviation sectors – with "crown jewels" including Farnborough airport, the ports of Portsmouth and Southampton, as well as headquarters and major bases for all three services of the Armed Forces.

This very strong evidence for the economic area is also found in the labour market. 86% of working residents work in Pan-Hampshire, with only a few parts in the north of the area where there are any discernible commuting patterns towards London and adjacent areas. Our housing and commercial property markets are also highly integrated and contained. Nine of the top ten destinations for people moving house in Pan-Hampshire are also in Pan-Hampshire. Together our economy is a highly functional economic area and a great place to live. We also contribute £8.7bn[2] to the UK Exchequer in VAT and other taxes – putting us in a strong position to continue to deliver for the UK.

This analysis of our shared economic strengths and interdependencies demonstrates that Pan-Hampshire provides the prerequisite viable geography for a County Deal and one that is stronger than many existing devolution deals. This footprint provides a growth platform for the UK, as well as providing the right scale to support the long-term success of all residents who live and work in the area.

[2] HCC analysis of ONS GDP and GVA figures

01

Gross Domestic Product (GDP) of

£67.2bn

(**3%** of the UK economy)

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02

Over

one million

jobs in Pan-Hampshire

03

40%

of inputs sourced from local supply chain

04

Almost

50%

of the workforce in professional occupations, higher than the national average

05

Nine of the top ten

destinations for residents moving house are also in Pan-Hampshire

06

Population of

two million

07

86%

of working residents work within Pan-Hampshire

08

A distinct sector mix

with shared specialisms across the county including maritime, IT and professional services

09

Strong

transport links

by, road, rail and water

10

Total exports value of

£25.6bn

with ports supporting UK supply chains

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Challenges

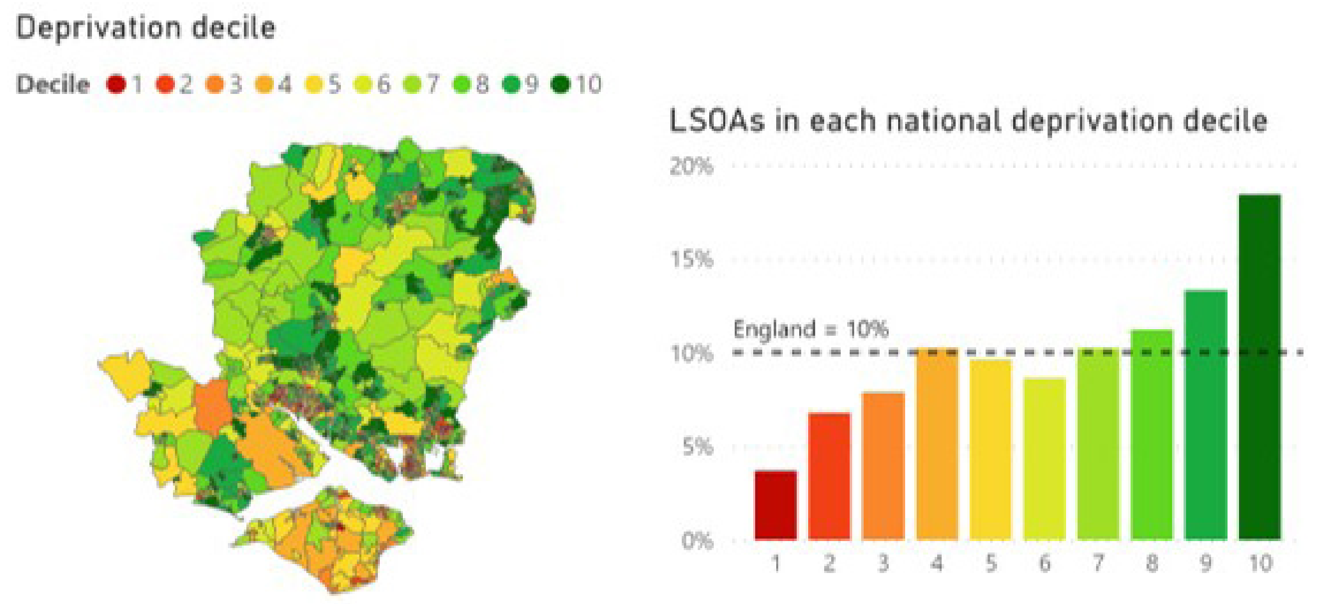
Pan-Hampshire is not without significant challenges, however.

Climate change and more frequent extreme weather events are already causing more river, ground water and coastal flooding risks. A larger than average amount of our area is within Flood Zones 2 and 3. Current arrangements for flood management and environmental protection are complex and do not allow us to work effectively to bring our research, business and public sector resources together effectively to meet the challenge.

We have communities experiencing **severe deprivation and spatial inequality** – particularly in the more urban areas of Southampton, Portsmouth, Gosport and Havant, as well as on the Isle of Wight. East Hampshire, Havant, Portsmouth and Southampton all feature as priority two for the Government's Levelling Up Fund, with Gosport in priority one, reflecting the inequalities which exist within Pan-Hampshire. These are all the more marked because of the relative prosperity in the rest of the county. Skills levels are similarly varied.

Index of Multiple Deprivation deciles in Hampshire

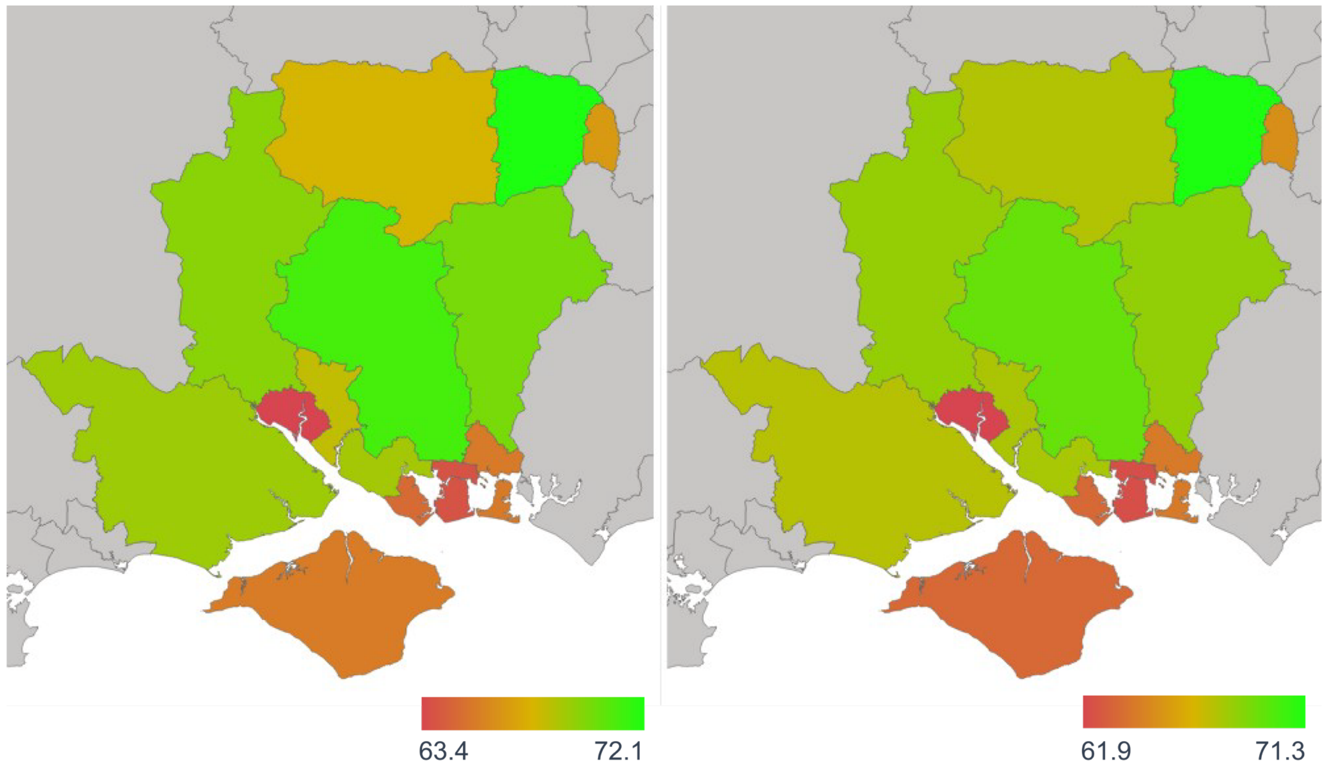
(1 = most deprived)



Healthy Life Expectancy in Hampshire

Female

Male



Physical accessibility and connectivity is a real issue for many communities, particularly in between the southern parts of Hampshire and the wider area. This increases car dependency, associated congestion and air quality issues. It holds back more rapid levels of agglomeration, supply chain innovation and city growth. It is also preventing communities from benefiting from opportunities, and makes it much harder to achieve a modal shift towards more sustainable forms of travel to work. One of the challenges is our inability to plan and implement improvements in a timely manner to meet the demands of a growing economy. As working patterns continue to change, physical and digital connectivity between our smaller towns and rural areas, including the Isle of Wight, will become even more important.

Affordability gaps in the housing market have widened significantly. Median house prices in East Hampshire and Winchester are now over twelve times as high as median incomes. And while Pan-Hampshire is already contributing nearly 3% to the Government's target of 300,000 houses a year by the mid-2020's, there are still too many large, often public sector owned, sites still holding back delivery capability.

Our cities and towns need investment to remain competitive and successful places to live and do business. Towns

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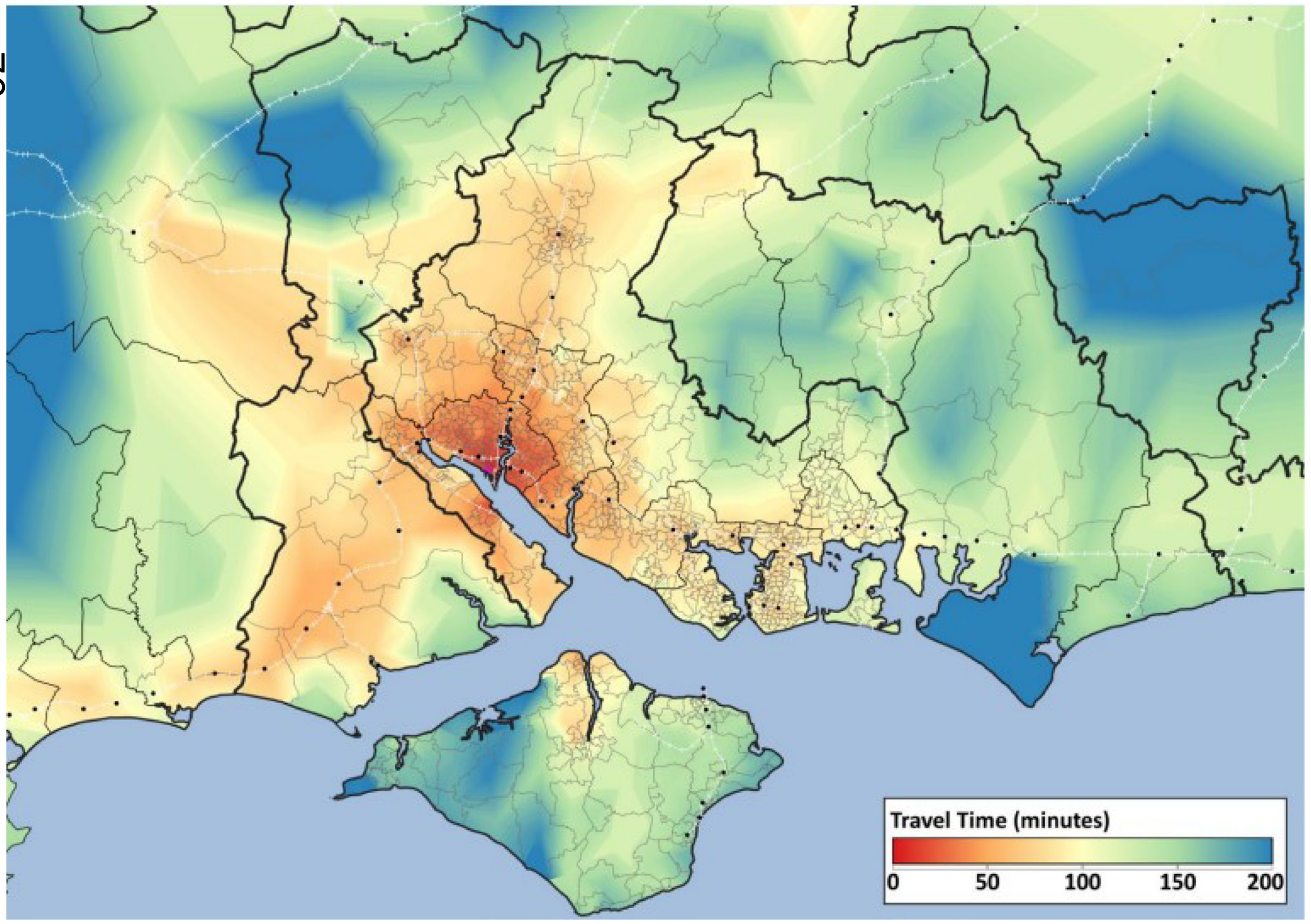
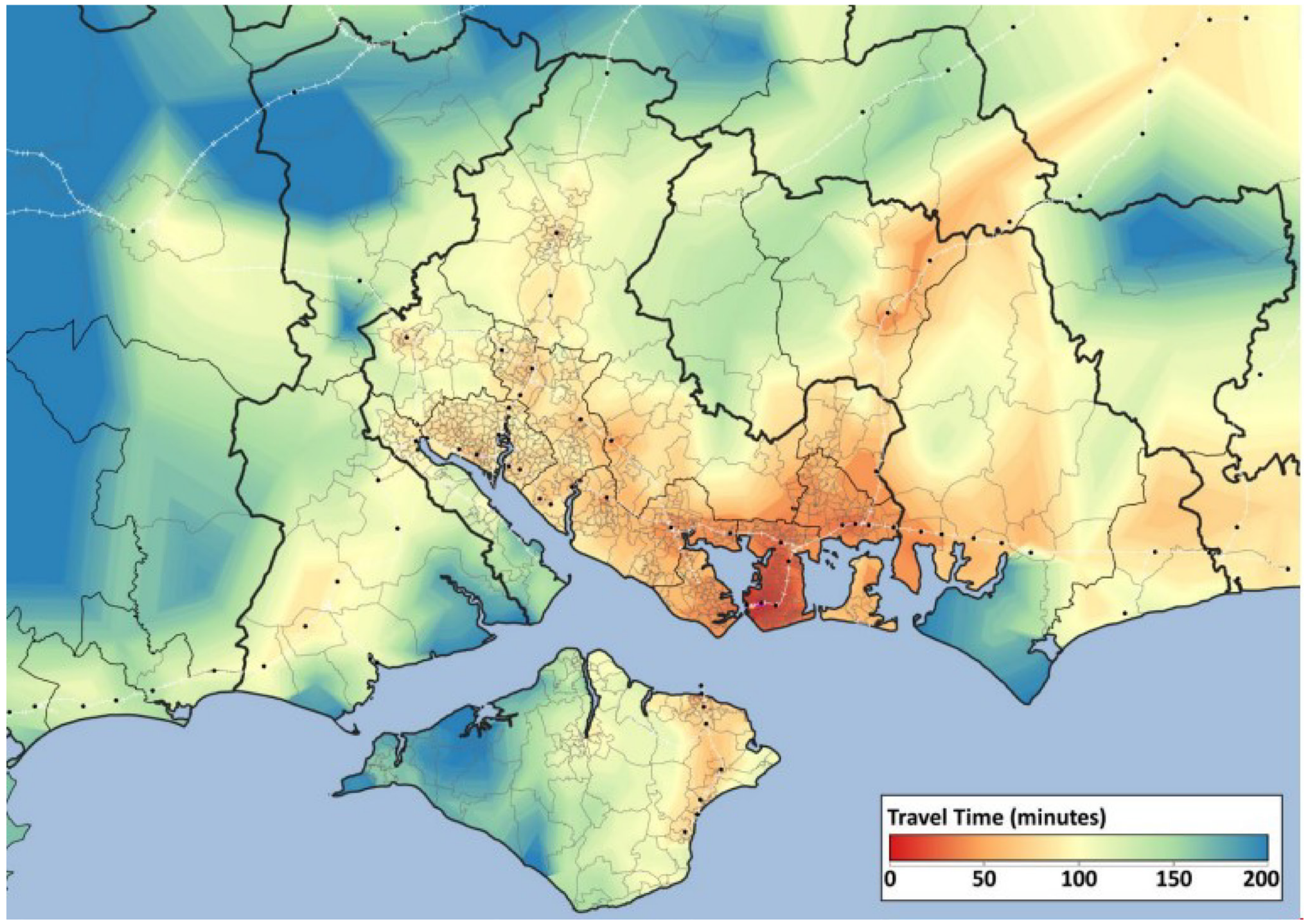
Modelled public transport times for Southampton City Centre in 2041



Modelled public transport times for Portsmouth City Centre in 2041



such as Aldershot, Andover, Basingstoke, Farnborough and Fleet all have plans or programmes for town centre renewal and regeneration. Expansion of those town centres during the 1960s and 70s has resulted in dated layouts and buildings that now need updating to meet modern requirements. Whilst there are challenges in retaining economic uses in buildings with permitted development rights for conversion or redevelopment for residential uses, the creation of high-quality public spaces and buildings can help these centres to provide for a mix of uses to attract residents to spend time and money in those centres, rather than further afield. In addition, graduate retention is lower than it should be, with too much talent drifting to London.

We need to create vibrant places that highly skilled people and businesses want to locate to and live in, as well as creating sustainable, affordable housing close to employment opportunities.

As elsewhere in the country, **health and adult social care is under significant strain**, but this is a particular challenge for Pan-Hampshire given its higher-than-average proportion of elderly residents and associated complexity of needs, rising rates of dementia and pressure on hospital discharge pathways.

Ambition and aims — What can a Deal for Pan-Hampshire deliver?

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To maintain our competitiveness and attractiveness as a place to live, Pan-Hampshire partners will have to think differently about how they work together and deliver for residents. Whether in taking the opportunities of our world-leading businesses, research and innovation, or renewing our towns and cities, tackling climate change and building high quality environmentally sustainable homes, the status quo doesn't give us all the tools we need. Our residents and businesses rightly expect us to continue to take bold and long-term action to secure investment and the quality of life everyone deserves.

Our commitment to making all these strengths deliver real benefits for our residents is clear in our recent Hampshire 2050 Commission and the Hampshire Story, which set out how we can combine the best of our natural and economic assets and excellence to meet both local and global challenges and improve health and wellbeing, resilience to climate and environmental change and ensure people have the skills and opportunities they need to succeed.

Pan-Hampshire has a track record of delivering for the UK. A County Deal enables Pan-Hampshire to be ambitious, delivering on three big priorities.

1 Delivering on **prosperity**

- A new, integrated approach to funding and delivery for our transport network, unlocking the potential of our unique combination of smaller cities and highly accessible rural areas with London connectivity and trade links – a huge opportunity post COVID-19 and Brexit
- Transforming city and town centres through powers to acquire and develop strategic sites
- Accelerating infrastructure delivery to unlock sustainable growth, providing digital and physical connectivity, business space and energy efficient, affordable, homes in the right locations – including the once in a generation Freeport opportunity

2 Delivering on **opportunity**

- Levelling up – tackling the spatial inequalities and challenges facing different parts of Pan-Hampshire
- Removing affordability barriers which force young people and families to relocate by providing a breadth of housing types

3 Delivering on **sustainability**

- Embedding the drive to net zero in all programmes, building on success
- Increasing biodiversity, managing the impacts of climate change and strengthening Pan-Hampshire's natural assets

To achieve what our residents deserve and to meet the challenges of climate change, we need to be able to do things differently and invest at scale but with real local impact. The status quo doesn't give anyone the powers or funding that are needed. Whilst our combination of cities, highly accessible rural areas, stunning natural assets and global trading assets mean we are well positioned as a green, highly digital economic powerhouse, we don't have the powers needed to get these assets working effectively together.

In Health and Adult Social Care, our ambition is to work more closely together to create a neighbourhood and community focus as well as to develop a high-quality hospital network, through an inclusive partnership to drive health innovation, wider reform and support left-behind areas. To do this, and to tackle environmental change, global technology trends and to improve the lives of our residents, we have to be more than the sum of our parts.

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Under existing functional arrangements, meeting all these challenges will be hugely difficult - there is an opportunity to engage government on a County Deal which supports place leadership at all levels in Pan-Hampshire to ensure all residents and businesses can achieve their full potential.

In July 2021 the Prime Minister announced Government's intention to re-energise devolution by creating opportunities for agreeing County Deals between county councils, partners, stakeholders, and the Government. All civic leaders in the Pan-Hampshire area have been invited to bring forward their proposals for inclusion in a possible Deal. Hampshire County Council, in discussion with partners, are producing the evidential base which would be necessary to underpin the relevance and robustness of any proposals, in order to demonstrate a significant impact on the lives of all people who live and work in Pan-Hampshire.

The technical appendix to this Prospectus is the outcome of this research which has been independently assembled and which is summarised in the following sections.

A County Deal — What would constitute success?

Based exclusively upon the evidence which has been assembled in the Technical Appendix, this paper sets out high level, outline proposals for inclusion in a Deal with Government that would have a real, measurable impact on the lives of residents and the growth of Pan-Hampshire as a clear and Functional Economic Geography. They are set out here for further discussion and technical development with partners and Government to ensure they have the greatest impact possible.

These proposals will provide all people in Pan-Hampshire with the best possible start in life, helping them to leave education ambitious and equipped with skills for life, able to access secure employment and safe accommodation, and live life to the full as they get older. These proposals will strengthen Pan-Hampshire's economic competitiveness and its major contribution to UK PLC.

These are ambitious proposals and would be a step change in the evolution of County Deals to date, responding to the unique assets and challenges of an economy with rural, coastal and major urban areas, whilst ensuring it had at least the same powers and access to funding as metropolitan areas, many of which are smaller economies. This is not considered an unreasonable objective given the scale of opportunity which is presented in Pan-Hampshire for the benefit of all those who live and work in the area.

Proposals for Powers and Investment

To take these opportunities and tackle the challenges, we are proposing that Pan-Hampshire considers developing a Deal with Government, based on three major ambitions set out above.

Our proposals and asks of Government to achieve further and faster progress for our residents on each of these is set out in this section.

Delivering on prosperity

1

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A single devolved investment fund for all existing and future growth funding, including strategic sector and innovation funds to help regenerate our city and town centres

Pan-Hampshire is a £67bn economy, constituting 3% of the UK total. Its maritime and defence sectors are core to the success of Global Britain. We have specialisms in IT, finance and legal services, globally leading manufacturing firms and major research and innovation assets, including the Southampton Marine and Maritime Institute and the Zepler Institute. But our cities and towns need continued investment in regeneration and renewal to remain competitive and continue to attract and retain business investment and highly skilled people. We cannot be complacent about our offer and the experience of living and working here.

We also need to continue to invest in our business sectors, ensuring better jobs and more opportunities for progression.

The current fragmentation of funding puts us at a disadvantage compared to areas with devolution deals. We need to be able to bring together existing and future funding for town and city centre renewal and business productivity and innovation to achieve better outcomes for our places and better return on investment.

A County Deal should enable Pan-Hampshire to bring future funding together into one single devolved fund. This will mean strategic priorities across funding divides can be brought together into a programme to target joined-up packages towards major priorities.

This would include stronger partnership working with the bodies who fund economic development activity in Pan-Hampshire, such as the Local Enterprise Partnerships and the Department for International Trade (DIT).

This fund would have some key elements, incorporated into joined up packages, focussing on shared and major priorities. These could include:

- Supporting place-based initiatives to create the space needed for business to thrive. Already we are seeing, in response to COVID-19, an increased focus on co-working type spaces, which can bring commuter populations closer to local high streets during the week, supporting regeneration and reducing carbon emissions from travel.
- Venture funding to support promising businesses in Pan-Hampshire to scale up at pace. This could include different funding streams related to key technologies and sectors, with a focus on tying development to Hampshire's existing skills and business base.

2

A housing and infrastructure revolving investment fund, including a strategic partnership with Homes England and a public land programme including Government disposals. This would include prudential borrowing underpinned by local business rates retention, HE investment, first-time stamp duty funding, and potential for expanding Council Tax to undeveloped housing sites

3

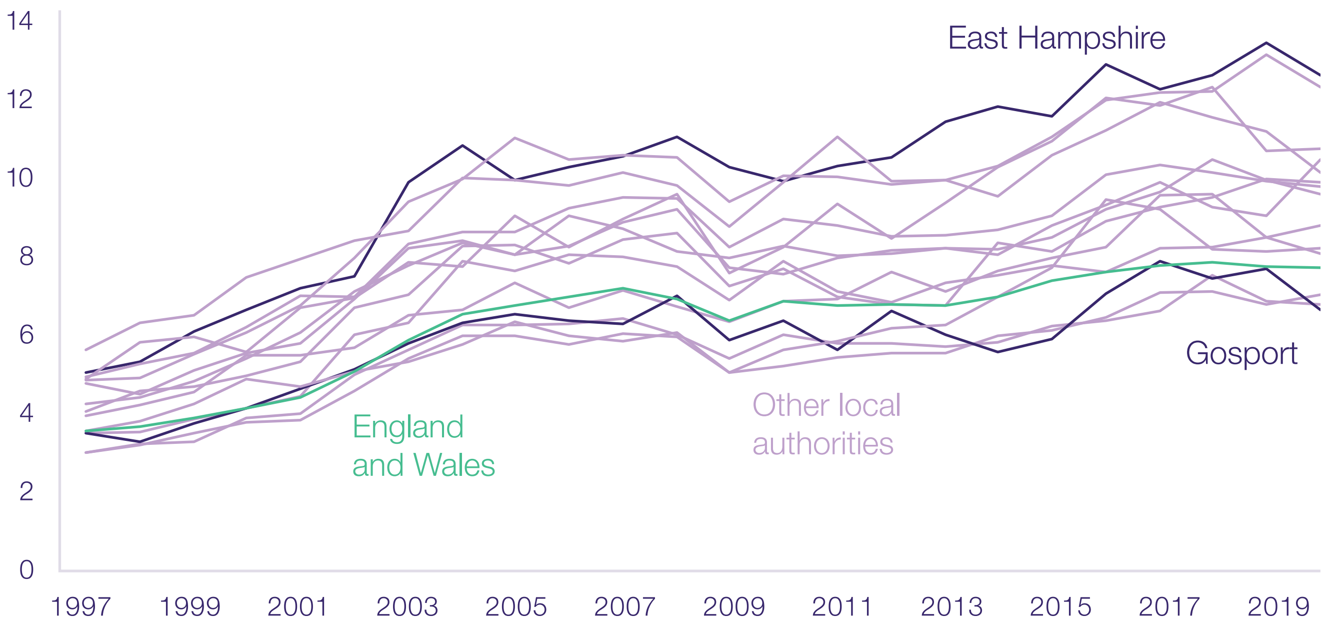
Strategic planning powers, including a Pan-Hampshire housing approach, and improved and extended regeneration focussed CPO powers to support accelerated renewal in city and town centres

There is clear evidence that housing markets across Pan-Hampshire are strongly linked. 9 out 10 of the top destinations for people moving housing here are also in Pan-Hampshire. House prices have moved in tandem, with a clear hierarchy of prices between places. But as house prices have grown the difference in affordability has grown proportionately. In 1998, the ratio of median house prices to median earnings ranged between 3.2 in Portsmouth and 6.3 in Winchester. By 2020, it ranged between 6.6 in Gosport to 12.6 in East Hampshire.

These two asks are designed to support Pan-Hampshire in bringing forward the housing residents need, that is sustainable and supports local communities. This will allow us to achieve ambitious housing goals in a way that works best across Pan-Hampshire.

We have a track record of successfully delivering housing sites. Since 2010, there have been 58,778 successful completions in Pan-Hampshire. This is accelerating: in 2012-13 there were 3,758 net new dwellings in Pan-Hampshire, this figure has increased year-on-year, such that by 2019-20 this had more than doubled to 8,293. Pan-Hampshire has large areas of land with the potential to be developed. There is a sizeable Ministry of Defence presence, where some sites are being disposed of, with the potential to develop.

Ratio between median house prices and median annual earnings for local authorities in Pan-Hampshire



Source: ONS

However, the current nationally driven approach to housing numbers, planning and site and community infrastructure funding prevents us from working together effectively across the public and private sector. Our planning and funding proposals will address these challenges by enabling local partners to manage housing and land supply collaboratively, integrate housing growth and place making more effectively and de-risk site and community infrastructure investment. This will reduce pressure on district authorities, improve developer contribution negotiations and enable build out rates to be better aligned with the delivery of services and assets that communities need.

The funding element of this will be achieved through combining different sources of funding – e.g. business rates, first-time stamp duty on new properties, and a possible expansion of Council Tax to cover undeveloped sites – into an income stream, which can be borrowed against to fund infrastructure needed to unlock sites. This will meet affordability challenges, and tackle housing shortages across Pan-Hampshire in a co-ordinated manner that reflects the interlinked nature of Pan-Hampshire's housing market. All of this should be done in partnership with Homes England.

New powers for Pan-Hampshire will allow us to work together to manage pressures on local Districts, make better use of previously developed land and publicly owned land, and better tackle some of the challenges that hinder development in town and city centres, such as difficulties acquiring problematic sites due to complex land-ownership and obstructive landlords.

This would also allow a review of land supply across Pan-Hampshire, with annual monitoring, to allow this to be assessed at a broader geography than district level.

4

A new approach to public transport funding and delivery, including integrated multi modal metro area systems for our cities and Basingstoke through local road and rail management, and management of local road network (including the M27, M271 and M275)

Pan-Hampshire contains two major motorways, which are managed by National Highways – the M3 and the M27. The M3 is a major national artery, but the M27 (together with the M271 and M275) is entirely contained within Pan-Hampshire and acts as a major sub-regional distributor road for commuting, with 75% of journeys being local. Congestion on this road, particularly issues around junction 10, impedes movement within and access to, the major urban area on the south coast, with one study in 2016 finding that average vehicle speeds are 32% below national averages[3].There are also connectivity issues in the north of Pan-Hampshire. Basingstoke's road network is heavily congested with current and future growth making a clear case for a better public transit system linking the railway station and town centre with new suburbs and developments. Meanwhile, despite the proximity to Heathrow airport there is no direct rail connection – with routes typically requiring two changes. A bottleneck at Woking station also reduces the efficiency of the rail network, slowing journey times.

Pan-Hampshire's bus network has seen increasing, then declining bus patronage over the last decade. 67.1m passenger journeys were made by bus in the year 2019/20. Pan-Hampshire is also unusual in that the ferry is a major mode of local transportation, with multiple connection points linking the Isle of Wight to the rest of Pan-Hampshire. The number of trips between the two has been on a long-term downwards trend, with concerns that high prices are limiting trips.

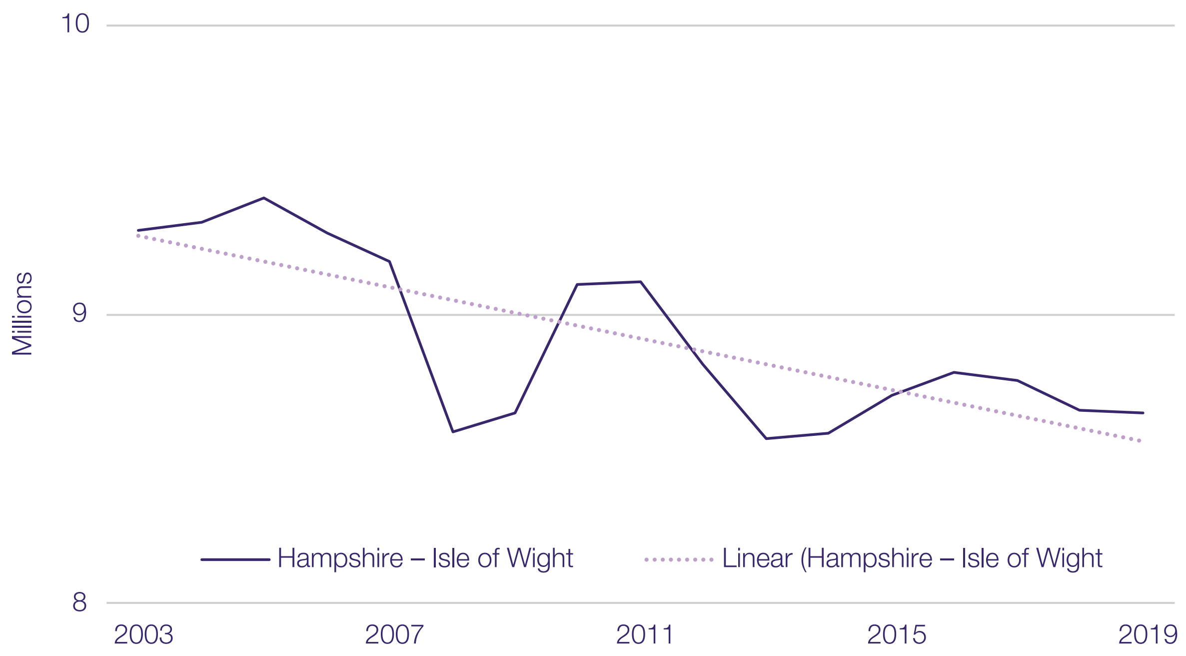
Across Pan-Hampshire, these connectivity and accessibility issues splinter the labour market, reducing access to employment and hampering competitiveness and productivity.

In addition, transport is one of the major contributors towards carbon dioxide emissions in Pan-Hampshire. A business park-led model and high levels of professional occupations have led to a car-focused commuter culture. To make a meaningful difference, Pan-Hampshire needs to have the ability to scale up its pedestrian and cycle networks, removing congestion from town centres and enabling rail to take more of a share of journeys. It should also mean exploring new options around mass-transit, such as very light rail.

To deliver what our economy needs, a County Deal should allow Pan-Hampshire to take an integrated and active approach to funding and delivery in public transport networks, to connect up different modes and ensure networks work for local people. It would achieve this by allowing Pan-Hampshire to take responsibility for planning and bringing forward key improvements to our transport network with a devolved funding and financing arrangement. This would provide accessibility to jobs and skills for residents particularly in our more deprived communities.

[3] solentlep.org.uk/media/1514/tip-final-web-version.pdf

Annual journeys between the rest of Pan-Hampshire and the Isle of Wight



Source: DfT table SPAS0201

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5

Early infrastructure investment to optimise Freeport strategic site and growth corridors programme (backed up by single funding pot) in line with a spatial framework

The Solent freeport proposal is one of the biggest opportunities for port-based growth in the UK. The Freeport will help create c.52,500 jobs across the UK and generate £3.6bn in GVA, including over 26,000 jobs and £2bn GVA directly to the local economy[4].

Already, Southampton is the sixth biggest port in the UK by tonnage of freight moved, and the third biggest for trade outside of the EU. It also handles 83% of all of international cruise passengers visiting the UK. Portsmouth has the third highest number of passengers for short sea journeys in the UK, with connections to France, Spain, the Channel Islands, and the Isle of Wight. The ports lie just 20 nautical miles from the world's busiest shipping route from Shanghai to Rotterdam, putting it in the strongest position to support the Government's Global Britain ambitions.

However, there are many undeveloped/underdeveloped sites along the Solent where the high costs of remediation have prevented areas coming forward. These need initial investment to reduce the barrier to development. A broad spatial framework is needed to help guide investment in a range of strategic sites. This needs to complement existing activity, and may involve marketing of the opportunity, aligning R&D funds, and adding additional capacity. We also need to be able to integrate major transport priorities to improve accessibility, including the A326.

[4] Solent Freeport Bid Outline Business Case

By securing funding and integrating investment, a County Deal could maximise this opportunity by connecting up the ports, creating new industrial space, and improving logistics connections into the UK to allow Pan-Hampshire to fulfil its role as England's Gateway to Global Britain. This will also support the competitiveness of our mature clusters and supply chains in maritime and aerospace.

It will also support the creation of jobs close to some of the more deprived areas of Pan-Hampshire. The tax and customs sites that comprise the Solent Freeport are all located in, or close to, these deprived areas, creating an opportunity for levelling up.

Delivering on opportunity

6

An expanded and re-energised One Public Estate programme to secure maximum benefit from assets and improve services for residents

As one of the first areas to work with Government on a One Public Estate programme, Pan-Hampshire has a developed approach and local partnership. However, there are areas where more could be done with unused public land and assets.

More flexibility in this programme from Government would enable Pan-Hampshire to look at all local publicly owned buildings and land holdings in the area as one portfolio. This would mean a more strategic and less fragmented local approach around possibilities with sites and planning for delivering services across the area.

This would support Pan-Hampshire's joined up approach to decarbonisation and maximise the benefits of public land and assets for residents.

A priority area continues to be reviewing decommissioned MoD land with the Defence Infrastructure Organisation – particularly the military estate around Portsmouth and Southampton.

This may require a dedicated delivery vehicle to do this at scale and work proactively with landowners.

7

A new approach to skills and employment – local commissioning powers and devolved budgets, to support green recovery, and a new employment support programme aimed at bringing people into good entry level jobs

Whilst overall skill levels are high compared to other parts of the UK, we have many communities which are not benefiting from the same opportunities, and where low wages and low qualifications are entrenched. Participation in education and training at age 16 and 17 is lower than average in some pockets.

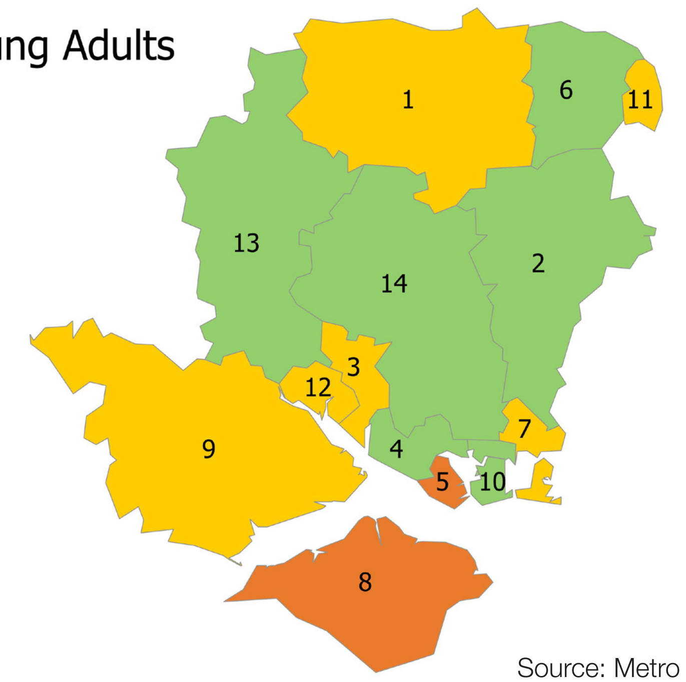
The map shows that on a range of outcomes for young people, we have wide variations across the area around training, work and health, many of whom face significant barriers. The area therefore has unmet needs in supporting young people to continue education and into training, impacting on employment.

We also face rapidly changing skill needs in our businesses, and an increasing focus on digital and employability skills across different sectors.

There are various strains being placed on skills provision, with the effects of the pandemic and our new relationship with the European Union meaning we need to provide more of the skills our sectors need.

Our proposal is for strategic local control of funding and post-19 education and skills commissioning, including the Adult Education Budget and strategic direction of Further Education funding - working with local businesses and our colleges and providers. Local control of the skills element of UKSPF will enable us to deliver a programme that works for our residents and employers. We will focus funding on supporting green recovery and targeting employment support in areas of high need, through place-based partnerships working in communities to bring people into entry level jobs and training.

Young Adults



Source: Metro Dynamics analysis

8

Health and Adult Social Care integration including pooled budgets, supporting technical innovation and resolving ICS geography

Integration of services and strategic local partnership between local authorities and NHS bodies through one ICS for Pan-Hampshire will be vital in order for us to have an impact in this arena.

Pan-Hampshire has an older and ageing population, with increasing demand placed on health and adult social care services. There are challenges around healthy ageing with lower healthy life expectancy in Gosport, Havant, Portsmouth and Southampton. Early years and child health is poorer in Gosport, Havant, the Isle of Wight, Portsmouth, Rushmoor and Southampton.

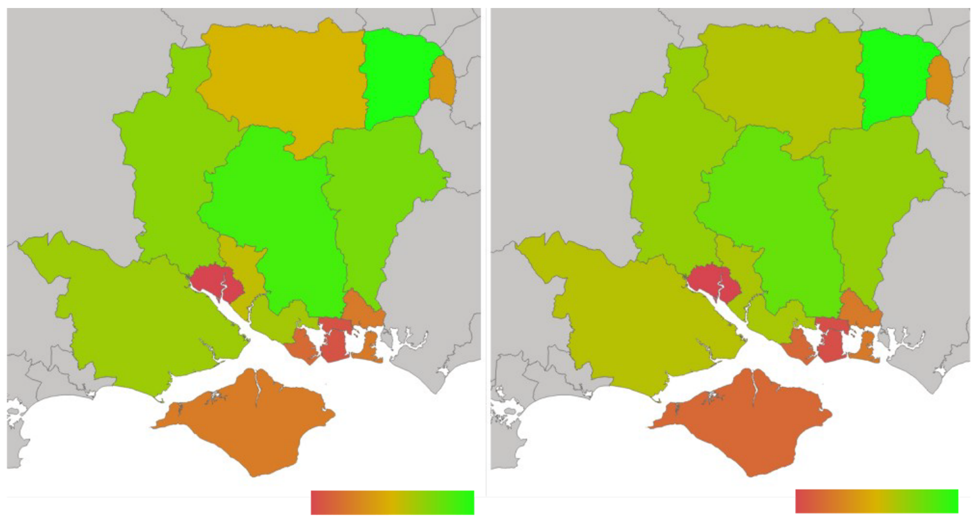
The delivery of services across Pan-Hampshire requires a tailored and integrated approach to health and care, due to the diverse economic geography and spatial inequalities with two cities, coastal and rural areas, and the significant differences in population density.

A more integrated offer on health and care would support improving outcomes and join up for residents through:

- pooling and joint oversight of £800m NHS community care and adult social care services budget
- integration of public health initiatives across primary and secondary care
- piloting reforms to strengthen the adult social care workforce
- maximising the impact of health innovation with a Health and Care Innovation Hub in the area
- building on strong services across Pan-Hampshire to join up responses to child health and welfare in the community where need is higher

Healthy Life Expectancy in Hampshire

Female Male



Source: ONS Healthy Life Expectancy at birth in England 2009 to 2013

Delivering on sustainability

9

New environmental net gain programme to make major contribution towards net zero and environmental enhancement

Climate change is the major challenge facing the world. As we approach the COP26 conference, Pan-Hampshire is looking to make its contribution – reducing carbon and supporting and developing our outstanding natural assets. This ask is tailored towards mitigating our impacts and moving to a net zero position – the next ask (10) is about adapting to these impacts.

Greenhouse gas emissions in Pan-Hampshire are falling, from 7.9 tonnes of CO2 equivalent per person in 2005 to 4.4 tonnes in 2018 – a fall of 43.8% (compared to 40.5% nationally). Pan-Hampshire has outpaced the UK in its reduction of greenhouse gases.

Pan-Hampshire is home to major environmental assets of national significance. The New Forest National Park sits almost entirely within the county, as well as a large section of the South Downs National Park. This is in addition to three Areas of Outstanding Natural Beauty – the Isle of Wight, the North Wessex Downs, and Cranborne Chase and West Wiltshire Downs.

There is now an opportunity to harness Pan-Hampshire's natural assets and develop them. Pan-Hampshire already has significant woodland cover, with especially high concentrations in the New Forest, and north-east of Pan-Hampshire, while some areas such as Portsmouth and Havant have much lower woodland cover (see map). An environmental net gain programme would allow a deliberate strategic approach to increasing tree cover and biodiversity, increasing natural capital and helping to absorb more CO2, accelerating Pan-Hampshire's journey to net zero.

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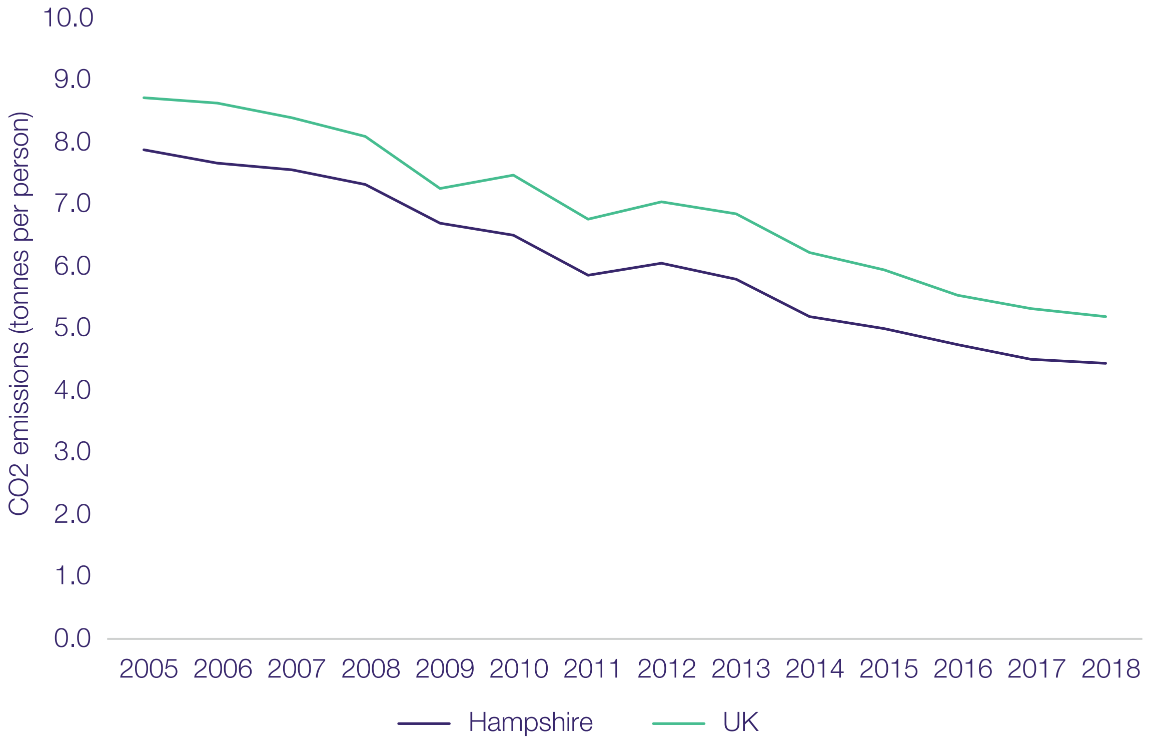
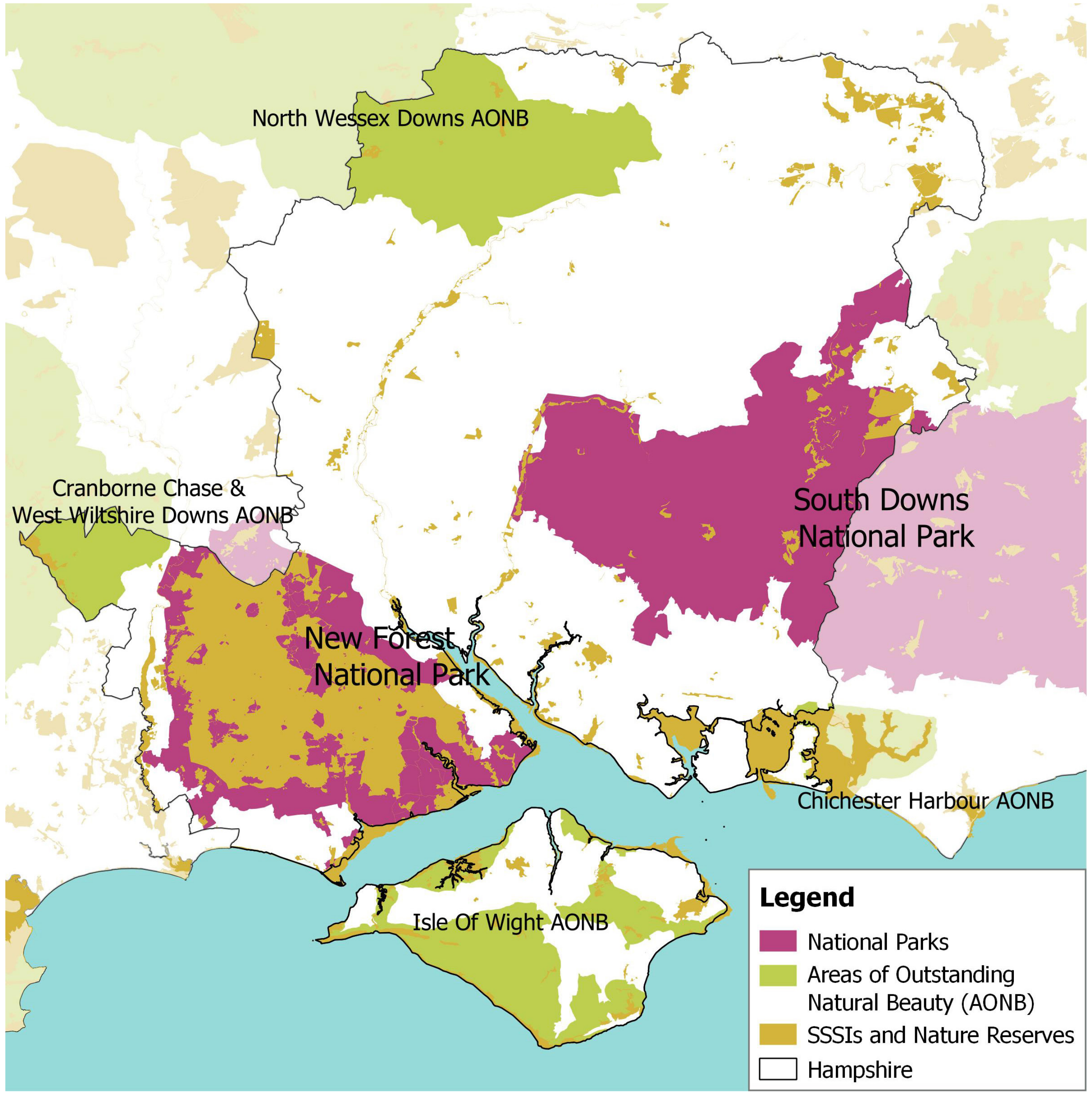
Emissions per person per year, 2005-2018



Source: BEIS

Environmental assets in Pan-Hampshire

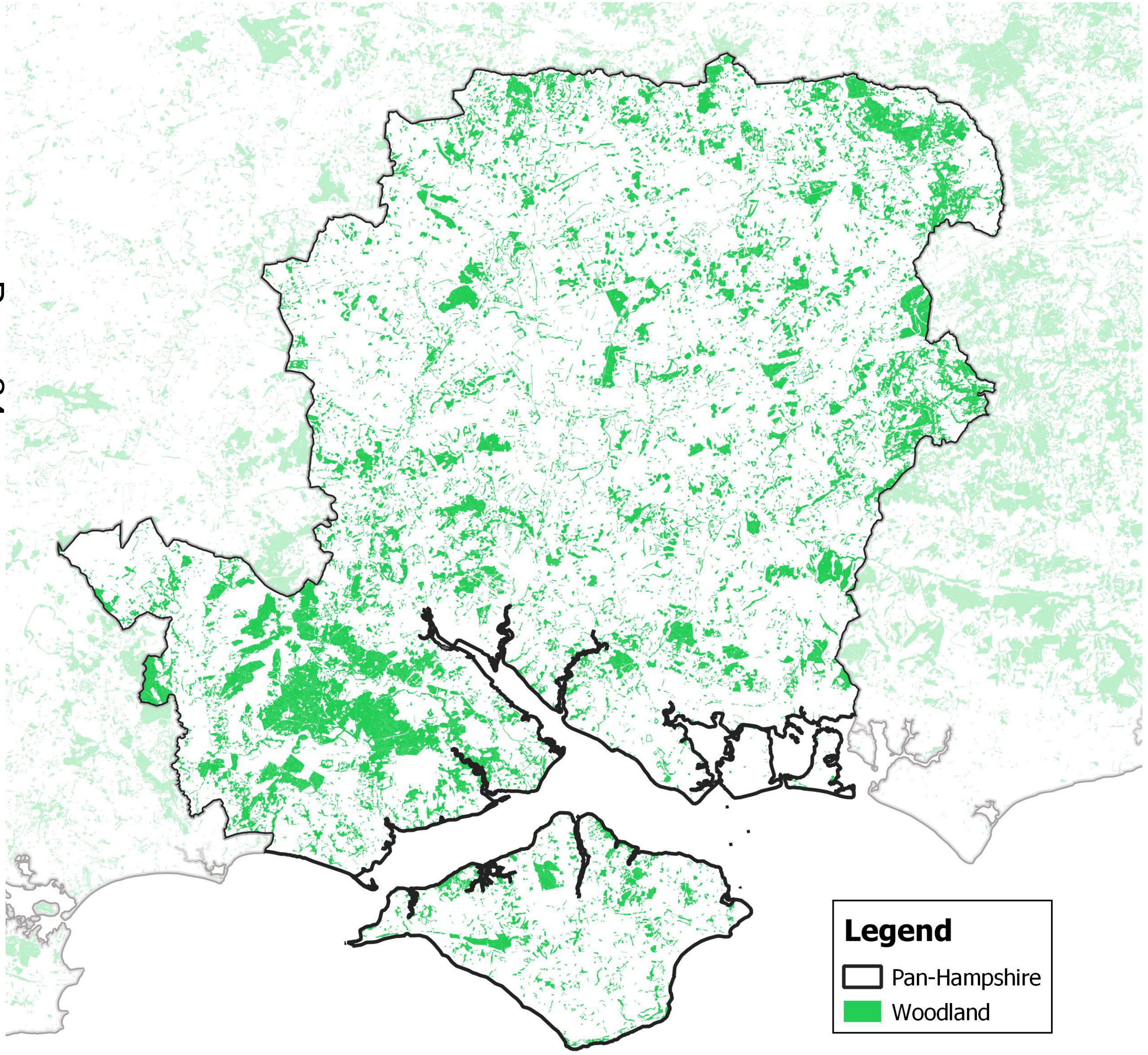


Pan-Hampshire is asking for funding from Government to support a national flagship programme on net-zero.

This will be the foundation for a Green Economic Recovery in Hampshire that will:

- Improve living standards (rather than simply targeting GVA growth)
- Support the creation of good, secure jobs
- Reduce greenhouse gas emissions across Pan-Hampshire

Woodland in Pan-Hampshire



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10

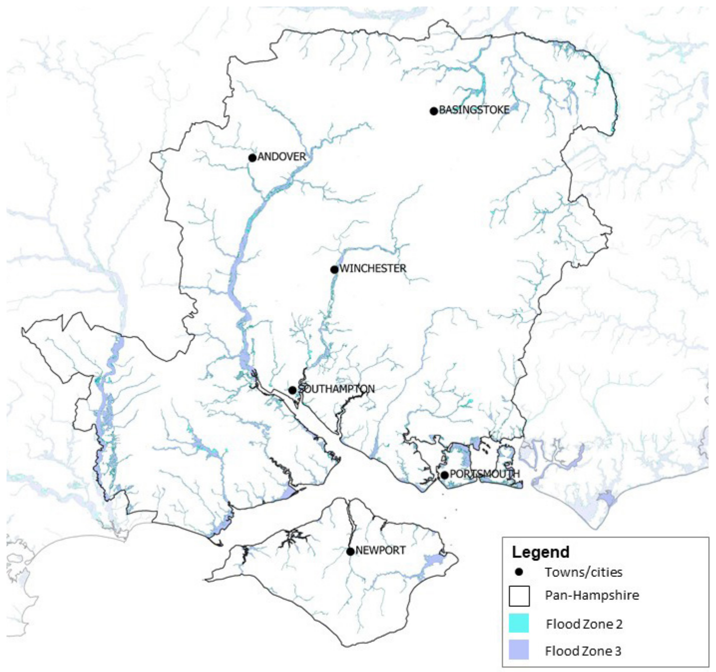
A new approach to coastal and river management and environmental resilience

Management of water is a particularly critical issue in Pan-Hampshire. The Solent defines the southern boundary and is the basis for the major maritime economy. The River Avon runs through the west of the county and the rivers Test, Itchen and Hamble flow through the county into the Solent, as well as other smaller rivers such as the Meon. These support biodiversity and sustain Pan-Hampshire's population, but are also associated with flood risk, which makes development in some places challenging – much of the county is in Flood Zone 2 or 3. These risks will be intensified as climate change continues to take place, with higher sea levels and an increasing frequency of heavy rain events. Current Environment Agency areas are overly complex and do not reflect either our self-contained river system or the most optimum approach to resilience and flood management and preparedness.

We are therefore proposing that Pan-Hampshire partners take on current Environment Agency powers in relation to flooding and water management and establish one Pan-Hampshire area for flood management. This will complement the ask for strategic planning powers (ask 3) ensuring that development can be planned in tandem with the development of flood risk management infrastructure and ensure that development in Pan-Hampshire is resilient to the threats posed by future climate change.

With access to powers over river flooding management, Pan-Hampshire can tie together its development strategy with its environmental strategy for managing rivers and flood risk while supporting environmental aims.

Flood Zones in Pan-Hampshire



Summary of asks

Delivering on prosperity

1. Single devolved investment fund for all growth funding and strategic sector support such as innovation funds to help regenerate our city and town centres

2. Local infrastructure investment fund, including a strategic partnership with Homes England, with prudential borrowing underpinned by local business rates retention, first-time stamp duty funding, and potential for expanding Council Tax to undeveloped housing sites

3. Strategic planning powers, land programme including public land and Government disposals, and housing investment partnership with Homes England. Improved and extended CPO powers to support accelerated regeneration in city and town centres

4. Stronger public transport co-ordination including rail and ferry, and single local management of road network including M27

5. Early infrastructure investment to optimise Freeport strategic site and growth corridors programme (backed up by single funding pot)

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Delivering on opportunity

6. Expanded One Public Estate proposals to secure maximum benefit from assets and improve services for residents

7. Skills and employment - local commissioning powers and devolved budgets, to support green recovery, and new employment support programme aimed at bringing people into entry level jobs

8. Health and Adult Social Care integration including pooling budgets and supporting technical innovation and resolve ICS geography

Delivering on sustainability

9. New environmental net gain programme to make major contribution towards net zero and environmental enhancement

10. Environment Agency powers, including flood and river management

Governance

Such changes in functional responsibilities will require changes in governance arrangements – and the appetite for such change will inevitably impact on what new functions Government can be persuaded to agree as part of any County Deal.

Choices need to be made about whether change is considered necessary at all and, to the extent it is, how radical local authorities want to be.

Little or no change at all would tend to respect the existing local authority structures including the County Council and two LEPs. This is likely to result in a County Deal predominantly for Hampshire County Council.

The more radical approach would impact upon all the local authorities including the County Council which would involve the creation of stronger sub regional leadership arrangements for Pan-Hampshire as a whole, enabling all local authorities including Unitary Authorities to extend their place leadership responsibilities.

The more ambitious local authorities want to be for Pan-Hampshire the more these ambitions will underpin the legitimacy of the asks from Government for a County Deal.

Our collective aim should be for everyone to pull together and work even harder to support the growth of Pan-Hampshire as a whole; build back better and even stronger from the pandemic and deliver the maximum growth potential for the benefit of residents and businesses. This may also mean stronger collaboration with neighbouring areas, such as Surrey.

This is wholly consistent with the Hampshire 2050 vision – the outcome of an inclusive and open dialogue led by a Commission which produced a shared vision for businesses, public authorities, and communities to achieve continued prosperity for Pan-Hampshire in the face of new societal and global challenges.

This prospectus looks to build on the existing strengths of all local authorities in the area, strengthen their place leadership capabilities, considering collective new governance arrangements which are compatible with ambitious asks for a County Deal with Government.

Governance in detail

Guidance from Government strongly suggests that in return for new functions and access to resources, governance arrangements should reflect the requirements for effective and decisive decision-making and leadership.

Joint Committees of local authorities working together to co-operate in the discharge of concurrent functions, while a step forward in supporting collaboration, are unlikely to deliver the decisive leadership capability which is required.

Joint Committees could however have an important role in operationalising any new governance arrangements by promoting co-ordination amongst groups of local authorities on an area basis or around particular areas of specialisms e.g., transport.

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But new governance arrangements should not only relate to local authorities. The unique asset base of Pan-Hampshire, including a strong and diverse business base, should encourage everyone to explore how these assets and leadership qualities can be best embraced so that the widest range of skills and experience can be harnessed in an integrated way – working hand in hand with democratically accountable local authority leaders in the pursuit of shared priorities and the delivery of agreed programmes. We can see examples elsewhere how LEPs can work effectively with democratically accountable sub-regional structures and how these structures actively promote business leadership in a range of functions such as international trade and investment, innovation and skills, marketing and promotion. An ambitious Pan-Hampshire should explore these opportunities too.

There is also an all-important question of public services reform. Effective place leadership requires increasing action at all levels to ensure that local authority functions are aligned with other public services so that the impacts on residents are positive and meaningful. This requirement will not change even if an ambitious County Deal is successfully concluded with Government. How any new structures are developed and how engagement with wider public services is taken forward will not only facilitate closer alignment about priorities to support residents but also will strengthen the case over time for further reform beyond a County Deal.

The County Council has no fixed view about which is the best Governance option. This would depend on the levels of ambition, the powers and funding agreed with Government and how Pan-Hampshire partners assessed different possibilities. For the scale of ambition and proposals set out in this paper there likely to be only 3 main governance options available:

1. Maintenance of the present arrangements which will lead only to a possible County Deal for Hampshire County Council, with limited new powers and funding.

2. Creation of a Pan-Hampshire Combined Authority involving the County Council, existing Unitary Authorities, Districts and Boroughs, to assume direct responsibility for new functions and to access new resources. This can be accompanied with collaborative structures around functions and areas through joint committees; direct business engagement and leadership on key economic priorities such as international trade & investment, innovation & skills; and wider engagement with public service providers.

3. Collaboration with adjacent county areas, including Surrey. Even Pan-Hampshire with its discrete functional economic area and self-sustaining local supply chain has a number of synergies with other county areas to explore in order to maximise the impacts of common distinctive sectors and intra-regional investment. As the Technical Appendix shows, these should be the subject of further engagement and analysis to determine whether there is the opportunity to create a new regional Powerhouse with Pan-Hampshire at its heart, not only to counteract similar platforms in the north, the Midlands and west of the country but to ensure that the needs of Pan-Hampshire are properly articulated and that Government's desire to level up in all parts of the country can be actioned.

Options 3 can co-exist of course exist with either Option 1 or Option 2.

In identifying the option for a Pan-Hampshire combined authority, the emphasis should be on pooling staff resources wherever possible from local authorities and LEPs to maximise efficiency; and to underpin the requirement for this new structure (while a statutory body) to be a creature of existing authorities.

Evaluation criteria

Partners will have views on governance and functions which will require analysis and discussion alongside the options above.

The County proposes the following criteria against which any options are evaluated.

Place Leadership

In every functional economic geography, there is a hierarchy of place leadership providing clarity of roles and functions, and links with residents and communities. A County Deal for Pan-Hampshire should extend the "toolkit" for practical place leadership – including resident engagement.

In these terms we need to evaluate how options respond to the requirements of the functional economic geography and strengthen place leadership at the functional economic level. At the local level, we need to evaluate how each option would provide optimal outcomes for Pan-Hampshire and the people who live and work in the area; how high-quality public services will be protected if not enhanced; and how options create the strongest platform for reform in the future.

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Economic Growth and Business Engagement

The active involvement of businesses and the alignment of investment decisions to the right geographic level within a democratically accountable framework are essential to the effectiveness of governance arrangements, as well as how Pan-Hampshire can continue to contribute to the UK's wider growth and zero carbon objectives, alongside delivering growth for local communities and businesses.

Options need to be evaluated in terms of their impact they will have on business engagement and participation in the strategic alignment of Pan-Hampshire; how options cultivate creativity in the development of new investment models to support Pan-Hampshire's growth; and how working with LEP's we can strengthen even further alignment of programmes and the active engagement of business leaders in shared growth and competitiveness structures.

High Quality Public Services

The quest for public service efficiencies, effective delivery and better outcomes for residents will remain. Successful places not only anticipate these changes but influence national policies to ensure they are relevant to their places. In some cases, through voluntary and collaborative action, places develop their own reform opportunities leading to faster and better outcomes for local people. This does not have to be at the expense of a loss of individual civic identity. Examples include new local commissioning arrangements for public services, pooled budgets with the NHS, local authority shared services where these are evidenced and practical.

Governance options need to be tested against the requirement about how high-quality public services are to be protected if not enhanced and the impact on residents; how they respond to the changing nature and priorities for public services generally; whether options foster greater collaboration, practical improvements and efficiencies; and how democratic oversight at all levels will be strengthened.

Democratic Accountability

Accountability for public funding and effective and practical decision making will, rightly, always be at the heart of any assurance framework.

Pan-Hampshire's accountability arrangements are presently fragmented.

Moving towards a single assurance framework for Pan-Hampshire will be a condition precedent to any ambitious County Deal.

There will always be questions about the "accountability deficit" that flows from one person doing two jobs as well as the pressures on political capacity.

Options need to be evaluated showing the impact on accountability for effective decision making and stewardship of public funding; and the impact of leadership models on political capacity to discharge this task effectively.

All options should be evaluated openly and objectively against these criteria.

Public Engagement

The County Council wishes to promote an open debate not only on what an ambitious Deal for Pan-Hampshire could look like but one which seriously engages on potential changes in governance arrangements for Pan-Hampshire as a whole to underpin this ambition.

It is in this context that the County Council's ambitions have been published – to facilitate that debate rather than to pre-empt it.

No decisions have been taken by the County Council, and no decisions will be taken in the absence of wider consultation and discussions with local authorities and other stakeholders.

Views are invited from our partners and stakeholders on this Prospectus for Change in Pan-Hampshire. In particular, we are keen to hear views on the following:

1. Analysis has identified Pan-Hampshire as a Functional Economic Geography on which the optimal, ambitious County Deal should be based. Do respondents recognise this footprint as the key geography for securing an ambitious Deal? If not, what alternative footprint is proposed, and what analysis supports this view?

2. Pan-Hampshire Challenges – do respondents recognise these as priority issues which should be addressed as part of a County Deal? What, if any, other priorities would they identify?

3. What would a successful County Deal look like? Are the proposals identified in this prospectus ambitious enough? What, if anything, should be added?

4. This Prospectus seeks to build on the existing strengths of all local authorities in the area, strengthening their place leadership capabilities – is this view supported or not?

5. What options for governance should be evaluated assuming an ambitious County Deal is to be negotiated? Are there other options which should be evaluated alongside the options identified by the County Council?

6. Do respondents have any comments on the proposed criteria for evaluating governance options? What, if anything, would respondents like to see included?

7. Do respondents think that more effective and practical ways to secure active business leadership in the strategic direction of Pan-Hampshire should be sought? If so, would respondents support a move to business leaders assuming more responsibility for leading (for example) trade & investment, marketing & promotion and other growth functions, within a democratically accountable framework working alongside LEPs?

8. Do respondents support the establishment of public service partnerships to drive an integrated Pan-Hampshire public services plan?

Agenda Item 7

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	8 February 2022 17 February 2022
Title:	Revenue Budget and Precept 2022/23
Report From:	Director of Corporate Operations

Contact name: Rob Carr

Tel: 01962 847400 **Email:** Rob.carr@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 2022/23. It also provides an update on the financial position for 2021/22, together with details of the financial prospects for the County Council over the next few years.

Section B: Recommendation(s)

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

2. Notes the latest position for the current year as compared to that reported to the last Cabinet.

3. Approves the updated cash limits for departments for 2022/23 as set out in Appendix 2.

4. Delegates authority to the Director of Corporate Operations, 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

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

a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 6) be taken into account when the Council determines the budget and precept for 2022/23.

b) The Revised Budget for 2021/22 set out in Appendix 1 be approved.

c) The Revenue Budget for 2022/23 (as set out in Appendix 3 and Appendix 4) be approved.

d) Revenue funding of £3.783m in 2022/23 to progress the Strategic Land Programme is approved together with the ongoing commitment in future years as set out in paragraph 60.

e) Revenue funding of £0.5m in 2022/23 to develop highways schemes for grant bidding purposes is approved, to be met from savings in contingencies in 2021/22.

f) Recurring revenue funding of £388,000 per annum be approved to cover the cost of unavoidable SharePoint licence costs

g) The **council tax requirement** for the County Council for the year beginning 1 April 2022, be £738,072,349.

h) The County Council's band D council tax for the year beginning 1 April 2022 be £1,390.86, an increase of 2.99%, of which 1% is specifically for adults' social care.

i) The County Council's council tax for the year beginning 1 April 2022 for properties in each tax band be:

	£
Band A	927.24
Band B	1,081.78
Band C	1,236.32
Band D	1,390.86
Band E	1,699.94
Band F	2,009.02
Band G	2,318.10
Band H	2,781.72

j) Precepts be issued totalling £738,072,349 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 below:

	Tax base
Basingstoke and Deane	67,823.40
East Hampshire	51,908.73
Eastleigh	48,373.35
Fareham	44,002.60
Gosport	27,154.20
Hart	41,815.86
Havant	41,771.36
New Forest	72,122.10
Rushmoor	32,795.29
Test Valley	51,338.00
Winchester	51,554.09

k) The Capital & Investment Strategy for 2022/23 (and the remainder of 2021/22) as set out in Appendix 7 be approved.

l) The Treasury Management Strategy for 2022/23 (and the remainder of 2021/22) as set out in Appendix 8 be approved.

m) Authority is delegated to the Director of Corporate Operations 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 6) and take this into account when determining the budget and precept for 2022/23.

b) The Revised Budget for 2021/22 set out in Appendix 1.

c) The Revenue Budget for 2022/23 (as set out in Appendix 3 and Appendix 4).

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k) The Capital & Investment Strategy for 2022/23 (and the remainder of 2021/22) as set out in Appendix 7.

l) The Treasury Management Strategy for 2022/23 (and the remainder of 2021/22) as set out in Appendix 8.

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

Section C: Executive Summary

6. This report sets out the proposed budget and council tax for 2022/23, representing the 'interim year' as part of the County Council's tried and tested two year cycle for delivering savings.

7. Savings targets for 2023/24 were approved as part of the Medium Term Financial Strategy (MTFS) in 2020 and detailed savings proposals have been developed through the Savings Programme to 2023 (SP2023) which were agreed by Cabinet and County Council during October and November last year. Any early achievement of resources from proposals during 2022/23 as part of the SP2023 Programme will be retained by departments to use for cost of change purposes, to cash flow the delivery of savings or to offset service pressures.

8. 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 17 February 2022.

9. Financial performance in the current year remains positive. Indications are that all departments will be able to manage the large-scale investment required to deliver their planned transformation and savings activity and meet service pressures through the use of cost of change and other reserves, along with appropriate corporate funding, both to address service pressures and to deal with the ongoing impact of the pandemic. Overall corporate funds of £19.5m can be released in 2021/22 to provide funding for highway scheme development and contribute to the Budget Bridging Reserve (BBR) to build up the necessary reserves to cover increased deficits for the next two years.

10. In October last year a 3 year Comprehensive Spending Review was announced by the Government, but this only translated into a one year settlement for 2022/23 and disappointingly reduced the adult social care precept to only 1% per annum for the next 3 years. Whilst the settlement provided an additional £22.9m of general resources to the County Council next

year, it is not enough to close the budget gap and much of this funding is already accounted for from 2023/24 onwards as part of the SP2023 proposals.

11. In line with the MTFS and Government presumption, this report recommends that council tax is increased by 2.99% in 2022/23, of which 1% is specifically for adults' social care.

12. 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 Director of Corporate Operations in consultation with the Leader and Chief Executive to make these changes as appropriate.

13. At this stage the draw required from the Budget Bridging Reserve (BBR) is £61.7m, which reflects the approved use of funding to balance the budget in the interim year, which is £21.5m above that originally predicted due to additional service pressures, mainly in adults' social care.

14. In addition, this report includes both the County Councils Capital and Investment Strategy and the Treasury Management Strategy (TMS) for 2022/23 (and the remainder of 2021/22), set out in Appendix 7 and Appendix 8 respectively.

15. Longer term, the County Council is still in the position of having no real visibility of its financial prospects beyond the 2022/23 year, which clearly makes any accurate financial planning difficult to achieve. However, the CSR did provide national figures for three years which were flat over the period. If we therefore assume that we will receive the same funding in future years as we did for 2022/23 and build in known pressures relating to post pandemic growth in adults' and children's social services, together with council tax increases of 2.99% per annum, we can forecast the position over the medium term.

16. Given the significant rise in the cost of adults' social care outlined in Appendix 9, this gives rise to a cumulative deficit by 2025/26 of some £157m after we have delivered £80m of savings by 2023/24. This is nearly double the two year target we have been working to since 2019/20 and represents the most significant challenge yet to the County Council's financial sustainability.

17. The strategy at this stage is to fund the additional deficits in 2022/23 and 2023/24 from the BBR in order to give sufficient time to consider our response to this position, but what is clear is that we cannot simply continue to follow our usual process to address the gap, coming as it does on top of the £640m we will have already saved to 2023/24.

18. We have repeatedly said to Government that without a long term sustainable funding solution to the growth in social care costs, the County Council is not financially sustainable in the longer term and this has never been truer for our current outlook. We will look to the Government to address this serious position with us over the coming year.

19. 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 2022/23, is set out in Appendix 6 and also considers the future financial resilience of the County Council in this context.

Section D: Contextual Information

20. The current financial strategy which the County Council operates works on the basis of a two year cycle of delivering departmental savings targets to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Budget Bridging Reserve (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.

21. The County Council's strategy has placed it in a stable position to produce a 'steady state' budget for 2022/23 and safely implement the next phase of changes through the Savings Programme 2023 (SP2023) to deliver further savings totalling £80m.

22. However, the forecasts that led to an £80m estimated deficit were produced in a pre-pandemic environment and without any knowledge of the Government's plans for local government during the period in question. The financial landscape is now very different with significant 'post-pandemic' pressures impacting on the budget position at the same time as restrictions on the adult social care precept were announced in the Comprehensive Spending Review last year.

23. The provisional Local Government Finance Settlement was announced on 16 December 2021 and more detail about the provisional settlement is set out in Section H of this report, but the increases in funding are not sufficient to address the additional pressures we face next year particularly within adults' social services. This means that a significantly greater draw from reserves will be required to balance the budget in 2022/23.

24. Prior to the announcement of the Finance Settlement the Council joined with over twenty of the most poorly funded local authorities in lobbying the Secretary of State for a more equitable funding approach for 2022/23. Whilst the government committed to a review of the funding formula for future years, the settlement proved insufficient to meet the growing pressures in social care over the next year.

25. The final grant settlement for 2022/23 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 2021.

26. In December 2021 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, albeit that the additional pressures in adults social care are being dealt with as a corporate issue.

Section E: 2021/22 Financial Monitoring

27. As at the end of November all Departments are currently forecasting balanced positions in-year. The consolidated position for all departments for 2021/22 requires funding of £48.2m to meet additional costs in-year, including £27.1m in corporate cashflow support and £21.1m from Cost of Change and other departmental reserves. Forecast reserve draws have increased by £5.3m as compared to the position reported to Cabinet in December, reflecting increased pressures and reduced business as usual (BAU) savings which are discussed in further detail below.

28. The medium term position has worsened considerably since the previous report to Cabinet in December and cumulative budget pressures are now expected to significantly exceed departmental resources over the period to 2025/26, as discussed in further detail in section P. This is primarily due to the re-baselining of inflation and demand trajectories for adults' care budgets based on the trends seen during the first half of the year. Current market prices for care placements are now between 16-18% higher than the Council's existing provision and client numbers have increased over the 17 month period to December 2021 at a rate over 2.5 times higher than the pre-pandemic average.

29. In-year BAU pressures have increased by £2.5m since September, of which £1.7m is attributable to Home to School Transport costs. The service has seen significant price increases as a result of factors including increasing fuel costs and a shortage of drivers. Additionally, a backlog of Special Educational Needs (SEN) Assessments due to the pandemic has resulted in some SEN pupils being placed late and therefore requiring more expensive solo transport arrangements.

30. Forecast in-year BAU savings for Adult's Health and Care have reduced by £3.5m due to the escalation in underlying levels of activity on care packages which were supressed during 2020/21 due to the pandemic. However, increases in BAU savings and SP2023 early delivery in other areas of around £1.2m have helped to offset this reduction.

31. The medium term outlook to 2025/26 is dominated by the worsening Adult's position and assumes that an additional £19m corporate support will be required in 2022/23. The position reported is heavily reliant on projections of future volume and price levels that are notoriously volatile and therefore difficult to predict. For the current year and 2022/23 these pressures can be accommodated from one off funds available and planned for corporately,

however there remains a significant recurring gap in subsequent years, which is discussed later in the report.

32. The indirect consequences on the budget from Covid-19 are long lasting and highly likely to be substantial. Whilst care volumes in Residential and Nursing Care remain lower than the March 2020 levels, they are increasing at an accelerated rate. Correspondingly domiciliary care has also continued to increase since March 2020. Additionally, the average price paid for this care has increased faster than seen previously. These issues combined with a more gradual but persistent increase in volumes within the Younger Adults care group has led to the longer term position set out later in the report.

33. Price increases that providers have passed on to the Council can be attributed to many likely factors including shortages in the employment market for staff at suitable rates, additional costs to meet infection control and testing requirements and providers remaining below full occupancy.

34. There remains a risk that prices continue to increase, possibly even at a faster rate than that currently assumed, especially in light of the likely cessation of various government grants by 2022/23, received by providers to help mitigate the cost of additional infection control measures they need to have in place.

35. In the current year, many of the various Covid-19 funding sources available have helped the Department to manage the recent and persistent in-year growth and if necessary corporate resources are available in 2022/23 to offset the forecast pressure. However, from 2023/24 the full year impact of this growth, the potential in year continuation thereof and potential cessation of many of the funding streams that have mitigated the situation will make the future incredibly challenging alongside the volume of savings already required to balance the budget by 2023/24.

36. Within the schools budget there continues to be pressure in the high needs block with a further deficit of £25.8m expected this year which will bring the cumulative deficit to £61.2m. A statutory override provided by the DfE (which currently ends in 2023/24) has strengthened the ringfence on the DSG deficit by allowing local authorities to charge negative DSG balances to a separate account rather than off-setting the general fund revenue account. However, this provision does not offer a long-term solution to address the cumulative deficits held by authorities or the continuing inadequacy of high needs funding, issues which must be dealt with at a national level.

Section F: Revised Budget 2021/22

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

38. Appendix 1 provides a summary of the original budget that was set for 2021/22 together with adjustments that have been made during the year. The proposed Revised Budget for 2021/22 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.

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

Adjusted Budget 2021/22

40. Departmental Spending – Budgeted departmental spending has increased by around £133.5m and the reasons for this are highlighted in the following table:

	£m
Net increase in specific grants	84.1
Tt2021 and Tt2019 Corporate Cashflow Support	19.5
Use of cost of change and other departmental earmarked reserves	15.1
In Year Children's Services draw from central contingency	5.0
In Year ETE draw from central contingency for Waste Disposal, Highway Maintenance and Streetlighting Energy	3.2
IT Growth Funding from central contingency	2.1
Changes to Revenue Contributions to Capital Outlay (RCCO)	1.4
Other Net Changes	3.1
Total	**133.5**

41. The increases in budgeted departmental spending are mainly because of increased government grants, the majority of which are one-off Covid-related 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 inflationary and growth funding for Children's Social Care and Economy, Transport and

Environment from contingencies, but this reflects a transfer rather than new unanticipated spend.

42. **Non-departmental Spending** - The paragraphs below outline changes to the other items that make up the overall revenue account.

43. **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 2021/22.

44. **Contingencies** – The increase in contingencies is mainly the result of one-off funding allocations approved by the Council in previous years which have been rolled forward as part of the 2021/22 budget but have not yet been draw down by departments.

45. **Dedicated Schools Grant (DSG) and Specific Grants** – The reduction in DSG reflects the conversion of some maintained schools to academies during the year. The increase in specific grants is mainly due to Covid-related grants including amounts allocated in 2020/21 for infection control and outbreak management measures which were carried forward to 2021/22.

46. **Business Units (Net Trading Position)** – An improvement in the net trading position for the School Improvement Service is expected.

47. 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 2021/22

48. The fourth column of figures shown in Appendix 1 outlines the proposals for the revised revenue budget for the County Council for 2021/22. The revised budgets for departments include further draws of £5.3m from cost of change and other departmental reserves and an increase in specific grants allocated to Children's Services of £0.8m.

49. It is anticipated that there will be early delivery of SP2023 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.

50. All departments are forecasting break even positions 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.

51. **Interest on Balances and Capital Financing Costs** – The County Council adopts a very prudent approach to estimating for treasury management given the number of different variables involved. As detailed in the Treasury Management Strategy (Appendix 8) cash balances have risen significantly over the last 12 months due to a combination of factors linked to the pandemic, reducing the need for the Council to take out new borrowing to fund capital investment. As a result, it is expected that a saving on capital financing costs will be achieved in-year, however we are continuing to take a prudent approach and will wait for year end to understand the overall position on these items. Any budget saving achieved will be used to contribute to the BBR in order to reduce the net draw required to balance the budget in 2022/23.

52. **Contingencies** – The key items within this budget relate to risk contingencies set aside to reflect the pressures in social care, the major change and savings programmes that were being implemented during the year, growth in waste disposal costs, contingencies in respect of pay and price increases, and pressures resulting from the Covid-19 pandemic.

53. In considering the revised budget position, it is timely to review these contingencies in light of the extremely challenging medium term financial position discussed in Section P. At this stage of the year, it is considered prudent to release contingency items in respect of some specific inflationary and growth provisions together with other sums set aside for income risk and the general risk contingency. In total, these items amount to £19.5m which can be declared as savings against the adjusted budget.

54. Given the position outlined for the social care departments in the current year, all of the specific sums held for social care have been allocated. However, sufficient funding will be retained to cover potential adverse movement in the final quarter of the year given the recognised volatility of these areas.

55. It is proposed that £0.5m of the total of £19.5m is allocated to fund Highways project development as set out in section G and the remaining £19.0m is transferred to the Budget Bridging Reserve to offset the additional draw of £21.5m required in 2022/23 to balance the budget.

Section G - Revenue Investment Priorities

Strategic Land Development

56. The Medium Term Financial Strategy approved by County Council in November 2021 made reference to the work that was in progress to produce a longer term financial plan for the Strategic Land Programme that will commit resources against the full cost of bringing a site to the market alongside the

financial benefits that this will create. The outcome of this work, including confidential information regarding land values, was reported in detail to the Executive Member for Policy and Resources in January 2022. A summary of the strategy and approach and associated revenue funding requirement is set out below.

57. The creation of a Strategic Land programme in 2008/09 was designed to bring forward significant 'strategic' areas of Hampshire County Council land where opportunities for development arose as a result of Local Planning Authority calls for sites. The Programme has been managed to support the delivery of a long-term programme of capital receipts and the approach to the promotion in the Local Plan, achievement of planning and the disposal strategy for individual sites has been tailored to local circumstances. There are considerable revenue costs required to undertake this work. These increase as the process works through planning, and potentially into a Master Developer role. The associated potential capital receipt also increases through this process as land value is steadily enhanced.

58. The approach taken for any one site generally involves the following stages:

- **Stage 1: Local Plan site promotion and advocacy** – approval to make land 'available' and to promote the site through the Local Plan process to secure an allocation for future development. This is often in response to a "call" for sites from the relevant local planning authority. It is typically associated with a range of technical work to evidence the suitability of the site for development.

- **Stage 2: Planning Strategy** - approval for how the site is to be brought forward to secure an outline planning permission. It may be appropriate to consider disposal of some sites prior to this stage but for most, the achievement of outline planning permission will secure best value and support decisions around the subsequent disposal or delivery strategy. The planning system provides the County Council with a means to effect 'control' or influence over a range of different aspects including design quality, place-making and the response to climate change.

- **Stage 3: Development and Disposal strategy** - approval of a disposal or delivery strategy. Consideration is given to either a traditional option agreement or sale of the whole or part with outline planning or the County Council undertaking provision of enabling servicing works. The latter approach takes longer and is more costly in revenue terms, but has the potential to yield higher capital returns overall, particularly on the larger sites. This stage involves approval to the selection of a preferred purchaser/development partner following a formal marketing and/or procurement exercise through to a completed sale.

59. Once accepted for development within a Local Plan, subject to the scale of the site and the planning and disposal strategy selected, it then usually takes a further 3-5 years before the receipt value is realised, often on a phased basis. To maintain and sustain a pipeline of receipts from the programme there is

therefore a need for an ongoing revenue budget commitment to support the programme.

60. To establish the probable revenue requirements for the next five years, a detailed review of the Strategic Land programme has been undertaken and the current status of the projects in terms of site promotion, planning and disposal approvals has been considered and reported to the Executive Member for Policy and Resources. Overall, the programme is forecast to realise a net capital receipt of circa £157m including £55.1m that is currently committed to existing capital schemes. To support the work to achieve these future capital receipts, the projected revenue requirement is set out in the table below. This funding will support a dedicated team within Property Services and the procurement of specialist advice or consultancy depending on the nature of the site and its complexity:

	£'000
2022/23	3,783
2023/24	1,996
2024/25	1,782
2025 - 2032	5,115
Total	12,676

61. Funding to take forward the SLP is a considerable investment for the County Council but makes sound financial sense and is a key strand of the authority's Commercial Strategy. The required revenue funding can be met from within the budget held for revenue contributions to capital outlay (RCCO) without impacting the overall resources available to fund the capital programme as explained in paragraph 88.

Highway Scheme Development

62. In recent years one-off revenue budget has been provided for 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). This approach has been successful in bringing in over £174m of major investment in the County since 2018/19.

63. The expectation that future Government funding support may be aligned to the emerging Levelling Up agenda or to delivery of different types of schemes (for example schemes to mitigate Climate Change impacts or build climate resilience) is likely to result in stronger competition for funding. It will therefore

be potentially more important that a pipeline of priority schemes continues to be developed if the County Council is to be able to maximise the benefits for Hampshire of new funding streams. For 2022/23 it is proposed to allocate a sum of £0.5m and this will be met from underspends in corporate contingencies in 2021/22.

64. Longer term this funding will be treated in a similar way to the Strategic Land Programme allocations and will form part of an annual requirement agreed from the revenue budget. Funding for the remainder of this financial year will be considered in light of the capital priorities review that is currently going on, once we know the outcome of the LEP review and once we know the outturn position for 2021/22.

Unavoidable revenue pressures

Microsoft licence costs for SharePoint

65. The County Council uses SharePoint as its information store which hosts the intranet, shared files and records. Microsoft has recently made changes to the functionality of labels and moved label driven record management to a new licencing model (E5). As a result of this change by Microsoft, remaining on the SharePoint legacy system (E3) increases the risk of non-compliance with data protection regulations and compromises the County Council's records management policy, so action is now required. This relates primarily to the confidential personal details held in Adult's and Children's record management systems.

66. The new licencing model (E5) offering fully enhanced functionality costs in the region of £1.3m p.a. However, Microsoft are also offering an information and compliance 'bolt on' licence at a cost of £388,000 p.a. With appropriate supporting business processes in place, this bolt on licence will meet the County Council's requirements, will benefit from ongoing Microsoft support and ensure compliance with data protection legislation. It is therefore recommended that £388,000 is added to the IT licence budget on a recurring basis from 2022/23.

Section H: Local Government Finance Settlement

67. The Provisional Local Government Finance Settlement sets out the key funding allocations that the Council will receive from Government for the coming financial year. This year's settlement covers 2022/23 only as the allocations of funding from 2023/24 will be the subject of a review of the local government funding regime and further consultation, to be carried out in Spring 2022.

68. The key outcomes of the settlement for the County Council are shown below and are split between general resources which will contribute to meeting the

Council’s overall budget requirement, and specific resources which are needed to meet new departmental costs:

Funding Source	**2021/22 allocation (£m)**	**2022/23 allocation (£m)**	**Change (£m)**
Social Care Grant	26.2	37.2	+11.0
2022-23 Services Grant	-	8.3	+8.3
Business rates grant	6.3	9.9	+3.6
Total ‘general’ resources	**32.5**	**55.4**	**+22.9**

Funding Source	**2021/22 allocation (£m)**	**2022/23 allocation (£m)**	**Change (£m)**
Market Sustainability and Fair Cost of Care Fund	-	3.2	+3.2
Improved Better Care Fund	30.4	31.3	+0.9
New Homes Bonus	3.9	3.4	-0.5
Total ‘specific’ resources	**34.3**	**37.9**	**+3.6**

69. The key features of the settlement are:

- A 6.3% increase in Core Spending Power, of which 3% is attributable to the grant allocations set out above and 3.3% is attributable to council tax increases (including 1% for ASC) and tax base growth. This compares with an average 7.5% increase for Shire Counties.
- The 2022/23 Services Grant will be distributed based on the 2013/14 local government funding formula for 2022/23 only. The distribution will be re-evaluated for future years in light of the proposed review of local government funding.
- The Market Sustainability and Fair Cost of Care Fund is part of the government’s package to support the recently announced social care reforms, providing funding for local authorities to prepare their care markets for reform and move towards paying providers a fair cost of care. There are a number of conditions associated with the funding which will require new consultation and market intervention activity and therefore it will not contribute towards meeting the budget deficit in 2022/23.
- The New Homes Bonus was expected to end in 2022/23 but will instead continue for a further year to 2023/24, albeit at a reduced level and has traditionally been used for one-off purposes by the County Council.

70. The final Local Government Finance Settlement for 2022/23 is still awaited at the time of the publication of this report, however, it is not anticipated that there will be any major changes to the figures that were released in December last year.

Council Tax

71. The MTFS approved by the County Council in November 2021 assumed that council tax will increase by the maximum permissible without a referendum in line with government policy. This was expected to be an increase of 3.99% in each year of the MTFS following referendum limits of 3.99% and 4.99% in 2020/21 and 2021/22 respectively. However, the Autumn Spending Review set a lower referendum limit of 2.99% in each year of the current parliament, of which 1% will contribute towards the increased costs of adults' social care. This has increased the Council's budget gap by £7m in 2022/23, rising to £28m by 2025/26.

72. Given the long term financial outlook, it is recommended in this report that Council tax is increased in line with the referendum limit of 2.99%. This proposed increase will see the council tax for a Band D property increase by £40.41 per annum (approximately 78p per week) to £1,390.86.

73. This will generate around £21m of additional income, however forecast inflationary and growth pressures are expected to exceed £100m in 2022/23, equivalent to a 15% increase in Council tax. Even after accounting for the proposed 2.99% increase it is anticipated that Hampshire will have the second lowest council tax of any county across the country in 2022/23 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 2021/22 was just over £1,443, more than £93 higher than Hampshire's level in that year. If the County Council set its council tax at this average amount, it would receive around £49m a year more income than current levels.

74. Total income from council tax in 2022/23 is expected to be around £743m and represents 83.0% of the total funding of the County Council's net budget as compared to 73.6% in 2011/12. This includes a forecast surplus on the collection fund for 2021/22 of £4.9m.

Section I: Service Cash Limits 2022/23

75. In December Cabinet considered a budget update report which set provisional cash limit guidelines for departments for 2022/23.

76. Appendix 2 sets out the cash limits agreed in December and provides information on adjustments that have been made subsequently, which are largely a result of changes to grants within the local government finance regime. Overall, cash limits have increased by £73.9m. This is principally due to an increase in DSG however there are additional minor changes for some departments which reflect updated capital financing assumptions and growth expectations which are discussed in further detail in Appendix 2.

77. At this stage the 2021/22 pay award has yet to be agreed however the current pay offer from the National Employers is a 1.75% increase for all staff other

than those on the lowest pay points who would receive a 2.75% uplift. The budget originally contained a 2% allowance for the April 2021 pay award which is expected to be sufficient to meet the additional cost however the position will be kept under review.

78. In consideration of the rising rate of inflation which will impact the cost of living in 2022/23 and beyond and the announcement at the Spending Review that the public sector pay freeze implemented for 2021/22 will be lifted next year, an increased budget provision of 2.5% has been set aside for the 2022/23 pay award with the allowance returning to 2% from 2023/24. These amounts will be held in corporate contingencies until any pay awards are agreed.

79. At the point at which general inflationary uplifts to the 2022/23 budget were modelled, the Consumer Price Index was running at around 2%. As of December 2021 this figure had reached 5.4%, a 10-year high. It is therefore possible that the inflationary uplifts built into departmental cash limits may not be sufficient to meet the general increase in prices expected in 2022/23, though of course this will vary depending on the nature of the goods or services purchased. A further ongoing contingency provision of £3m has therefore been set aside to cover price increases to be allocated to departments in-year as and where required.

80. A key driver of the increase in general inflation is the unprecedented increase in energy prices, which has received significant coverage nationally. A combination of factors including a lack of gas storage capacity, delays to supply infrastructure projects and geopolitical tensions have seen electricity and gas prices double compared to 2021 levels.

81. The Council has sought to secure best value through a progressive buying approach for 2022/23 and beyond, which involves purchasing ‘blocks’ of gas and electricity at different times as and when market conditions are favourable in order to spread risk. However, the Council still expects to face an additional inflationary pressure of around £7m on energy bills in 2022/23. Prices are expected to reduce in 2023/24 reflecting the short-term impact of some of the key price drivers, however they could remain around 50% higher than in 2021.

82. An additional one-off inflationary provision of £7m has therefore been included within central contingencies to meet the forecast energy cost increase in 2022/23 which will be allocated to departments in-year as required. Given current levels of market volatility and uncertainty as to how long supply issues might persist, it is difficult to determine the extent of any permanent budget uplift that may be required and this will therefore be reassessed during the 2023/24 budget setting process.

Section J: Service Budgets 2022/23

83. As explained in Section I, departments have been set cash limit guidelines for 2022/23 which include allowances for inflation, pressures and other agreed changes.

84. Appendix 3 provides a summary for each department of the main services under their control and shows the original budget for 2021/22, the revised budget for 2021/22 and the proposed budget for 2022/23. All departments are proposing budgets that are within their cash limits, albeit the additional pressures in adults' social care are being dealt with corporately.

85. It is worth reiterating that departments have been required to achieve some £640m in savings since the period of austerity began. These have been applied on a straight line basis proportionate with departmental cash limits which has allowed the Council to protect spending in non-social care departments in relative terms compared to many other local authorities. However, growth allocations provided in recognition of growing demand and service pressures, which principally arise in social care services, mean that spending in these areas continues to increase at a faster rate than in non-social care departments. The cash limits for Adult's Health and Care and Children's Services are over 40% higher in cash terms than in 2011/12 whilst the combined cash limits for other departments have increased by just 2% since 2011/12, as shown in the table below.

	2011/12 £'000	**2022/23 £'000**	**Change £'000**	**Change %**
Adults' Health and Care	313,064	443,239	+130,175	+41.6%
Children's Services – Non Schools	173,528	246,675	+73,147	+42.2%
Economy, Transport & Environment	111,056	118,767	+7,711	+6.9%
Policy & Resources and Culture, Community and Business Services	102,340	99,203	-3,137	-3.1%
	699,988	**907,884**	**+207,896**	**+29.7%**

Section K: 2022/23 Overall Budget Proposals

86. 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.

87. Appendix 4 sets out a summary of the overall revenue account starting with the cash limited expenditure for departments discussed above. The following paragraphs outline the other items that make up the overall revenue account and provide explanations for any significant variances compared to the 2021/22 budget.

88. **Revenue Contributions to Capital Outlay (RCCO)** – Each year, revenue contributions are made to help fund the Capital Programme. Over recent years, some programmes of work that were previously accounted for as capital

have been transferred to the revenue budget and there has also been greater opportunity to use contributions from developers and outside agencies to fund capital expenditure rather than use revenue contributions. A combination of these factors together with a review of the contingency funding contained within the budget for RCCO means that funding is available for the on-going revenue costs associated with the Strategic Land Programme as set out in Section G, without impacting the overall resources needed to support the capital programme.

89. **Contingencies** – The budget for contingencies has increased by more than £8.5m compared to the 2021/22 original budget, after accounting for the early allocation of contingency amounts held for social care and inflation. The contingency budget for 2021/22 includes £40m of one-off Covid grants which will be utilised in-year and are therefore not included in the 2022/23 budget. However, this reduction is offset by the significant increases in post-pandemic growth pressures in both Adults' and Children's Social Care as detailed in Section P and the inflationary pressures set out in Section I, resulting in a net increase in contingencies.

90. Existing contingency provisions in respect of key risk items, notably inflationary pressures (including the 2021/22 pay award which has yet to be agreed), further cash flow funding for the Tt2019 and Tt2021 Programmes and post-pandemic social care growth allocations, have been retained in the base budget. These provisions represent the recommendation by the Director of Corporate Operations, 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 to manage any unforeseen risks that may impact the 2022/23 budget position.

91. **DSG** –The increase in the DSG reflects the increase in funding announced by the Government in the SR2021, the detail of which was clarified in the subsequent schools' revenue funding settlement in December 2021.

92. **Specific Grants** – This income budget has been updated following grant notifications for 2022/23 and the increase is largely due to the additional funding announced in the SR2021 which was subsequently allocated through the Provisional Local Government Finance Settlement and a supplementary grant for universal infant free school meals. This has offset a reduction due to the removal of one-off Covid grants provided for 2021/22 resulting in a net increase in specific grant funding of £5.5m.

93. **Pension Costs** – Following the previous triennial revaluation, the Pension Fund was found to be fully funded as a result of improved investment returns over the period. The eradication of the deficit removed the need for service payments made in previous years which were budgeted for on an ongoing basis. This provided a net saving for the County Council of £15.0m per annum. Considering the need to fund a £40.2m gap for the 2022/23 interim year of the SP2023 Programme, Council approved the allocation of savings arising from the valuation to top up the BBR over the period from 2020/21 – 2022/23.

94. At this stage it is assumed that the Pension Fund will remain fully funded over the MTFS period and it is therefore proposed to use the £15m annual contribution to offset baseline pressures from 2023/24 as set out in paragraph 136. However, there remains a small risk of declining Fund performance over the MTFS period in which case extra recurring revenue money would need to be sought to bridge the deficit.

95. **Business Units** – The net trading position of business units has been updated, and whilst overall the current business as usual estimate is a net trading surplus, it is always difficult to predict at this stage future income generation. In any event, at the end of the year the position will be balanced through a contribution to or from earmarked reserves that the trading units hold and so there is no impact on the revenue budget.

96. **Earmarked Reserves** – Changes to earmarked reserves mainly reflect changes to other budgets elsewhere in the revenue account. However, there is a significant draw from earmarked reserves in 2022/23 due to the planned use of the BBR to balance the budget in 2022/23 as outlined elsewhere in the report.

97. **Use of General Balances** – The 2021/22 original budget assumed a net contribution to general balances of £0.9m and this prudent annual amount has been continued for 2022/23 in order to maintain general balances at around 2.5% of the County Council's net budget requirement; in line with the CFO's recommended level.

Section L: Budget and Council Tax Requirement 2022/23

98. The report recommends that council tax is increased by 2.99% in 2022/23, in line with the referendum limit and with government policy which presumes that local authorities will put up their council tax by the maximum they are allowed.

99. 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 £9.2m in 2022/23. An assumed increase in income of £7m was allocated to Highways Maintenance as part of the MTFS approved by Council in November 2021. The additional £2.2m over and above that assumed previously will be taken towards balancing the budget for 2022/23.

100. The County Council is also notified by Hampshire Districts, of the estimated level of collection fund surpluses or deficits that need to be taken into account in setting the council tax for 2022/23. 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.

101. For 2021/22 a net council tax collection fund surplus of £4.9m is anticipated, which includes an in-year surplus of £7.1m and a share of the 2020/21 deficit due to Covid-19, which Local Authorities were permitted to spread over a three-year period, of £2.2m. The 2021/22 surplus has mainly arisen due to general increases in the council tax base during the year.

102. The current prediction for business rate collection funds is a deficit of more than £5.7m across all Districts, with deficits reported by all Districts for 2021/22. However, this deficit is largely attributable to Covid-related reliefs mandated by government and as such is expected to be met from business rates compensation grants, though the allocations will not be confirmed until 2022/23.

103. Similarly, Districts have provided estimates of what business rate income they expect to receive for 2022/23 based on their experience during the current financial year. These estimates have yet to be finalised and, given continuing experience about the risk and volatility surrounding this income, at this stage although they have been built into the budget position, it is likely they will change. We will await confirmation of final figures and any adjustment will be reported at County Council.

104. Taking account of all the budget changes outlined in this and previous sections of this report, the County Council can set a balanced 2022/23 budget as follows:

	£m
Original Forecast Gap	**40.2**
Loss of 1% Adult Social Care Precept	7.0
Adults Services Growth in excess of budgeted levels	35.3
Children's social care – agency costs	5.4
Additional NI costs for Council employees	2.3
Inflationary pressures	7.2
New gross budget gap	**97.4**
Additional 'general' resources in settlement	-22.9
One-off Covid Funding	-12.8
Planned used of Budget Bridging Reserve	-40.2
Additional Net Budget Gap	**21.5**
2021/22 remaining contingency released	-19.0
Reduction in budgeted allowance for general risk	-2.5
Balanced Budget	**0**

105. 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 £738,072,349.

Section M: Capital and Investment Strategy

106. The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Treasury Management Code of Practice require 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. In addition, Government investment guidance includes the requirement to produce an Investment Strategy. For the County Council, these are combined into a single Capital and Investment Strategy which is set out in Appendix 7 for approval by full County Council.

107. The Treasury Management Strategy (TMS), as referenced below and set out in Appendix 8, supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and treasury investments, and the associated risks.

108. The County Council's 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. It also includes more detailed forecasts of capital expenditure and financing and the associated prudential indicators relating to financial sustainability.

109. This Strategy covers:

- Governance arrangements for capital investment.
- Capital expenditure forecasts and financing.
- Prudential indicators relating to financial sustainability (see section 4 of Appendix 7).
- Minimum Revenue Provision (MRP) for the repayment of debt.
- Treasury Management definition and governance arrangements.
- Investments for service purposes, linked to the County Council's Commercial Strategy.
- Knowledge and skills.
- Chief Financial Officer's conclusion on the affordability and risk associated with the Capital and Investment Strategy.
- Links to the statutory guidance and other information.

Prudential Indicators

110. 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.

111. 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.

112. Section 4 of Appendix 7 also contains the Prudential Indicators required by the Code for the County Council which will now be submitted for approval by the full County Council in setting the budget for 2022/23.

Section N: Treasury Management Strategy for 2022/23

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

114. The County Council's TMS (including the Annual Investment Strategy) for 2022/23; and the remainder of 2021/22 has been reviewed in the light of current and forecast economic indicators and is set out in Appendix 8 for approval and fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

Investments Targeting Higher Returns

115. 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.

116. Higher yields can be targeted through longer term cash investments and by investing in asset classes other than cash. Following advice from our advisers, 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.

117. 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.

118. 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 £6.25m. This equates to 2.5% of the total earmark of £250m agreed by the County Council in 2021.

119. 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 two years. However, given the greater future risk in this area it is proposed to maintain the Investment Risk Reserve at 2.5% of the total amount invested (in line with the recommendation of 2.5% for the general fund balance).

120. As at December 2021, just under £217m of the allocation to higher yielding investments has now been invested, with the remaining balance earmarked. The investment strategy continues to perform well, and the position at the end of December 2021 is set out in the table below:

Investments targeting higher yields portfolio

Investment type	**Amount invested**	**Market value at 31/12/2021**	**Gain/(fall) in capital value**	
			Since purchase	**One year**
	£m	**£m**	**£m**	**£m**
Fixed deposits	22.1	22.1	-	-
Pooled property funds	75.0	83.1	8.1	9.4
Pooled equity funds	50.0	53.9	3.9	7.0
Pooled multi-asset funds	48.0	49.1	1.1	0.6
Total*	**195.1**	**208.2**	**13.1**	**16.9**

* Excludes £10.2m invested in pooled funds on behalf of Thames Basin Heath Partnership

121. Capital values have shown a strong recovery since the lows experienced in March 2020 as a result of the coronavirus pandemic and now all pooled funds are showing capital above the amount originally invested, and with the

dividends earned, the total return is significantly positive. The total return for pooled funds since purchase was 28% at 31 December 2021.

122. At the current time, given the medium to long term nature of the investments, it is unlikely that a capital loss would ever materialise since the County Council would avoid selling investments that realised a capital loss. The weighted average return for investments targeting higher yields was 4.3% for the 12 months up to 31 December 2021.

123. 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. The approach set out in the TMS is still considered to be appropriate and prudent and continues to deliver good returns.

Section O: Consultation, Equalities and Climate Change Impact

124. A consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, SP2023, to inform the overall approach to balancing the budget by 2023/24 and making the anticipated £80m additional savings required in full by April 2023.

125. The County Council undertook an open public consultation called *Serving Hampshire – Balancing the Budget* which ran for six weeks from 7 June to the 18 July 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.

126. Agreement that the County Council should continue with its financial strategy now stands at 45%, with the data suggesting that respondents are concerned about the implications of further service changes and charges. Respondents increasingly felt that the solution lies with central government, with 87% agreeing that the council should lobby for additional funding to deliver social care services. Generating additional income remains the most preferred approach to meeting the budget shortfall, with 70% of respondents ranking this option among their top three.

127. The findings from the Consultation were provided to Executive Members and Directors during September 2021, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2021 on the MTFS and SP2023 Savings Proposals. The results were also reported to Cabinet and County Council as part of the final decision making process.

128. Following the '*Serving Hampshire – Balancing the Budget*' Consultation any specific changes to services will be subject to further, more detailed consultation. It is intended that the outcome of this second round of

consultation will help to inform further detailed Executive Member decisions in the coming months.

129. The budget for 2022/23 is the interim year of the two year financial planning cycle when no new savings proposals are being considered. Therefore, no new consultation or Equality Impact Assessments are required at this stage.

130. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council’s climate change targets of being carbon neutral and resilient to the impacts of a 2℃ temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

131. This report deals with the revenue budget preparation for 2022/23 for the County Council. Climate change impact assessments for individual services and projects will be undertaken as part of the approval to spend process. There are no further climate change impacts to be considered as part of this report at this stage.

Section P - Medium Term Financial Position

132. The County Council has been working on the basis of single year settlements since 2019/20, which has made financial planning very challenging. The Comprehensive Spending Review announced last year provided high level resource commitments for local government funding for the next three years, but disappointingly this did not translate into a multi-year settlement for local authorities.

133. Part of the reason for this is that the Government intends to undertake a further review of local government funding this year which will feed through into a revised distribution methodology from 2023/24 onwards. Whilst this builds in further uncertainty at this stage it seems a reasonable assumption that the County Council should receive at least the same amount of funding as it will in 2022/23, equating to the £22.9m outlined in Section G. However, as part of the SP2023 Programme, we had already made assumptions about increased grants to reach the £80m savings target and therefore from 2023/24 onwards £14.1m of this funding does not help to further close the gap.

134. We also know what the referendum principles are for the next three years and can build this into our forecasting. The other major factor to consider is the growth in social care services, which has been particularly difficult to predict post-pandemic, but the adults’ social care price increases in the market has had a major impact on our forecasts going forward and more detail is provided in Appendix 9 that sets out the drivers and rationale behind the increases we are expecting over the next 4 years.

135. Members may also recall that as part of the Pension Fund valuation in 2019, the deficit contribution that the County Council had been paying was eradicated, leading to an annual saving of £15m. Since it was not known at this time whether this would be available on a long term basis, it was decided to use this funding to contribute to reserves over the next three financial years ending in 2022/23.

136. Latest estimates of the Pension Fund valuation indicate that we are well above 100% funded against our liabilities and therefore it is unlikely that any future deficits will arise that will need to be recovered from employers. This means that we can now release this funding into the budget on a recurring basis and helps to offset the reduction in the adults' social care precept, at least for two financial years.

137. Taking all of these factors into account together with forecasts for inflation over the period gives the following high level forecast from 2023/24:

	2023/24	**2024/25**	**2025/26**
Additional funding available:	**£m**	**£m**	**£m**
Additional Council tax @ 2.99%	50.8	74.4	99.1
LGFS additional grant	22.9	22.9	22.9
less grant required to meet SP23	-14.1	-14.1	-14.1
Pension deficit contribution	15.0	15.0	15.0
Total additional funding available	**74.6**	**98.2**	**122.9**
Additional budget pressures:			
Pay and price inflation	76.6	112.1	151.3
Adults Social Care pre-pandemic growth	27.0	40.5	54.0
Adults Social Care **post**-pandemic growth	45.0	49.2	52.6
Children's Social Care pre-pandemic growth	36.0	55.8	75.6
Children's Social Care **post**-pandemic growth	10.4	10.4	10.4
Other demand-led	8.0	12.0	16.0
Total additional budget pressures	**203.0**	**280.0**	**359.9**
Predicted gap	**128.4**	**181.8**	**237.0**
SP23 savings	-80.0	-80.0	-80.0
Unmet budget gap	**48.4**	**101.8**	**157.0**

138. What is concerning to note is that the additional funding over the three year period is not enough to cover normal pay and price inflation. Of greater concern is the fact that growth in social care costs alone is predicted to be nearly £193m by 2025/26, some £70m more than the total funding that we have available.

139. After deducting the £80m SP2023 savings we are left with a cumulative deficit of £157m which is made up of the additional deficit we face in 2023/24 together with the further shortfalls in 2024/25 and 2025/26. It is worth noting that these forecasts do not take any account of the potential adverse impact of the social care reforms due to be introduced in 2023. These have the potential to increase our costs beyond any funding the Government may allocate for the reforms and further increase the prices that we pay in the market as self funders look to us to arrange their care for them.

140. In past years this overall financial position would have given us a Savings Programme to 2025 of £157m, double the normal amount we have been experiencing since 2019/20. However, what is clear is that we cannot rely on the same approach to try to bridge this gap, not least because we will not have the cash flow funding to fund an interim year in 2024/25 of over £100m, but importantly because it represents the biggest deficit we have faced since 2010 coming at a time when we are still implementing 3 concurrent savings programmes to achieve cumulative savings of £640m.

141. We have repeatedly stated that without a solution to funding social care growth, it is not possible to continuously make savings in some services to fund growth in others and therefore faced with this forecast, without some form of Government intervention we are not financially sustainable in the medium term, even if we were to find some way of bridging the deficit to 2025/26.

142. At this stage therefore the strategy is to fund the additional deficits that occur in 2022/23 and 2023/24, which can be achieved by bringing forward the funding we had set aside to the 2024/25 interim year and by directing spare resources to the Budget Bridging Reserve. Officers have looked at the overall position on Covid Funding and other amounts within reserves and contingencies and feel that this is possible, assuming we do not need to respond to any further financial shocks.

143. This will buy some time to consider what the best approach to addressing the gap will be and for discussions and lobbying to take place with Government on the very serious financial position that we find ourselves in.

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 Savings Programme to 2023 Savings Proposals https://democracy.hants.gov.uk/mgAi.aspx?ID=45388#mgDocuments	Cabinet - 12 October 2021 and County Council – 4 November 2021
Budget Setting and Provisional Cash Limits 2022/23 (Cabinet) https://democracy.hants.gov.uk/documents/s88288/Financial%20Update%20Budget%20Setting%20-%20Cabinet.pdf	7 December 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	

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 2022/23 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 Savings Programme 2023 were considered in detail as part of the approval process carried out in Cabinet and County Council during October and November 2021 and full details of the Equalities Impact Assessments (EIAs) relating to those changes can be found in Appendices 4 to 8 in the November Council report linked below:

https://democracy.hants.gov.uk/mgAi.aspx?ID=45388#mgDocuments

For proposals where a Stage 2 consultation is required the EIAs are preliminary and will be updated and developed following this further consultation when the impact of the proposals can be better understood.

REVENUE BUDGET – LIST OF APPENDICES

1. Revised Budget 2021/22
2. Final Cash Limit Calculation 2022/23
3. Proposed Departmental Service Budgets 2022/23
4. Proposed General Fund Revenue Budget 2022/23
5. Reserves Strategy
6. Section 25 Report from Chief Financial Officer
7. Capital and Investment Strategy 2022/23
8. Treasury Management Strategy Statement 2022/23
9. Adults' Social Care Pressures

Revised Budget 2021/22

	Original Budget 2021/22 £'000	Adjustment £'000	Adjusted Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Variance £'000
Departmental Expenditure					
Adults' Health and Care	410,259	83,115	493,374	493,374	0
Children's – Schools	942,548	5,361	947,909	947,909	0
Children's – Non Schools	214,856	24,230	239,086	239,901	815
Corporate Services	50,544	5,151	55,695	56,046	351
Culture, Communities and Business Services	43,373	7,513	50,886	53,344	2,458
Economy, Transport and Environment	103,667	8,123	111,790	114,089	2,299
	1,765,247	**133,493**	**1,898,740**	**1,904,663**	**5,923**
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	(12,951)	0	(12,951)	(12,921)	30
Capital Financing Costs	48,961	0	48,961	48,961	0
	33,731	**0**	**33,731**	**33,731**	**30**
RCCO					
Main Contribution	7,355	(1,402)	5,953	6,047	94
RCCO from Reserves	0	0	0	0	0
	7,355	**(1,402)**	**5,953**	**6,047**	**94**
Other Revenue Costs					
Contingency	118,395	5,400	123,795	104,402	(19,393)
Dedicated Schools Grant	(877,731)	695	(877,036)	(877,036)	0
Specific Grants	(266,758)	(84,990)	(351,748)	(352,563)	(815)
Levies	2,864	0	2,864	2,864	0
Coroners	2,391	0	2,391	2,391	0
Business Units (Net Trading Position)	(415)	(189)	(604)	(604)	0
	(1,021,254)	**(79,084)**	**(1,100,338)**	**(1,120,546)**	**(20,208)**
Net Revenue Budget	**785,079**	**53,007**	**838,086**	**823,925**	**(14,161)**
Contributions to / (from) Earmarked Reserves					
Transfer to / (from) Earmarked Reserves	24,073	(52,999)	(28,926)	(14,765)	14,161
Trading Units Transfer to / (from) Reserves	563	(8)	555	555	0
RCCO from Reserves	0	0	0	0	0
	24,636	**(53,007)**	**(28,371)**	**(14,210)**	**14,161**
Contribution to / (from) Balances	900	0	900	900	0
NET BUDGET REQUIREMENT	**810,615**	**0**	**810,615**	**810,615**	**0**

	Original Budget 2021/22 £'000	Adjustment £'000	Adjusted Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Variance £'000
NET BUDGET REQUIREMENT	**810,615**	**0**	**810,615**	**810,615**	**0**
Funded by:					
Business Rates and Government Grant	(122,130)	0	(122,130)	(122,130)	0
Business Rates Collection Fund Deficit / (Surplus)	21,092	0	21,092	21,092	0
Council Tax Collection Fund Deficit / (Surplus)	(2,193)	0	(2,193)	(2,193)	0
COUNCIL TAX REQUIREMENT	**707,384**	**0**	**707,384**	**707,384**	**0**

Final Cash Limit Calculation 2022/23

	December Cash Limit Guideline	Grants	Other	Final Cash Limit 2022/23
	£'000	£'000	£'000	£'000
Adults' Health and Care	439,111	4,128		443,239
Children's – Schools	941,243	66,018		1,007,261
Children's – Non Schools	246,675			246,675
Corporate Services	53,037		388	53,425
Culture Communities and Business Services (CCBS)	44,775		1,003	45,778
Economy, Transport and Environment	116,440		2,327	118,767
	1,841,281	**70,146**	**3,718**	**1,915,145**

Notes:

Grants

- The increase for Adults' Health and Care is due to an increase in the Improved Better Care Fund and the provision of a new grant for Market Sustainability and Fair Cost of Care to support implementation of the government's social care reforms. The grant allocations were announced as part of the Provisional Local Government Finance Settlement in December 2021.
- The increase for Children's – Schools reflects increases in the Dedicated Schools Grant and Pupil Premium Grant and an additional maintained schools grant for free school meals announced alongside the Provisional Settlement.

Other

- The increase for Corporate Services reflects the revenue pressure associated with changes to the Microsoft SharePoint licencing model as set out in sections 61 and 62 of the report.
- The increase for Culture Communities and Business Services is due to a reduced transfer of revenue funding to make a contribution to capital. A one-off transfer from revenue reserves for repairs and maintenance was made in 2021/22 and this has been removed from the budget for 2022/23.
- The increase for Economy, Transport and Environment reflects the additional funding for the climate change team approved by Cabinet in December and an

increase in the inflation allocation for waste disposal reflecting the contractual uplift associated with the rise in the RPI inflation index over the last 12 months

Proposed Departmental Service Budgets 2022/23

Adults' Health and Care Department

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Proposed Budget 2022/23 £'000
Director	**1,620**	**4,046**	**1,722**
Headquarters	**19,474**	**21,711**	**19,468**
Older Adults			
Older Adults Community Services	124,667	149,807	153,497
Reablement	9,891	16,375	17,010
	134,558	**166,182**	**170,507**
Younger Adults			
Younger Adults Other	2,485	11,898	10,943
Learning Disability Community Services	116,927	118,328	117,328
Mental Health Community Services	18,905	14,757	17,667
Physical Disability Community Services	32,288	33,469	33,537
	170,605	**178,452**	**179,475**
HCC Care	**44,120**	**46,468**	**46,404**
Governance & Assurance	**3,511**	**1,446**	**1,396**
Centrally Held	**(15,977)**	**(8,278)**	**(28,658)**
Total Adult Social Care	**357,911**	**410,027**	**390,314**

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Proposed Budget 2022/23 £'000
Children and Young People 0-19	22,872	22,872	22,867
Community Safety & Violence Prevention	1,446	3,513	1,145
Drugs and Alcohol	8,273	10,223	8,480
Health Check	1,187	1,187	1,187
Protection & Intelligence	22	22	24
Mental Health & Wellbeing	333	333	333
Nutrition, Obesity & Physical Activity	472	905	465
Older People	250	251	251
Public Health Central		6,660	
Sexual Health	9,099	9,316	9,326
Tobacco	2,249	2,249	2,245
Public Health Covid-19 Specific		25,816	
Total Public Health	**52,348**	**83,347**	**52,925**
Total Adults Health and Care	**410,259**	**493,374**	**443,239**

Children's Services

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Forward Budget 2022/23 £'000
Early Years	**84,112**	**84,112**	**83,516**
Schools Block			
Schools Budget Shares	633,690	631,834	649,673
Schools De-delegated	2,178	2,171	2,171
Central Provision funded by Maintained Schools	2,905	2,896	4,000
Growth Fund	4,550	4,625	4,168
	643,323	**641,526**	**660,012**
High Needs			
High Needs Block Budget Shares	36,073	38,422	39,449
Central Provision funded by Maintained Schools	66	66	93
High Needs Top-Up Funding	97,027	94,668	112,673
SEN Support Services	5,245	5,245	7,436
High Needs Support for Inclusion	3,092	3,092	3,072
Hospital Education Service	1,681	1,681	1,645
	143,184	**143,174**	**164,368**
Central School Services	**8,224**	**8,224**	**8,080**
Other Schools Grants	**63,705**	**70,873**	**91,285**
Schools	**942,548**	**947,909**	**1,007,261**
Young People's and Adult & Community Learning	**442**	**419**	**482**
Service Strategy & Other Education Functions			
Asset Management	90	90	90
Central Support Services	(77)	(81)	(57)
Educational Psychology Service	2,012	2,264	2,099
Home to School Transport	32,940	34,135	34,697
Insurance	33	33	34
Monitoring of National Curriculum Assess	46	46	46

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Forward Budget 2022/23 £'000
Parent Partnership, Guidance and Info	274	274	280
Pension Costs - (includes existing)	2,629	2,540	2,540
Prem Retirement / Redundancy Costs (new)	0	0	0
School Improvement	1,892	1,906	815
SEN Admin,Assessment,Co-ord & Monitoring	3,535	3,523	3,600
Statutory/Regulatory Duties	455	465	168
School Place Planning	58	58	58
	43,887	**45,253**	**44,370**
Management & Support Services			
	2,684	**3,492**	**2,184**
Centrally held and SP23 Early Achievement	**(706)**	**5,804**	**5,259**
Other Education & Community	**46,307**	**54,968**	**52,295**
Services for Young Children	**1,481**	**1,480**	**1,415**
Adoption services	4,127	4,321	4,227
Asylum seekers	3,346	2,634	2,634
Education of CLA	187	302	69
Fostering services	19,881	20,867	21,670
Independent Fostering	24,830	21,419	25,083
Leaving care support services	9,051	9,704	10,028
Other CLA services	9,906	11,395	13,013
Residential care	38,530	37,013	47,385
Special guardianship support	5,847	6,440	6,569
	115,705	**114,095**	**130,678**
Other Children & Families Services	**1,105**	**983**	**1,081**
Family Support Services			
Direct Payments	2,225	2,558	2,755
Other support for disabled children	255	271	277
Respite for disabled children	2,610	2,293	2,609
Targeted family support	5,195	10,329[1]	10,494[2]
Universal family support	44	44	44

[1] Includes Holiday Activities & Food Programme Grant - £3,005,000
[2] Includes Holiday Activities & Food Programme Grant - £3,324,000 (estimate)

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Forward Budget 2022/23 £'000
Temporary Government Grants	0	10,648	0
	10,329	**26,143**	**16,179**
Youth Justice	**877**	**1,446**	**1,173**
Safeguarding & Young Peoples Services	**27,949**	**26,794**	**29,964**
Services for Young People	**1,405**	**1,391**	**1,462**
Management & Support Services	**9,650**	**10,663**	**11,267**
C&F Early Achievement of Savings	**(69)**	**1,008**	**1,046**
Non-Distributed Costs	**117**	**115**	**115**
Children's Social Care	**168,549**	**184,118**	**194,380**
Non-Schools	**214,856**	**239,086**	**246,675**
Children's Services	**1,157,404**	**1,186,995**	**1,253,936**
Trading Units	**475**	**283**	**399**
Childrens Services Total	**1,157,879**	**1,187,278**	**1,254,335**

Corporate Services

Service Activity	Original Budget[1] 2021/22 £'000	Revised Budget 2021/22 £'000	Proposed Budget 2022/23 £'000
Corporate Operations			
Audit	761	741	797
Finance	4,158	4,216	4,690
IBC	6,169	6,141	6,333
IT[2]	24,255	32,153	27,919
Strategic Procurement	1,740	1,736	1,806
Pensions, Investments & Borrowing	(200)	(211)	(377)
Corporate Services Centrally Managed	(235)	130	204
Cost of Change - Corporate Operations	0	(1,470)	0
Total Corporate Operations	**36,648**	**43,436**	**41,372**
Law and Governance			
Governance [3&4]	1,527	1,514	1,468
Legal Services	3,168	3,443	3,300
Transformation Practice	1,822	308	0
Cost of Change - Law & Governance	0	(324)	0
Total Law & Governance	**6,517**	**4,941**	**4,768**
HR, Organisational Development & Communications & Engagement			
HR & Leadership Development	2,971	3,278	2,942
Communications & Engagement	1,341	1,786	1,360
Cost of Change - HR, OD & CE	0	(692)	0
Total HR, Organisational Development & Communications & Engagement	**4,312**	**4,372**	**4,302**
Total Corporate Services	**47,477**	**52,749**	**50,442**

Service Activity	Original Budget[1] 2021/22 £'000	Revised Budget 2021/22 £'000	Proposed Budget 2022/23 £'000
Corporate Non-Departmental Budgets (Central)			
Audit Fee	152	194	176
Contribution to Trading Units	0	40	40
Members Support Costs	1,674	1,674	1,708
Subscriptions to LGA	175	175	179
	2,001	**2,083**	**2,103**
Corporate Non-Departmental Budgets (Direct)			
Corporate & Democratic Representation	66	66	66
Grants & Contributions to Voluntary Bodies[4]	210	0	0
Members Devolved Budgets	390	624	624
Other Miscellaneous (direct)	400	173	190
	1,066	**863**	**880**
Total Other Corporate Budgets	**3,067**	**2,946**	**2,983**
Total Corporate Services & Other Corporate budgets	**50,544**	**55,695**	**53,425**
Government Grants:			
Local reform and Community Voice	(579)	(579)	(579)
Net expenditure Corporate Services	**49,965**	**55,116**	**52,846**

[1] The 2021/22 original budget has been restated to reflect the changes to the Corporate Services structure and management.
[2] The 2021/22 revised budget for IT includes approved additional funding as set out in paragraph 47 of this report. Some of this continues into 2022/23.
[3] The 2021/22 original budget has been restated to reflect the transfer to CCBS of Emergency Planning, Corporate Health and Safety and Leader Grants.
[4] The 2021/22 original budget has been restated to reflect the transfer to Adult Services of the Vulnerable Persons Relocation Scheme and Grants and Contributions to Voluntary Bodies.

Culture, Communities and Business Services

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Proposed Budget 2022/23 £'000
Arts and Museums (including HCT grant)	2,326	2,326	2,326
Archives (1)	659	545	577
Culture & Information Strategic Management (1)	516	1,253	1,203
CCBS Grants Fund (2)	862	269	32
Library Services (1)	9,840	10,048	9,275
Registration (1)	(956)	(1,259)	(1,244)
Trading Standards (1)	1,771	1,672	1,379
Energise Me Grant (Sport)	116	116	116
Countryside Service (1) (3)	2,815	4,563	2,891
Outdoors Centres	474	474	397
Rural Affairs	268	268	269
Rural Estates (County Farms) (1)	(493)	(333)	(328)
Sir Harold Hillier Gardens (room hire)	64	64	64
Sports Bursaries	18	18	18
Leader's Grants (2) (5)	217	400	400
Net Contribution To / (From) Cost of Change (4)	663	928	1,759
Recreation, Heritage and Rural Affairs Cash Limited Budget	**19,160**	**21,352**	**19,134**
Business Development Team	671	888	682
CCBS Maintenance and Development (6)	81	320	322
Transformation	997	1,186	1,109
Rural Broadband	130	130	130
Asbestos	111	59	83
Business Support (1)	634	448	521
Scientific Services	177	175	211
Corporate Estate	(195)	(195)	(180)
Facilities Management and the Great Hall (7)	3,748	3,721	3,894
Hampshire Printing Services	(24)	(24)	(24)

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Proposed Budget 2022/23 £'000
Property Services [1]	3,816	3,625	3,911
Sites for Gypsies and Travellers	39	39	41
Manydown and Other Miscellaneous	(23)	(23)	(23)
Feasibility	1,035	1,035	1,035
Strategic Land [8]	0	3,055	0
Strategic Land Disposal of Sites	231	231	236
Office Accommodation	4,040	4,436	4,010
Repairs and Maintenance	8,127	8,107	9,292
Adults Health and Safety Works [8]	0	1,030	0
PrintSmart [7]	(55)	(57)	(57)
Net Contribution To / (From) Cost of Change [4]	(25)	56	137
Climate Change [2]	0	600	600
CCBS Commercial Strategy, Estates and Property	**23,170**	**28,497**	**25,573**
Health and Safety	748	748	770
CCBS Performance, Human Resources and Partnerships Cash Limited Budget	**748**	**748**	**770**
Emergency Planning	295	289	301
CCBS ETE Cash Limited Budget	**295**	**289**	**301**
Total CCBS Cash Limited Budget	**43,373**	**50,886**	**45,778**
Coroners	**2,391**	**2,391**	**2,391**
CCBS Trading Units	**(878)**	**(875)**	**(773)**

(1) During the 2021/22 financial year, the CCBS department management team (DMT) was restructured, resulting in a number of service realignments within the Department. These changes have been reflected in the revised and forward budget.

(2) As approved by Cabinet in February 2021, the CCBS Community Grants Fund was realigned, together with the Leader's grant pot and Members Devolved Grant budgets, to re-instate the

increased grant budget level per member, to increase the Leader's grant budget to £400,000, to retain a smaller CCBS Grants Fund of £32,000 and to create a one-off fund of £1.2m over two years overseen by CCBS targeted at climate change initiatives. These changes are reflected in the revised and forward budgets.

(3) The revised budget for Countryside includes one-off funding of £970,000 for Ash dieback, £330,000 from the minor capital works budget for rights of way bridge works, and £500,000 from the CCBS cost of change reserve to support the Countryside path recovery programme to repair damage caused by the wet winter and increased usage arising from Covid-19 lockdowns.

(4) The budgeted net contribution to Cost of Change includes the expected achievement of savings which will be allocated to the Department's SP23 savings targets.

(5) The Leader's Grants budget was transferred into the CCBS Department during the 2021/22 financial year, and the original budget for CCBS has been restated to include this

(6) The Maintenance and Development budget has been created to cover cyclical and one-off maintenance and development costs associated with the Department's key service delivery, using over-achievement of savings from the Tt2019 programme which have proved to be sustainable.

(7) The PrintSmart budget had previously been included within the CCBS cash limited services as part of Facilities Management, but the original budget above is restated to show this within the CCBS managed services.

(8) The revised budgets for Strategic Land and Adults Health and Safety works reflect the one-off funding agreed by Cabinet to support the 2021/22 Strategic Land Programme and the critical health and safety works identified for the residential and nursing estate.

Economy, Transport and Environment

Service Activity	Original Budget 2021/22 £'000	Revised Budget 2021/22 £'000	Proposed Budget 2022/23 £'000
Highways Maintenance (1)	18,006	20,402	26,252
Street Lighting (2)	10,739	12,355	12,041
Winter Maintenance	5,820	5,820	5,964
Concessionary Fares	13,142	13,117	13,328
Other Public Transport (3)	4,378	4,778	4,907
Traffic Management and Road Safety (3)	2,573	2,419	2,218
Strategic Transport (4)	1,480	2,282	1,790
Highways, Traffic and Transport	**56,138**	**61,173**	**66,500**
Waste Disposal (5)	41,656	44,222	46,090
Environment	554	553	730
Strategic Planning	997	1,025	1,035
Waste, Planning and Environment	**43,207**	**45,800**	**47,855**
Economic Development	**1,027**	**1,130**	**1,047**
Departmental and Corporate Support	**3,295**	**3,687**	**3,365**
Net Cash Limited Expenditure	**103,667**	**111,790**	**118,767**

(1) The Highways Maintenance revised budget includes £2m additional funding for maintenance, which each year is met from any underspend against the Winter Maintenance budget in the previous financial year topped up from corporate contingencies as necessary. The proposed budget for 2022/23 does not yet include this £2m as the amount of funding from each source will not be clear until the year end. The forward budget includes the £7m recurring funding agreed by the Council in November 2021 to provide additional resources for the overall Highways Maintenance budget.
(2) The revised and forward budget for Street Lighting includes an increase of £1.088m to reflect rising energy costs due to price inflation. The revised budget also includes one-off cash flow support covering the delayed Tt2021 Street Lighting saving.
(3) Reflected in the revised and forward budget is the transfer of the £530,000 budget for the Blue Badge staff from Traffic Management and Road Safety to Other Public Transport to mirror a change in management reporting for this team.
(4) The revised budget for Strategic Transport includes one-off budget provision of £564,000 Active Travel revenue grant funding from the Department for Transport.
(5) The revised budget for Waste Disposal includes one-off cash flow support to cover the delayed Tt2021 waste savings and transformation projects required to progress the Tt2021 savings. The forward budget includes increases of £829,000 for demographic growth and £3.580m for inflation with the fixed contract uplift linked to November RPI at 6%.

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Revenue Budget 2022/23

	Original Budget 2021/22 £'000	Adjustment £'000	Proposed Budget 2022/23 £'000
Departmental Expenditure			
Adults' Health and Care	410,259	32,980	443,239
Children's – Schools	942,548	64,713	1,007,261
Children's – Non Schools	214,856	31,819	246,675
Corporate Services	50,544	2,881	53,425
Culture, Communities and Business Services	43,373	2,405	45,778
Economy, Transport and Environment	103,667	15,100	118,767
	1,765,247	**149,898**	**1,915,145**
Capital Financing Costs			
Committee Capital Charges	141,035	14,540	155,575
Capital Charge Reversal	(143,314)	(14,955)	(158,269)
Interest on Balances	(12,951)	(987)	(13,938)
Capital Financing Costs	48,961	4,893	53,854
	33,731	**3,491**	**37,222**
RCCO			
Main Contribution	7,355	(3,377)	3,978
RCCO from Reserves	0	0	0
	7,355	**(3,377)**	**3,978**
Other Revenue Costs			
Contingency	118,395	8,513	126,908
Dedicated Schools Grant	(877,731)	(38,245)	(915,976)
Specific Grants	(266,758)	(5,464)	(272,222)
Levies	2,864	10	2,874
Coroners	2,391	0	2,391
Business Units (Net Trading Position)	(415)	29	(386)
	(1,021,254)	**(35,157)**	**(1,056,411)**
Net Revenue Budget	**785,079**	**114,855**	**899,934**
Contributions to / (from) Earmarked Reserves			
Transfer to / (from) Earmarked Reserves	24,073	(60,753)	(36,680)
Trading Units Transfer to / (from) Reserves	563	(26)	537
RCCO from Reserves	0	0	0
	24,636	**(60,779)**	**(36,143)**
Contribution to / (from) General Balances	900	0	900
NET BUDGET REQUIREMENT	**810,615**	**54,076**	**864,691**

	Original Budget 2021/22 £'000	Adjustment £'000	Proposed Budget 2022/23 £'000
NET BUDGET REQUIREMENT	**810,615**	**54,076**	**864,691**
Funded by			
Business Rates and Government Grant	(122,130)	0	(122,130)
Business Rates Collection Fund Deficit / (Surplus)	21,092	(20,633)	459
Council Tax Collection Fund Deficit / (Surplus)	(2,193)	(2,755)	(4,948)
COUNCIL TAX REQUIREMENT	**707,384**	**30,688**	**738,072**

Reserves Strategy

1. Introduction

1.1 The level and use of local authority reserves has been a regular media topic over a number of years, often fueled 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 At the end of the 2020/21 financial year the total reserves held by the County Council together with the general fund balance stood at almost £754.8m an increase of nearly £89m on the previous year. This is primarily as a result of savings in Departmental expenditure due to reduced activity and additional NHS funding for adults' social care, together with net savings in schools spending during the pandemic.

1.4 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 2021

2.1 Current earmarked reserves together with the General Fund Balance totalled £754.8m at the end of the 2020/21 financial year. The table below 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 2019/20.

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 31/03/2020 £'000	**Balance 31/03/2021 £'000**	**% of Total %**
General Fund Balance	**22,298**	**23,198**	**3.1**
Fully Committed to Existing Spend Programmes			
Revenue Grants Unapplied	38,111	18,969	2.5
General Capital Reserve	112,357	148,963	19.7
Street Lighting Reserve	27,527	27,228	3.6
Public Health Reserve	5,480	5,758	0.8
Other Reserves	1,071	1,198	0.2
	184,546	**202,116**	**26.8**

	Balance 31/03/2020 £'000	Balance 31/03/2021 £'000	% of Total %
Departmental / Trading Reserves			
Trading Accounts	6,725	8,800	1.2
Departmental Cost of Change Reserve	85,492	140,690	18.6
	92,217	**149,490**	**19.8**
Risk Reserves			
Insurance Reserve	40,955	39,589	5.2
Investment Risk Reserve	4,958	6,250	0.8
	45,913	**45,839**	**6.1**
Corporate Reserves			
Budget Bridging Reserve	78,509	68,170	9.0
Invest to Save	22,290	17,215	2.3
Corporate Policy Reserve	6,852	7,300	1.0
Organisational Change Reserve	3,442	3,422	0.5
	111,093	**96,107**	**12.7**
HCC Earmarked Reserves	**433,769**	**493,552**	**65.4**
EM3 LEP Reserve	5,081	4,760	0.6
Schools' Reserves	38,109	66,667	8.8
Total Revenue Reserves & Balances	**499,257**	**588,177**	**77.9**
Total Capital Reserves & Balances	**166,637**	**166,672**	**22.1**
Total Reserves and Balances	**665,894**	**754,849**	**100.0**
DSG Deficit Reserve	(22,754)	(35,444)	
Net total	**643,140**	**719,405**	

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.

Fully Committed to Existing Spend Programmes

2.4 By far the biggest proportion of revenue reserves are those that are fully committed to existing spend programmes and around £149m 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.

2.5 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.

2.6 These reserves do not therefore represent ‘spare’ resources in any way and are being utilised as planned in the coming years.

Departmental / Trading Reserves

2.7 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.

2.8 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.

2.9 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 implement changes associated with savings proposals and to manage the cash flow impact of later delivery of savings and in year budget pressures.

2.10 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.

2.11 All departments will be utilising their reserves to fund the activity to deliver the Tt2021 and SP2023 Programmes and to fully cash flow the later delivery of savings if needed. The exceptions to this are Children’s Services, ETE and Adults’ Health and Care who will require some additional corporate and/or Covid based support based on the current forecast of savings delivery across the transformation programmes, provision for which has made within the latest MTFS.

Risk Reserves

2.12 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.

2.13 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.

2.14 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.

2.15 The Investment Risk Reserve was established in 2014/15 to mitigate the slight additional risk associated with the revised approved investment strategy as a prudent response to targeting investments with higher returns. Following changes to the accounting treatment of some investments going forward the reserve has been increased to the equivalent of 2.5% of the total higher yielding investment portfolio.

Corporate Reserves

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

2.17 This leaves other available earmarked reserves that are under the control of the County Council and totalled more than £96.1m 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. These reserves are broken down into four main areas:

2.18 **Budget Bridging Reserve (BBR)** – This reserve was set up many years ago to deal with changes in government grant that often came about due to changes in distribution methodology that had an adverse impact on Hampshire compared to other parts of the country.

2.19 More latterly the reserve has been used to fund budget deficits in the ‘interim’ year of the two year savings cycle and to provide any corporate cash flow support needed for the planned later delivery of savings.

2.20 The increased deficit in the 2022/23 ‘interim’ year and the additional deficit over and above the £80m predicted to 2023/24 will need to be met from the BBR and have been factored into the updated MTFS set out in the main body of the report.

2.21 However, beyond this date, the County Council does not have the firepower to meet the predicted deficit in 2024/25 and therefore a revised approach to balancing future years budgets beyond 2023/24 needs to be developed.

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

2.23 **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.

2.24 **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.

2.25 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. This has been changed and adapted over the years with a revised voluntary redundancy scheme now in place that is used on a targeted basis. Departments continue to pick up the compulsory costs of any redundancy and this reserve funds the enhanced element where applicable.

2.26 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.

2.27 It should be highlighted that the total 'Corporate Reserves' outlined above accounted for only 12.7% of the total reserves and balances that the County Council held at the end of the 2020/21 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.

2.28 The reserves detailed above represent the total revenue reserves of the County Council and amounted to £588.2m at the end of the 2020/21 financial year, as shown in the table above. 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

2.29 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.

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

Schools' Reserves

2.31 Schools' reserves accounted for almost £66.7m or 8.8% of total reserves and balances at the end of the 2020/21financial year. The deficit on the Dedicated Schools Grant (DSG) is now shown as a separate item at the foot of the balances table following changes to Government guidance.

2.32 Schools 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.

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

2.34 The overall schools' budget is currently in deficit and this deficit will increase again this financial year with School's Forum agreeing for this to be carried forward and be funded from future years DSG allocations. The overall cumulative deficit in the DSG Deficit Reserve at the end of 2020/21 is £35.4m and as yet there is no financial solution to this growing problem, which is of significant concern as the 'statutory over ride' currently in place to separate this deficit from the local authority reserves ends after next financial year.

Capital Reserves

2.35 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.

2.36 A sum of more than £166.7m was held within capital reserves and balances at the end of the 2020/21 financial year, although of this £22.5m 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, albeit the approach for 2024/25 onwards need to be re-considered.

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 and savings 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 since 2010, 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 and savings programmes and to manage service pressures.
- Funding within the Invest to Save Reserve to help support digital and other IT improvements.
- Additional funds to help smooth the impact of our two year savings cycle, 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 with significant elements of Tt2019, Tt2021 and the SP2023 Programmes still to be delivered over the next 13 months, before we begin to address the challenges ahead.

3.7 The strategy will be to use reserves to fund the additional deficits in both 2022/23 and 2023/24 to give the County Council the maximum time and flexibility to address the financial challenges from 2024/25 onwards, but it is clear that it cannot do this alone and we will continue to lobby the Government to provide additional financial support and financial flexibilities going forward.

3.8 In addition, while the overall level of reserves currently exceeds £0.75bn, 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. 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 Director of Corporate Operations) 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 medium term forecasts outlined in the budget report, this report considers not only the short term position but also the position beyond 2022/23 in the context of Government funding and the service pressures we face.

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 and savings 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 programmes.

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 general and specific 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.

The Council’s financial strength was also evident in its response to the pandemic, enabling it to deal with the financial impact as a one off issue, albeit some of the post pandemic growth we are seeing across social care is not expected to decline at this stage.

There continues to be challenges with the delivery of overlapping savings programmes with around £47m still to be delivered as part of Tt2019 and Tt2021 on top of the £80m planned for SP2023. This is in part due to the impact of the pandemic but cashflow funding is already in place to support this.

Budget 2022/23

The budget for 2022/23 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 for 2021/22 a further £80m was removed from detailed budgets and this is reflected in the departmental summaries contained in Appendix 3, albeit the delivery timescales extend beyond this date, supported by cashflow funding.

Despite additional funding being made available through the Spending Review and the provisional local government finance settlement, the County Council faces a range of increased financial pressures due to high inflation, energy costs and most notable the impact significant price increases within the adults’ social care market, which have increased expected growth costs from £13.5m to £48.8m for next year alone.

This will necessitate a much larger draw from the Budget Bridging Reserve than originally anticipated and whilst this can be accommodated it does weaken the financial position going forward.

The robustness of the budget is underpinned by the detailed work that is carried out to predict financial pressures in demand led services and to reflect that properly in the budget underpinned by contingencies 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 savings.

Risks in the Budget 2022/23

Since the period of austerity began from 2010, the biggest financial risks related purely to reductions in government funding, and social care demand and cost pressures. Since 2019/20 the County Council has not received any Revenue

Support Grant so the risks have shifted towards the extent to which increasing cost pressures outstrip available funding, particularly given the Government control over council tax rises. These items together with other traditional risks are outlined below:

a) **Government Funding and Policy** – The Comprehensive Spending Review announced last year did provide for some additional resources to the County Council, but these are flat at a national level until 2024/25 and only a single year local government finance settlement was announced.

   Whilst we therefore have certainty of funding for 2022/23 we are once again placed in the difficult position of having no visibility of future funding despite the mounting pressures we face across social care services in particular. More worrying is that resources that have been allocated for the next three years do not increase and do not therefore provide any increased year on year funding to mitigate the predicted growth that we have.

   Whilst the Government has promised some sort of Fair Funding Review to come in from 2023/24 this represents a further risk to the County Council and even if resources are directed to upper tier authorities, it is likely that damping arrangements will be put in place to limit large swings in funding. In any event the current total quantum of funding is simply not sufficient to address the pressures faced by the sector.

b) **Social Care Demand Pressures** – This is by far the biggest financial risk that the County Council faces. Following a long period of 'stable' growth in adults' social services, the annual growth was increased by £3.5m to £13.5m just before the pandemic hit.

   Although activity was reduced during the pandemic, this is now returning at much higher levels than normal, but more worryingly we are seeing price increases in the residential and nursing sector by 16% to 18% and this is expected to flow through to additional full year costs of £35.3m in 2022/23 on top of the £13.5m already set aside, albeit some of this can be met from Covid funding provided for next year on a one off basis.

   The County Council cannot ignore this potential increase and must budget accordingly, which it has done and can then monitor actual costs against this position.

   Children's social care continues to experience high levels of 'front door' activity post pandemic and this is increasing costs in a range of areas albeit it is not showing significant numbers of new looked after children. Costs for social workers and agency staff remain high and have been factored in for 2022/23 along with increased allowances for children looked after in line with previous forecasts. This is obviously a risk if the increased activity starts to flow through into additional looked after children, but there are central contingencies to mitigate this.

   I am therefore content that the budget for 2022/23 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.

c) **Council Tax** – The Government has assumed that local authorities will increase council tax by the maximum permitted by the referendum thresholds and on this basis the recommended increase is 2.99%, of which 1% relates to adults' social care, in line with the thresholds included in the provisional local government finance settlement released in December last year.

   This has added to the gap for 2022/23 as our forecasts had assumed a 2% adults' social care precept. Whilst additional government funding helps to make up some of this loss for 2022/23, the County Council was already relying on additional Government funding as part of its SP2023 Programme and this does not therefore assist in the medium term, particularly as the loss of 1% will also impact in 2023/24 and 2024/25.

d) **Pay Inflation** – This ceases to be a major issue within the budget especially as wage rates within Council's have aligned to the National Living Wage over time. The 2021/22 pay award is yet to be agreed but has been allowed for at the current employers offer rate and provision of 2.5% has been made in 2022/23 and 2% beyond this date.

   It is worth re-iterating that a 1% change in pay equates to around £3m extra costs for the County Council, which is minimal compared to the forecasts for social care costs. Any deviations from the budgeted position will be managed in year and reflected in future forecasts.

e) **Pension Costs** - Following the 2019 Pension Fund valuation, Hampshire County Council's employer's contributions rates increased from 16.1% to 18.4%, which is reflected in the budget but has been fully funded from the eradication of the deficit contribution that we were previously paying.

   The next triennial valuation is due in 2022, but current indications are that there will be no upward pressure on rates for the majority of employers and any changes would not impact on the 2022/23 financial year in any event.

   The saving in the deficit contribution of £15m has been used to contribute additional funding to the Budget Bridging Reserve for three years but will be released to help balance the budget in future years given the pressures faced by the County Council.

f) **Price Inflation** – This is usually an area of low risk outside the potential increases within social care. However, there are significant inflation pressures at the present time that are expected to continue into next financial year.

   By far the biggest risk is the current spike in energy costs due to global issues with supply, which is seeing prices in the market increase by around 65% for 2022/23, which equates to nearly £7m additional costs for the County Council, which has been allowed for within central contingencies and will be distributed during the year based on actual costs.

   It is anticipated that this is a temporary spike and that future prices will stabilise at lower levels, so much of the impact will be felt mainly within 2022/23, but this remains an area for ongoing review to ensure that the right procurement decisions are made for future supplies.

g) **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 2022/23 is around £13.5m per annum, which is minimal against the County Council's overall budget, however, the change in investment strategy which moved part of the portfolio to medium term investments has increased the risk in the portfolio overall. This has been mitigated by the creation of an Investment Risk Reserve which will deal with any changes in valuations of investment and provide a buffer against any significant drop in returns. Contributions to this reserve were increased to match 2.5% of the higher yielding investment portfolio, which is considered sufficient mitigation at this stage.

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 2.6% of net expenditure at the beginning of 2022/23.

Overall the level of earmarked reserves and balances that the County Council holds stood at £754.8m (including schools and the Enterprise M3 LEP reserve) at the end of March 2021 and these reserves, the majority of which are held for specific purposes as set out in the Reserves Strategy in Appendix 5, underpin the overall MTFS and the Capital Programme.

Those reserves that are available to support the revenue position are used sensibly to manage change and provide the time and capacity to properly implement savings plans that seek to minimise the impact on service users. Cash flow funding to support the Transformation to 2019 and Transformation to 2021 Programmes has already been included in our financial plans along with funding to bridge the original £40m budget deficit in 2022/23, which is an 'interim year' in the savings cycle.

However, the increased pressures outlined in the report mean that there is an additional draw from the BBR in 2022/23, together with an increased deficit of £48m by 2023/24 over and above the £80m that had been predicted. The Medium Term Financial Strategy outlined in the main report makes provision to meet these additional draws from the BBR thereby stabilising the position to 2023/24 in order to give the time to draw up further plans for bridging the significant deficits from 2024/25 onwards.

Whilst the majority of reserves are allocated for a specific purpose, as outlined in the Reserves Strategy, 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 next two financial years.

CIPFA Financial Resilience Index

Following the heightened national focus on the finances of local government due to a number of local authorities experiencing severe financial difficulties and requiring Government support, the Chartered Institute of Public Finance and Accountancy (CIPFA) produced a Financial Resilience Index (FRI) which uses a range of financial information and other factors to generate a series of measures against which all authorities are 'stress tested'.

The Index for 2020/21 has been issued to Chief Financial Officers for review but has not yet been formally published. Our low and high risk areas have not changed significantly, but there are some strange results due to the way in which certain indices are calculated. These are set out below with a commentary:

Lower Risk Areas:

- The County Council scored well on most indicators relating to reserves, in fact Hampshire has one of the highest level of reserves of any County Council.
- Interest payable as a proportion of net revenue expenditure is low compared to most authorities, possibly as a result of strong reserves position but also reflecting that we have not taken out borrowing to buy commercial property as others have done.
- 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 5 that the majority of our reserves are set aside for a specific purpose. We are fully aware of this fact and the MTFS provides for specific future funding that is essential to maintain our financial sustainability over the next two years.
- Both the change in earmarked reserves and the change in the overall level of reserves were flagged as very high risk for Hampshire. However, this is because the index is measured in purely percentage terms. Our level of reserves only went up by 12.5% over the last three years but that is on a value of reserves of over £600m. In relative terms, this therefore compares unfavourably to Northamptonshire whose reserves increased by 2,229%, but who only had a total of £3.2m in reserves on 1 April 2018. This highlights that the headline indices require careful treatment as the underlying information may present a much clearer picture.

I am content that the results of the FRI, reflect what we already know about the financial sustainability of the County Council and is supported by the fact that there are only three areas flagged as high risk, but two of these are not at all representative of the level of risk we actually face for the reason highlighted in the bullet point above.

CIPFA Financial Management Code

In addition to the FRI outlined above, CIPFA have also published, during 2019, a Financial Management Code, designed to aid local authorities in assessing and developing their financial management activities across all areas of governance and management.

Full compliance with the code is required from the current financial year and the County council has already taken steps to make a number of improvements and changes to ensure compliance.

There remains one standard where our practices are not in strict alignment with the exact wording of the code, which is :

The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.

The draft guidance quoted various specific areas covered by this Standard including:

- Capital investment and the maintenance of assets
- *Long and short term investments*
- *Debt collection*
- *Cash flow management*
- *Borrowing*
- Reserves

Whilst we do not present these items in the context of a balance sheet, all of them are covered through specific or general financial reporting to the Corporate Management Team (CMT), albeit that the items highlighted in italics are delegated to the Chief Financial Officer to deal with on a day to day basis. Having said that they do of course form part of the medium term financial planning carried out through CMT.

I therefore believe that the County Council is still compliant with this item.

Budget 2022/23 – 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 2022/23.

The Position Beyond 2022/23

Although we have only received one year’s worth of grant figures, the funding allocated to local government for the next three years was announced in the Comprehensive Spending Review and in effect is flat for the whole period.

If we therefore prudently assume that we receive the same level of funding in 2023/24 and 2024/25 as we will for 2022/23, that gives us a basis on which to predict the future budget position for the County Council.

The main budget report outlines that we will face a predicted cumulative deficit by 2025/26 of £157m after we have implemented £80m of savings by 2023/24 and after a 2.99% council tax increase each year. The plan is to stabilise the budget position through the use of reserves up to and including the 2023/24 financial year in order to give the time to consider options for balancing the budget in future years.

The County Council has consistently stated that unless something is done to address the annual growth in social care costs, that we are not financially sustainable in the medium term. Faced with the size of the deficit to 2025/26 together with the fact that we will have removed £640m from budgets by this time, it would appear that we are at the point where it is not possible to close the predicted deficit without decimating services over this period.

The size of the deficit in 2024/25 and the use of the BBR to bridge the next two financial years deficits also means that we will need to re-think our normal two year savings cycle in addressing the deficits.

Even if the County Council were able to balance the budget by 2025/26 if the underlying causes of the deficits are not addressed by the Government during this period, this would almost certainly mean we would not be financially sustainable beyond this date.

Rob Carr

Director of Corporate Operations

27 January 2022

Capital and Investment Strategy 2022/23 to 2024/25

1. Introduction

1.1 This Strategy gives a high-level overview of how capital expenditure, capital financing, and treasury management and investment 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 for capital expenditure, external debt and affordability
- Minimum Revenue Provision (MRP) statement
- Commercial strategy overview
- Treasury Management definition and governance arrangements
- Pooled fund investments
- Utilising property assets and developing Joint Ventures
- 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, need and affordability. 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, Culture, Community and Business 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.

2.3 The County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2℃ temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

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 The County Council funds capital expenditure from capital receipts, capital grants and contributions from other bodies, including developers. Capital expenditure may also be funded directly from revenue, however 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 provides another option for funding additional capital investment but results in ongoing revenue costs and must therefore be used prudently and be focused on progressing schemes where there is a clear financial benefit. This could be in the form of clear and measurable revenue savings or longer term income generation, although the County Council will not borrow to invest primarily for financial return.

3.4 Expenditure flows in 2021/22 and the following three years will result from works in progress (schemes started in 2021/22 and earlier years) plus those arising from the proposed programme for 2022/23 to 2024/25, as Table 1 below shows:

Table 1: Forecast Capital Expenditure Flows (Prudential Indicator 1)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Works in Progress at 31 March 2021 and Schemes starting in 2021/22	305,429	169,810	109,110	58,953
Programmes starting in 2022/23, 2023/24 and 2024/25	0	109,949	102,448	168,693
Land Acquisition	3,268	646	646	646
Total Expenditure Flows	**308,697**	**275,405**	**212,204**	**228,292**

3.5 The most significant elements of the Authority's 3 year capital programme from 2022/23 to 2024/25 relate to:

- the investment in new and extended school buildings to ensure there is a school place for every child in Hampshire
- structural maintenance and improvement of roads and bridges;
- Integrated Transport Plan schemes including schemes specifically focused on walking and cycling improvements
- proposed recycling infrastructure including a new materials recovery facility, two fibre processing plants and upgrades to 11 waste transfer stations
- condition improvements to the schools' estate

3.6 Further details can be found in the Capital Programme Report, which is presented in a separate report elsewhere on this Agenda.

3.7 All capital expenditure must be financed, either from external sources, the Authority's own resources, or debt. Debt is only a temporary source of funding and is replaced over time by other financing, usually from revenue through annual Minimum Revenue Provision (MRP) charges. External debt will also incur interest costs. The County Council's borrowing strategy is summarised in Section 7 and forms part of its Treasury Management Strategy.

3.8 The resources to fund the capital expenditure flows set out in Table 1 are shown in Table 2.

Table 2 - Resources to Fund Capital Expenditure

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Prudential borrowing	41,227	49,418	40,733	19,713
Less repayments from capital	-10,791	-32,648	-15,114	-25,187
Capital grants	155,073	125,957	114,043	118,356
Contributions from other bodies including developers	73,748	82,263	44,927	79,860
Capital receipts	5,703	24,032	7,829	18,271
Revenue contributions to capital	4,203	3,669	3,669	4,269
New Resources in the Year	**269,163**	**252,691**	**196,087**	**215,282**
Use of capital reserve	39,534	22,714	16,117	13,010
Total Resources Available	**308,697**	**275,405**	**212,204**	**228,292**

4. Prudential Indicators

4.1 The County Council is required to set and monitor against Prudential Indicators in accordance with the Prudential Code. These indicators cover capital expenditure, external debt and affordability and are presented in Tables 1, 3, 4 and 5. Further indicators on treasury management are included within the Treasury Management Strategy.

4.2 The County Council operates within a framework for the use of prudential borrowing, as updated by Cabinet in February 2006. This 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.

4.3 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.

4.4 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). The CFR increases with new debt-funded capital expenditure and reduces through annual Minimum Revenue Provision (MRP) charges to the revenue budget and any capital receipts or other contributions used to replace debt.

4.5 In order to ensure that over the medium term debt will only be for a capital purposes, 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 and is shown in Table 3.

Table 3: Ensuring Borrowing is Only for Capital Purposes (Prudential Indicator 2)

	31/03/22 Revised £M	31/03/23 Estimate £M	31/03/24 Estimate £M	31/03/25 Estimate £M
CFR	**784**	**789**	**780**	**738**
Debt				
Borrowing	292	284	276	266
PFI Liabilities	133	124	115	105
Leases	-	19	17	15
Total Debt	**425**	**408**	**391**	**371**

4.6 Total debt is expected to remain below the CFR during the forecast period. The estimates for CFR and debt reflect the introduction of IFRS 16 (the new accounting standard for leases) from April 2022.

4.7 External debt is expected to remain below the CFR because of the County Council's borrowing strategy, whereby it has used internal borrowing (the use of internal cash balances) to fund capital expenditure in place of borrowing money from external sources. Further details are in the County Council's Treasury Management Strategy.

Affordable Borrowing Limit

4.8 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 (Prudential Indicators 3 and 4)

	2021/22 Revised £M	2022/23 Estimate £M	2023/24 Estimate £M	2024/25 Estimate £M
Authorised Limit:				
Borrowing	800	790	800	770
PFI and Leases	170	160	150	140
Authorised Limit	**970**	**950**	**950**	**910**
Operational boundary:				
Borrowing	730	720	720	690
PFI and Leases	140	130	120	110
Operational Boundary	**870**	**850**	**840**	**800**

Ratio of Financing Costs to Net Revenue Stream

4.9 Capital expenditure is not charged directly to the revenue budget, however the interest payable on loans and the annual MRP are charged to revenue (in aggregate known as financing costs) and it is important that the revenue implications of capital projects are closely controlled and monitored.

4.10 Table 5 shows estimated financing costs for the existing and proposed capital programme. It identifies the proportion of the County Council’s net revenue stream (Council Tax, business rates and general government grants) required to meet financing costs. This is an indicator of the affordability of the County Council’s capital programme.

Table 5: Ratio of Financing Costs to Net Revenue Stream

	2021/22 Revised	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Ratio	4.2%	4.6%	4.6%	4.2%

4.11 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.

5. Minimum Revenue Provision (MRP) Statement

5.1 Where the County Council finances capital expenditure by debt, statutory guidance requires it to put aside revenue resources to repay that debt in later years, known as MRP. The Local Government Act 2003 requires the County Council to have regard to proper practice as issued by Government. The

Department for Levelling Up, Housing and Communities is currently consulting on proposed changes to the relevant regulations to ensure that all authorities make adequate revenue provision. Until that is concluded, the relevant guidance is that issued by the (former) Ministry of Housing, Communities and Local Government in 2018.

5.2 The guidance requires the County Council to approve an Annual MRP Statement each year, and whilst it provides a range of options for the calculation of MRP, the guidance also notes that other options are permissible provided that they are fully consistent with the statutory duty to make prudent revenue provision.

5.3 The four options provided are:

- Option 1: Regulatory Method
- Option 2: CFR Method (4% of the CFR)
- Option 3: Asset Life Method
- Option 4: Depreciation Method

5.4 Prior to 2015/16 the County Council calculated MRP for supported borrowing[1] on a 4% reducing balance basis (Option 2). It was agreed by Cabinet in December 2015 that the calculation of MRP from 2015/16 onwards would change to a straight-line basis. This is Option 3 from the range provided by the guidance.

5.5 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.

5.6 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.

5.7 The adoption of the accounting standard for leases (IFRS 16) means former operating leases have been brought onto the balance sheet on 1 April 2022. Where this is the case annual MRP charges will be set so that the total charge to revenue remains unaffected by the new accounting standard.

[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.

5.8 Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24.

5.9 Based on the Authority's latest estimate of its CFR on 31 March 2022, the budget for MRP has been set as follows:

Table 6: MRP Budget

	31/03/2022 Estimated CFR £M	**2022/23 Estimated MRP £M**
Supported Capital Expenditure	450	11
Unsupported Capital Expenditure After 31/03/2008	175	10
Leases and PFI	133	8
Transferred Debt	26	1
Total General Fund	**784**	**30**

6. Commercial Strategy

6.1. 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 2021.

6.2. 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

6.3. 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.

6.4. 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.

7. Treasury Management

7.1. The Treasury Management Strategy Statement (TMSS) 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. 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.

7.2. 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).

7.3. 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.

7.4. 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.

7.5. The contribution that these investments make to the objectives of the County Council is to support effective treasury management activities.

7.6. The County Council's TMS, included as Appendix 8 to this report, is scrutinised by the Audit Committee and approved by the County Council each year. Actual performance is reviewed by the Audit Committee and reported to Cabinet and County Council.

8. Pooled Fund investments

8.1. The County Council holds reserves for a number of purposes, which are explained in more detail in the Reserves Strategy (Appendix 5). Where the County Council holds surplus cash, it is invested until it is required, in accordance with the County Council's Treasury Management Strategy. This includes allocating a proportion to investments in pooled funds.

8.2. Faced with a historically low interest rate environment, the County Council decided to earmark £90m of its cash balances for investments appropriately targeting a higher yield of around 4% as part of its 2014/15 strategy. This earmark has been increased on occasions since, most recently to £250m in 2021.

8.3. The County Council has made investments in pooled property, equity and multi-asset funds, as well as long term investments with other local authorities and as part of the Manydown programme. Approximately £217m of the earmarked allocation is currently invested and these investments bring the additional benefit of helping the County Council to mitigate inflation risks as part of its treasury management strategy.

8.4. Pooled fund investments present a number of risks which must be carefully managed, including the risk of loss of capital, illiquidity, entry and exit fees, and volatility of returns.

8.5. 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.

8.6. The County Council is aware of the risks involved with investing in pooled funds that hold underlying investments in bonds, equities, property and other financial instruments. 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 £6.25m. This equates to 2.5% of the total earmark of £250m.

8.7. 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.

8.8. The County Council utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

9. Utilising property assets

9.1. The County Council's estate is primarily held for operational purposes. In areas where it already owns buildings, the County Council is working with partners to utilise this space more effectively and to deliver public value. This is primarily with partner organisations whose services align with the primary operational use of the site or building and brings the additional benefit of a revenue income stream to the County Council. The County Council also generates income through granting wayleaves and easements across its land and through short term lease arrangements (e.g. letting land for contractors' site compounds). The County Council also has a small number of legacy arrangements that generate income from commercial tenants.

9.2. One outcome of the pandemic has been the rapid transfer to new ways of working which presents opportunities 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.

10. Developing Joint Ventures

10.1. 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.

10.2. 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.

10.3. In addition, an alternative avenue that the County Council is currently actively pursuing in becoming 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.

10.4. The largest site is Manydown in Basingstoke. A joint venture arrangement between Hampshire, Basingstoke and Deane Borough Council, and a private sector partner (Urban and Civic) is now in place and is working towards securing the necessary finances to complete infrastructure works and the development of 4,200 houses on the Manydown site.

10.5. 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 Milestone to develop joint ventures linked to the existing contract that will yield additional income for both parties.

10.6. At the beginning of 2019, the County Council entered into a joint venture with Commercial Services Kent (CSK – owned by Kent County Council) to set up an arms-length trading company that supplies agency staff to the County Council. The arrangement was set up utilising existing expertise, knowledge and legal arrangements and not only saves money compared to other private agencies but should also ensure better quality.

10.7. With the primary aim of improving economic prosperity and related infrastructure within Hampshire, the County Council may consider granting loans to other organisations, such as the loans totalling £4.5m at market rates of interest to Farnborough International Ltd (as part of a total of £9.5m including £5m from the Enterprise M3 Local Enterprise Partnership (EM3 LEP), where the County Council is the accountable body).

10.8. 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.

11. Knowledge and skills

11.1. 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.

11.2. 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.

11.3. CIPFA's Code of Practice requires that the County Council ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. All Members were invited to a workshop presented by Arlingclose in November 2021, which gave an update of treasury matters. A further Arlingclose workshop is planned for 2022.

Investment Advisers

11.4. 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 Director of Corporate Operations, their staff, and Arlingclose.

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

12.1. This Capital and Investment Strategy has been developed alongside the TMS (Appendix 8) and the Reserves Strategy (Appendix 5). Together, they form an integrated approach adopted by the County Council to balance the need for capital investment to support service priorities with consideration of affordability and the consequent impact on the revenue budget, whilst recognising and managing risk to an acceptable level.

12.2. 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 Director of Corporate Operations that the proposed Capital Programme is prudent, affordable and sustainable.

13. Links to Statutory Guidance and Other Information

13.1. 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
- CIPFA's Treasury Management Code

(*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).

13.2. The County Council includes its non-treasury management Investment Strategy within this Capital Strategy. The TMS is a separate document reported to Cabinet and County Council, (Appendix 8).

13.3. The CIPFA Prudential Code was revised in December 2021 to reflect developments since it was last updated in 2017 and became applicable with immediate effect, however an exception was made to allow the deferral of revised reporting requirements until 2023/24. The revised reporting requirements relate to the capital strategy, prudential indicators and investment reporting. The Treasury Management Code was also revised at the same time.

13.4. 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 2022/23

Introduction

1. In 2018 the Ministry of Housing, Communities & Local Government (MHCLG) produced new Investment Guidance including the requirement to produce an Investment Strategy.

2. The County Council's Capital and Investment Strategy 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 (as reported to Cabinet and County Council in the Revenue Budget and Precept 2022/23 report on 8 February 2022 and 17 February 2022 respectively).

3. This Treasury Management Strategy Statement (TMSS) 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.

4. 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.

5. 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.

6. Investments held for service purposes or for commercial profit are considered separately in the Capital and Investment Strategy.

External Context

7. The following paragraphs explain the economic and financial background against which the TMSS is being set.

Economic background

8. The ongoing impact on the UK from coronavirus, together with higher inflation, higher interest rates, and the country's trade position post-Brexit, will be major influences on the County Council's treasury management strategy for 2022/23.

9. The Bank of England (BoE) increased Bank Rate to 0.25% in December 2021 while maintaining its Quantitative Easing programme at £895bn. Within this announcement the Monetary Policy Committee (MPC) noted that the pace of the global recovery was broadly in line with its November Monetary Policy Report. Prior to the emergence of the Omicron coronavirus variant, the BoE also considered the UK economy to be evolving in line with expectations, however due to the increased uncertainty and risk to activity that the new variant presents, the BoE revised down its estimates for Quarter 4 of 2021 Gross Domestic Product (GDP) growth. The BoE projects that inflation will be higher than previously forecast, with the Consumer Price Index (CPI) likely to remain above 5% throughout the winter and peak at 6% in April 2022. The labour market was generally performing better than previously forecast and the BoE now expects the unemployment rate to fall to 4%, but notes that Omicron could potentially weaken the demand for labour.

Credit outlook

10. Since the start of 2021, relatively benign credit conditions have led to credit default swap (CDS) prices for the larger UK banks to remain low and had steadily edged down throughout the year up until mid-November when the emergence of Omicron has caused them to rise modestly. CDS prices are used as an indicator of credit risk, where higher premiums indicate higher perceived risks.

11. The generally improved economic outlook during 2021 helped UK banks' profitability and reduced the level of impairments many had made as provisions for bad loans. However, the relatively recent removal of coronavirus-related business support measures by the government means the full impact on bank balance sheets may not be known for some time.

12. The improved economic picture during 2021 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several financial institutions, revising them from negative to stable and even making a handful of rating upgrades.

13. Looking ahead, while there is still the chance of bank losses from bad loans as government and central bank support is removed, the institutions on the County Council's counterparty list are well-capitalised and general credit

conditions across the sector are expected to remain benign. Duration limits for counterparties on the County Council's lending list are under regular review and will continue to reflect economic conditions and the credit outlook.

Interest rate forecast

14. The County Council's treasury management adviser Arlingclose forecast that Bank Rate will continue to rise in Quarter 1 of 2022 to subdue inflationary pressures and the perceived desire by the BoE to move away from emergency levels of interest rates.

15. Investors continue to price in multiple rises in Bank Rate over the next forecast horizon, and Arlingclose believes that although interest rates will rise again, the increases will not be to the extent predicted by financial markets.

16. Yields are expected to remain broadly at current levels over the medium-term, with the 5, 10 and 20 year gilt yields expected to average around 0.65%, 0.90%, and 1.15% respectively. However, as ever there will almost certainly be short-term volatility due to economic and political uncertainty and events.

17. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

Balance Sheet Summary and Forecast

18. On 31 December 2021, the County Council held £298m of borrowing and £692m of investments. This is set out in further detail at Annex B.

19. Forecast changes in these sums are shown in the balance sheet analysis in Table 1.

Table 1: Balance sheet summary and forecast

	31/03/21 Actual £m	31/03/22 Estimate £m	31/03/23 Forecast £m	31/03/24 Forecast £m	31/03/25 Forecast £m
Capital Financing Requirement pre IFRS 16	776	784	770	763	723
Add: impact of IFRS 16 - Leases	-	-	19	17	15
New Capital Financing Requirement	**776**	**784**	**789**	**780**	**738**
Less: Other debt liabilities*:					
- Leases**	N/A	N/A	(19)	(17)	(15)
- Street Lighting PFI	(96)	(91)	(86)	(81)	(75)
- Waste Management Contract	(46)	(42)	(38)	(34)	(30)
Loans CFR	**634**	**651**	**646**	**648**	**618**
Less: External borrowing***:					
- Public Works Loans Board	(217)	(208)	(200)	(192)	(182)
- Other Loans (incl. LOBOs)	(41)	(41)	(41)	(41)	(41)
- Other short-term borrowing	(43)	(43)	(43)	(43)	(43)
Total external borrowing	**(301)**	**(292)**	**(284)**	**(276)**	**(266)**
Internal borrowing	**333**	**359**	**362**	**372**	**352**
Less: Balance sheet resources:					
- Usable Reserves	(755)	(733)	(688)	(671)	(600)
- Allowance for Working Capital	(123)	(270)	(345)	(195)	(270)
Balance sheet resources	**(878)**	**(1,003)**	**(1,033)**	**(866)**	**(870)**
Treasury investments	**(545)**	**(644)**	**(671)**	**(494)**	**(518)**

* Leases and PFI liabilities that form part of the County Council's debt

** IFRS 16 requires the County Council to change how it recognises its leases from 1 April 2022.

*** shows only loans to which the County Council is committed and excludes optional refinancing

20. 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.

21. It is forecast that the County Council will continue to take advantage of internal borrowing, which will increase through until 2023/24, whilst paying off Public Works Loan Board (PWLB) debt as maturities arise.

22. Reserves and balances are due to reduce over the forecast period due to the anticipated funding of the Capital Programme and use of the Budget Bridging Reserve (BBR) to balance the budget in the interim year of the SP2023 savings programme (2022/23) and to meet the additional deficit now expected in 2023/24 as a result of increased social care costs. The County Council's investment balances are however due to initially rise over the forecast period and then fall during 2023/24, as shown in Table 1. This is because the County Council's employer's LGPS pension contributions were paid early in April 2020 for the period to March 2023, and subject to any unforeseen cash flow requirements the County Council plans to prepay its employer's LGPS pension contributions for three years again on 1 April 2023.

23. 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 2022/23.

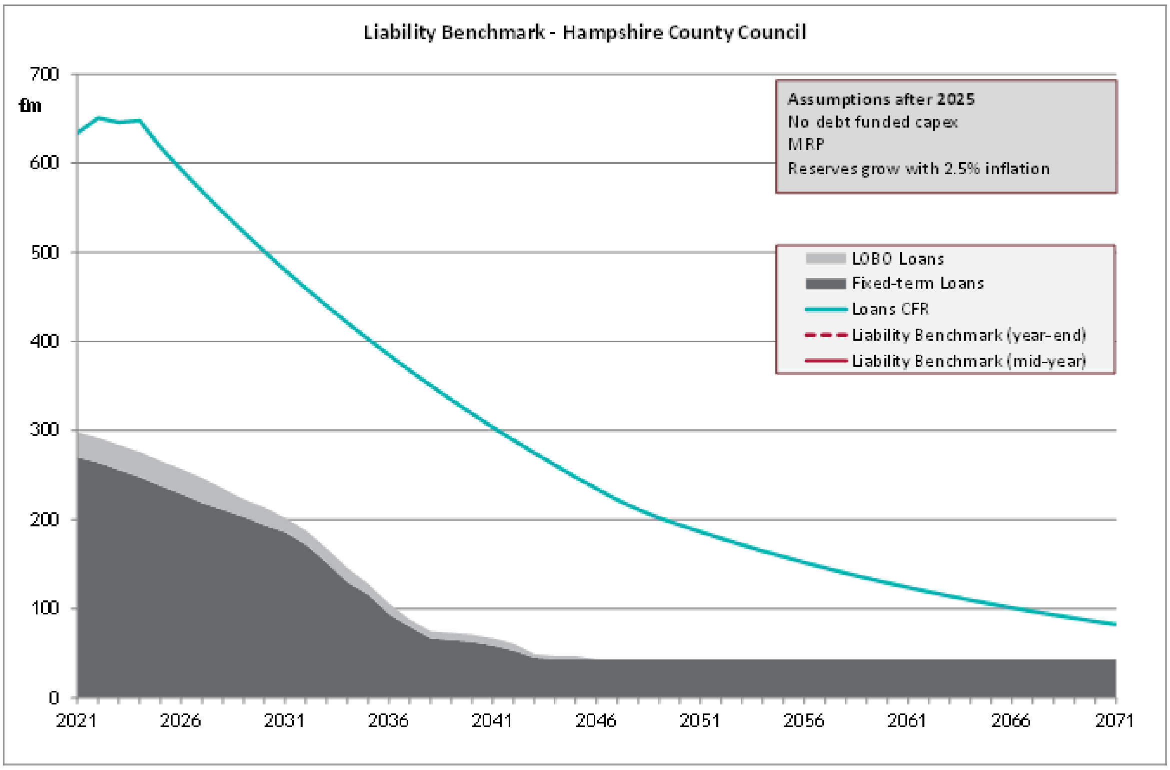
Liability benchmark

24. To compare the County Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1, but that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

Table 2: Liability benchmark

	31/03/21 Actual £m	31/03/22 Estimate £m	31/03/23 Forecast £m	31/03/24 Forecast £m	31/03/25 Forecast £m
Loans CFR	634	651	646	648	618
Less: Balance sheet resources	(878)	(1,003)	(1,033)	(866)	(870)
Net loans requirement	**(244)**	**(352)**	**(387)**	**(218)**	**(252)**
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	**(234)**	**(342)**	**(377)**	**(208)**	**(242)**

25. At the start of the period, 31 March 2021, the County Council had a Loans CFR of £634m, external borrowing of £301m, balance sheet resources of £878m and a liability benchmark of -£234m. The difference of £333m between the CFR and external borrowing is internal borrowing which is where the County Council has used its own resources to fund its borrowing requirement.



26. The liability benchmark is the lowest level of debt the County Council could hold if it used all of its balances, reserves and cash flow surpluses to fund its CFR. The County Council expects a negative liability benchmark across the forecast period, which means that currently there is not a requirement to borrow, and that the County Council could potentially repay its current external borrowing and still fund the planned capital programme. Although the County Council would like to reduce its external borrowing, the premium charged by the PWLB means that it would cost more to repay the borrowing early than it would to repay at maturity, therefore at this time the County Council will not repay its external borrowing early and will continue to repay as maturities come due.

Borrowing Strategy

27. The County Council held £298.4m of loans as at 31 December 2021, which is £7.2m lower than the previous year; this reduction in borrowing balances primarily reflects the repayment of maturing Public Works Loan Board (PWLB) debt, which has not been replaced.

28. The loans are predominantly as a result of the County Council's strategy for funding previous years' capital programmes, but also includes amounts held on behalf of others for governance or administrative purposes. The balance sheet forecast in Table 1 shows that the County Council does not expect to need to take on new external borrowing in 2022/23. 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 £790m, but does not currently expect to do so.

Objectives

29. 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

30. 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.

31. 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.

32. 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 2022/23, however should the County Council need to borrow any long-term amounts, the County Council will consider long-term loans from other sources including banks, pension funds and local authorities, and will investigate 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. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield, however the County Council's investment strategy does not support this activity and so will retain its access to PWLB loans.

33. 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.

34. In addition, the County Council may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

Sources of borrowing

35. 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
- 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

36. 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

37. 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.

38. All of these loans have options during 2022/23, 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

39. These loans leave the County 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

40. 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. Currently the cost of premiums charged by the PWLB for repaying loans prior to maturity outweighs the cost of repaying at maturity.

Treasury Investment Strategy

41. 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 treasury investment balance has ranged between £480m and £788m.

42. Over the last 12 months the investment balance has risen due to a number of factors. The increase in investment balances partly reflects the higher balances typically seen at this time of year, due to the difference in timing between income and expenditure. Also, investment balances have been impacted by 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. It is now past the half-way point of the three-year period that the County Council pre-paid LGPS pension contributions for, and so it is expected that underlying core balances will continue to rise until the end of the three-year period. The Covid-19 pandemic has had a significant impact on the County Council's balances with Government grants received that will be spent over the coming months. Adult Services has experienced a significantly lower spend on social care activity as a consequence of excess deaths and alternative support being taken by residents, rather than be admitted to residential and nursing settings, albeit

the current rate of growth and price of care in the market are now rising.at an unprecedented speed.

Objectives

43. 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

44. The Covid-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which would likely to have fed through to negative interest rates on all low risk, short-term investment options, and in some instances negative interest rates were being seen. As the Bank of England has started to raise Bank Rate this eventuality is now not an immediate concern, however in the event of negative investment interest rates, 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

45. Given the increasing risk and very low returns from short-term unsecured bank investments, the County Council aims to continue to hold a diversified investment portfolio, including investments in more secure and/or higher yielding asset classes. This is especially the case for the estimated funds that are available for longer-term investment.

46. At 31 December 2021 approximately 85% of the County Council's investment balances were invested so that they were not subject to bail-in risk (that investors funds are taken to sure a failing bank), as they were invested in Government investments, secured bank bonds and pooled property, equity and multi-asset funds.

47. Of the 15% of investment balances that were subject to bail-in risk at 31 December 2021, 54% was held in very short-term notice accounts providing a comparatively favourable rate of interest in exchange for a short notice period within the 100-day maximum recommended by Arlingclose, 25% was held in overnight money market funds and cash plus funds which are subject to a reduced risk of bail-in due to the high level of diversification

within these investments, and the remainder was held in overnight bank call accounts for liquidity purposes.

48. Unfortunately, the availability of appropriate longer term investment opportunities has been reduced in comparison to previous years due to an uncertain economic market, very low interest rates and the local authority market has been much reduced due to the amount of funding that has been supplied to the sector from Central Government in relation to the pandemic.

49. Further detail is provided at Annex B. This diversification is a continuation of the strategy adopted in 2015/16.

Business models

50. 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

51. The County Council agreed in 2021 to increase the amount of its cash balances earmarked for investments targeting higher yields of around 4% to £250m.

52. 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.

53. 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.

54. 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.

55. 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 (pa) 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.

56. 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.

57. 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.

58. Just under £217m of the allocation to higher yielding investments has now been invested, with the remaining balance earmarked. The total amount invested includes £10m 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.

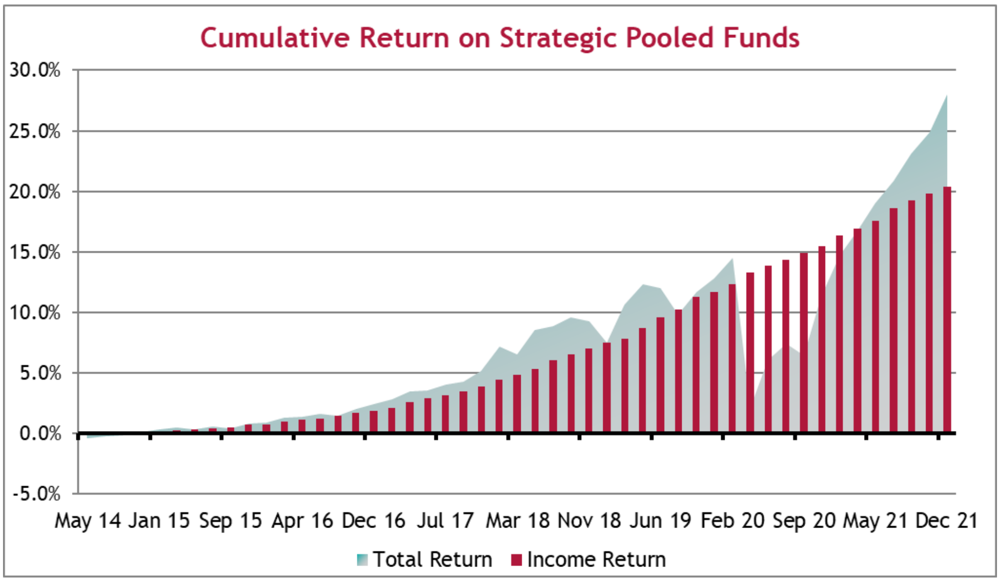
59. The current portfolio of investments targeting higher yields is summarised in Table 3.

Table 3: Investments targeting higher yields portfolio

Investment type*	Amount invested	Market value at 31/12/2021	Gain/(fall) in capital value	
			Since purchase	One year
	£m	£m	£m	£m
Fixed deposits	22.1	22.1	-	-
Pooled property funds	75.0	83.1	8.1	9.4
Pooled equity funds	50.0	53.9	3.9	7.0
Pooled multi-asset funds	48.0	49.1	1.1	0.6
Total	**195.1**	**208.2**	**13.1**	**16.9**

* Excludes £10.2m invested in pooled funds on behalf of TBH JSPB

60. 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 now all pooled funds are showing capital above the amount originally invested, and with the dividends earned, the total return is significantly positive. The total return for pooled funds since purchase was 28% at 31 December 2021.



Note: the graph above excludes the performance related to £10.2m invested on behalf of Thames Basin Heaths JSPB

61. 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.

62. 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 two years.

63. The County Council is aware of the risks involved with investing in pooled funds that hold underlying investments in bonds, equities, property and other financial instruments. 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 £6.25m. This equates to 2.5% 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).

64. 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. This could reduce the income return of pooled funds to below the target of 4% per annum. However the County Council expects to achieve significantly greater income returns from these investments than from the rest of its investment portfolio. Table 4 provides an example of the difference in the annualised average income return from the higher yielding strategy at 31 December 2021 and the returns being achieved on the County Council's other investments for the 12 months to that date.

Table 4: Weighted Average Returns and Indicative Annualised Income

	Cash Balance 31/12/2021	Weighted Average Return	Annualised Income
	£m	**%**	**£m**
Short-term and Long-term Cash Investments	486.6	0.22	1.08
Investments Targeting Higher Yields	195.2	4.31	8.81
Total	**681.8**	**1.39**	**9.49**

Investment Limits

65. The maximum that will be lent to any one organisation (other than the UK Government) will be £90m, which is an increase in comparison to the previous TMSS due to temporarily increased investment balances. Although over the longer term it is expected that the County Council's cash balances will reduce, the ongoing pandemic has resulted in world supply issues and so the delivery of elements of the agreed capital programme has been delayed, which may result in raised investment balances for a short time. Increased limits allow the flexibility to ensure that all of the County Council's cash can be invested in accordance with this TMSS.

66. A group of entities 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 5.

Table 5: Investment Limits

	Cash Limit
Any single organisation, except the UK Central Government	£90m each
UK Central Government	Unlimited
Any group of pooled funds under the same management	£225m per manager

Approved Counterparties

67. The County Council may invest its surplus funds with any of the counterparty types in Table 6, subject to the limits shown:

Table 6: 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	£90m	Unlimited
Secured investments *	25 years	£90m	Unlimited
Banks (unsecured) *	13 months	£45m	Unlimited
Building societies (unsecured) *	13 months	£45m	£90m
Registered providers (unsecured) *	5 years	£45m	£90m
Money market funds *	n/a	£90m	Unlimited
Strategic pooled funds	n/a	£90m	£450m
Real estate investment trusts	n/a	£45m	£90m
Other investments *	5 years	£45m	£90m

This table must be read in conjunction with the notes below

*** Minimum credit rating**

68. 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.

69. For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

Government

70. 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

71. 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)

72. 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)

73. 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

74. 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

75. 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)

76. 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

77. 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.

78. In addition the County Council can invest in an unrated corporate where it owns an interest in the corporation that gives participation in the company's governance, in which case a limit of £35m for an investment of up to 20 years will apply.

Operational bank accounts

79. 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 Bank of England 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

80. 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.

81. 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

82. 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.

83. 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

84. 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.

85. The County Council will spread its liquid cash over at least four providers (e.g. 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.

Treasury Management Indicators

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

Interest rate exposures

87. 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 7: Interest rate risk indicator

	31 December 2021	Impact of +/- 1% interest rate change
	£m	£m
Sums subject to variable interest rates:		
Investment	672	+/-6.7
Borrowing	(20)	+/-0.2

Maturity structure of borrowing

88. 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 8: 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%

89. 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

90. 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 9: Price risk indicator

	2022/23	2023/24	2024/25
Limit on principal invested beyond year end	£330m	£300m	£300m

Related Matters

91. The CIPFA Code requires the County Council to include the following in its treasury management strategy.

Financial derivatives

92. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

93. 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.

94. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit.

95. In line with the CIPFA Code, the County Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Investment training

96. The needs of the County Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

97. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.

98. 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 on 15 November 2021, which gave an update of treasury matters. A further Arlingclose workshop has been planned for 2022.

Investment advisers

99. 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 Director of Corporate Operations, his staff and Arlingclose.

Markets in Financial Instruments Directive

100. 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.

Other Options Considered

101. The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Corporate Operations believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in Table 10.

Table 10: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in

Table 10: Alternative strategies and their implications

Alternative	Impact on income and expenditure	Impact on risk management
		the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Annex A – Arlingclose Economic & Interest Rate Forecast - December 2021

Underlying assumptions:

- The global recovery from the pandemic has entered a more challenging phase. The resurgence in demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. The advent of the Omicron variant of coronavirus is affecting activity and is also a reminder of the potential downside risks.
- Despite relatively buoyant activity survey data, official Gross Domestic Product (GDP) data indicates that growth was weakening into Quarter 4 of 2021. Other data, however, suggested continued momentum, particularly for November. Retail sales volumes rose 1.4%, and the labour market continued to strengthen. The end of furlough did not appear to have had a significant impact on unemployment. Wage growth is elevated.
- The Consumer Price Index (CPI) rate rose to 5.1% for November and will rise higher in the near term. While the transitory factors affecting inflation are expected to unwind over time, policymakers' concern is persistent medium term price pressure.
- These factors prompted the Monetary Policy Committee (MPC) to raise Bank Rate to 0.25% at the December 2021 meeting. Short term interest rate expectations remain elevated.
- The outlook, however, appears weaker. Household spending faces pressures from a combination of higher prices and tax rises. In the immediate term, the Omicron variant has already affected growth – activity for Quarter 4 of 2021 and Quarter 1 of 2022 could be weak at best.
- Longer-term government bond yields remain relatively low despite the more hawkish signals from the Bank of England (BoE) and the Federal Reserve. Investors are concerned that significant policy tightening in the near term will slow growth and prompt the need for looser policy later. Geo-political and coronavirus risks are also driving safe haven buying. The result is a much flatter yield curve, as short-term yields rise even as long-term yields fall.
- The rise in Bank Rate despite the Omicron variant signals that the MPC will act to bring inflation down whatever the environment. It has also made clear its intentions to tighten policy further. While the economic outlook will be challenging, the signals from policymakers suggest their preference is to tighten policy unless data indicates a more severe slowdown.

Forecast:

- The MPC will want to build on the strong message it delivered this month by tightening policy despite Omicron uncertainty.
- Arlingclose therefore expects Bank Rate to rise to 0.50% in Quarter 1 of 2022, but then remain there. Risks to the forecast are initially weighted to the upside, but becoming more balanced over time. The Arlingclose central forecast remains below the market forward curve.

- Gilt yields will remain broadly flat from current levels. Yields have fallen sharply at the longer end of the yield curve, but expectations of a rise in Bank Rate have maintained short term gilt yields at higher levels.
- Easing expectations for Bank Rate over time could prompt the yield curve to steepen, as investors build in higher inflation expectations.
- The risks around the gilt yield forecasts vary. The risk for short and medium term yields is initially on the upside but shifts lower later. The risk for long-term yields is weighted to the upside.

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25
3-month money market ra													
Upside risk	0.05	0.05	0.25	0.35	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.25	0.55	0.55	0.60	0.60	0.60	0.60	0.65	0.65	0.65	0.65	0.65	0.65
Downside risk	0.00	-0.25	-0.25	-0.30	-0.30	-0.30	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35
5yr gilt yield													
Upside risk	0.00	0.35	0.45	0.55	0.55	0.55	0.55	0.55	0.55	0.50	0.50	0.45	0.45
Arlingclose Central Case	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.65	0.70	0.75	0.75
Downside risk	-0.10	-0.20	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40
10yr gilt yield													
Upside risk	0.10	0.25	0.35	0.40	0.45	0.50	0.50	0.50	0.50	0.50	0.55	0.55	0.55
Arlingclose Central Case	0.80	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.90	0.90	0.95	0.95
Downside risk	-0.10	-0.25	-0.30	-0.35	-0.35	-0.35	-0.35	-0.35	-0.35	-0.40	-0.40	-0.40	-0.40
20yr gilt yield													
Upside risk	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	1.00	1.05	1.10	1.10	1.10	1.10	1.15	1.15	1.15	1.20	1.20	1.20	1.20
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45
50yr gilt yield													
Upside risk	0.25	0.30	0.40	0.45	0.45	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.70	0.75	0.80	0.85	0.90	0.95	1.00	1.05	1.05	1.10	1.10	1.15	1.15
Downside risk	-0.15	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B - Existing Investment & Debt Portfolio Position at 31 December 2021

Treasury investments position

Investments	31/08/2021 Balance £m	Net movement £m	31/12/2021 Balance £m	31/12/2021 Income return %	31/12/2021 Weighted average maturity years
Short term investments					
Banks and building societies:					
- Unsecured	114.6	(39.9)	74.7	0.07	0.08
- Secured	121.9	24.4	146.3	0.12	0.42
Money Market Funds	3.8	10.8	14.6	0.04	0.01
Government:					
- Local authorities	137.0	49.0	186.0	0.37	0.52
- UK treasury bills	15.0	13.0	28.0	0.15	0.32
- Supranational banks	0.0	10.0	10.0	0.14	0.96
- UK gilts	20.0	(20.0)	-	-	-
Cash Plus Funds	10.0	-	10.0	0.55	0.02
	422.3	47.3	469.6	0.22	0.39
Long term investments					
Banks and building societies:					
- Secured	32.5	(15.5)	17.0	0.29	1.26
Government:					
- Local authorities	10.0	(10.0)	-	-	-
	42.5	(25.5)	17.0	0.29	1.26
Long term investments – higher yielding strategy					
Government:					
- Local authorities	21.9	0.3	22.2	4.44	11.58
Pooled funds:					
- Pooled property*	75.0	-	75.0	3.60	N/A
- Pooled equity*	50.0	-	50.0	5.58	N/A
- Pooled multi-asset*	48.0	-	48.0	4.02	N/A
	194.9	0.3	195.2	4.31	11.58
Total Investments	**659.7**	**22.1**	**681.8**	**1.39**	**0.69**
Thames Basin Heath pooled fund investments	10.2	-	10.2		
Total	**669.9**	**22.1**	**692.0**		

* The rates provided for pooled fund investments are reflective of annualised income returns over the year to 31 December 2021 based on the market value of investments 12 months earlier.

Treasury management position	**31/12/2021 Balance £m**	**31/12/2021 Rate %**
External Borrowing:		
- PWLB Fixed Rate	(214.0)	(4.74)
- Other Loans (including LOBO Loans)	(41.2)	(4.35)
- Other Short-term Borrowing*	(43.2)	N/A
Total External Borrowing	(298.4)	(4.00)
Other Long-Term Liabilities:		
- Street Lighting PFI	(91.0)	
- Waste Management Contract	(42.1)	
- Leases	0.0	
Total Other Long-Term Liabilities	(133.1)	
Total Gross External Debt	**(431.5)**	
Investments	**692.0**	**1.44**
Net (Debt) / Investments	**260.5**	

* includes balances held by the County Council on behalf of others for governance or administrative reasons

Pressure in Adults' Social Care

Introduction

The purpose of this Appendix is to provide information on the current trends for Adults' Social Care (ASC) costs and what this could translate into in terms of future projections.

Background and Context

Growth in ASC costs have been fairly stable over a long period, albeit there was a slight re-balancing pre-Covid, which pushed the annual growth sum up from £10m per annum to £13.5m per annum.

Covid obviously had a major impact on the sector with Residential and Nursing volumes dropping by over 350 clients between March 2020 and July 2020. This reduction enabled the County Council to reduce the growth funding to Adults' Health and Care in 2020/21 which helped to offset over £8m of undelivered recurring savings within Public Health across Tt2021 and SP23.

However, much of this reduction has been eroded subsequently and as at end December 2021 there were only 78 clients less than the March 2020 figures, representing an increase of 272 clients over 17 months. Ordinarily over this timeframe we would expect to see approximately 105 additional clients.

Whilst the growth in numbers is a worry, of greater concern is the significant increase in costs in the marketplace. Whilst there is no single obvious explanation for this, it could be being driven by:

- Limited availability of an affordable workforce.
- Ongoing requirements to meet additional infection prevention and testing controls.
- Lower than normal occupancy within the private market, thereby providers needing to recover their costs over a lower, and more uncertain client base.

Irrespective of the reasons, the combination of increasing clients and increasing prices will have a major impact on our medium term financial position.

Forecast Methodology

Whilst it is difficult to determine what is driving these increases, it is likely that we are seeing a post-Covid re-set of the market that will eventually stabilise around price and that volumes will continue to increase at a higher rate for a period and then drop back to pre-Covid levels, although clearly there are significant levels of potential variability within this scenario.

This section concentrates on a single scenario that we believe is the most likely. In some respects, the logic applied to the pricing position is difficult to challenge, compared to the broader assumption made on volumes.

Pricing Assumption
Prices continue to increase at a constant rate from September 2021 identical to the monthly average observed over the 6 months from April 2021 to September 2021 when the increases were most prevalent.

The price increases for Residential and Nursing care continue to increase until the average weekly cost for all clients meets the latest average price secured for new care, £995 and £1,175 respectively (compared to a current overall average of £859 and £1,000). Beyond this point the growth is assumed to be similar to the pre-pandemic rate.

It seems very unlikely that prices will reduce in the market even after it stabilises, so these are the average prices we are likely to pay in the future, the main variable is how quickly we get there.

Volumes Assumption
We have assumed volumes continue to increase at a constant rate from September 2021 to March 2022 identical to the monthly average observed over the 6 months April 2021 - September 2021. From April 2022 volumes revert to increasing at a monthly rate akin to normal pre-pandemic growth.

The net impact of these assumptions (over and above already funded inflation and growth) is shown below for the next 3 financial years:

2022/23	£35.3m
2023/24	£45.0m
2024/25	£49.2m

The reason for the big spike in 2022/23 is due to the full year impact of the high rates of price and volume growth in the current year. Beyond this the figures start to stabilise but still do represent a £45m pressure by 2023/24 which is over and above the £80m two year deficit and on top of the £14m further gap we have as a result of the restriction on the ASC precept.

Most of the additional £22.9m grant that we are receiving from the Government in 2022/23 is already accounted for as part of the SP2023 savings, so this is not available to offset the position in the longer term, which is why year on year additional funding is vital to mitigate this position.

These figures have been factored into the overall forecasts outlined in the body of the main report and every step is being taken to alert Government to the pressures we face generally but in particular, in this service area.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker	Cabinet
Date:	8 February 2022
Decision Maker	County Council
Date:	17 February 2022
Title:	Capital Programme 2022/23 to 2024/25
Report From:	Director of Corporate Operations

Contact name: Rob Carr

Tel: 0370 779 2467 **Email:** Rob.carr@hants.gov.uk

Purpose of this Report

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 2022/23 and the provisional programmes for the subsequent two financial years.

Recommendation(s)

It is recommended that Cabinet:

2. Recommends to County Council that the capital programme for 2022/23 and the provisional programmes for 2023/24 and 2024/25 as set out in Appendix 1 be approved, including the identified carry forward of resources.

3. Approves the increase in the value of the Uplands Development Infrastructure (UDI) project of £1.498m (scheme total now £28.139m) and the wider master developer funding of £0.85m, using part of the enhanced forecast sale receipts following the successful marketing of the initial phase of development on the Woodhouse Meadows site, together with a 'windfall' compensation payment from Scottish and Southern Electric (paragraph 70)

4. Approves the £1.856m increase in the capital programme value of the Botley Bypass scheme from £21.675m to £23.531m (including the Botley Village

enhancements scheme), with the increase to be funded by additional developer contributions and enhanced forecast capital receipts arising from the sale of the Uplands Farm developments sites. (paragraph 74)

5. Approves the £1.021m increase in the capital programme value of the Hartford Bridge Flats Junction Improvements Phase 2 – Fourth Arm scheme from £1.1m to £2.121m with the increase to be funded by a mix of S106 contributions and LEP funding. (paragraph 75)

6. Approves, subject to the Enterprise M3 LEP formally approving the additional funding, the £1.45m increase in the capital programme value of the Brighton Hill Roundabout improvements scheme from £19.3m to £20.75m with the increase to be funded by a mix of LEP funding (subject to formal confirmation) and S106 contributions. (paragraph 76)

7. Approves the £1.725m decrease of the Bedhampton Hill Roundabout signalisation scheme value from £2.925m to £1.200m, in the 2021/22 capital programme year. (paragraph 77)

8. Approves a virement of £1.03m from the Adults' Health and Care capital programme to the Culture Communities and Business Services revenue budget in the 2021/22 financial year to fund Health and Safety works within the Nursing and Residential estate, as set out in paragraph 78.

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

   a) The capital programme for 2022/23 and the provisional programmes for 2023/24 and 2024/25 as set out in Appendix 1 are approved, including the identified carry forward of resources

   b) The capital programme value of the Stubbington Bypass scheme is increased by £2.701m from £39.295m to £41.996m, with the increase to be funded by a mix of Section 106 contributions, CAVAT funds, savings from Eclipse Busway scheme and Local Transport Plan funding (LTP). (paragraph 72)

   c) The capital programme value of the Lynchford Road improvement scheme phase 1 is increased by £2.91m from £7.97m to £10.88m with the increase to be funded by a mix of S106 contributions and LTP funding. (paragraph 73)

RECOMMENDATIONS TO COUNTY COUNCIL

County Council is recommended to approve:

a) The capital programme for 2022/23 and the provisional programmes for 2023/23 and 2024/25 as set out in Appendix 1, including the identified carry forward of resources

b) The increase in the capital programme value of the Stubbington Bypass scheme of £2.701m from £39.295m to £41.996m with the increase to be funded by a mix of Section 106 contributions, CAVAT funds, savings from Eclipse Busway scheme and Local Transport Plan funding (LTP). (paragraph 72)

c) The increase in the capital programme value of the Lynchford Road improvement scheme phase 1 of £2.91m from £7.97m to £10.88m with the increase to be funded by a mix of S106 contributions and LTP funding. (paragraph 73)

Executive Summary

10. This report sets out for approval the proposed three year capital programme for 2022/23 to 2024/25, comprising schemes totalling £556.2m. The report also provides details of the revised programme for 2021/22, equating to a further £276.4m. This results in a total programme of £832.6m across four years, expected to be one of the largest in the country. Further details are provided in Table 1.

11. The proposals within this report are in line with the Medium Term Financial Strategy (MTFS) which ensures the County Council continues to invest wisely in its existing assets and delivers a programme of new ones in line with overall priorities and need.

12. The County Council's Capital and Investment Strategy is included as Appendix 7 of the revenue budget report. It meets statutory obligations and the requirements contained within guidance issued by the former Ministry of Housing, Communities and Local Government (MHCLG) on investments and the Minimum Revenue Provision (MRP) as well as the Prudential Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

13. The capital programme report collates the service capital programmes prepared by Executive Members based on the existing cash limit guidelines for the locally resourced programme, together with schemed funded by Government Grants and other external sources. The County Council's locally resourced capital programme has been maintained despite the challenging

financial environment in which local government has been operating since the start of the last decade.

14. The programme delivers schemes totalling £556.2m over the three years from 2022/23 to 2024/25. This follows a revised programme of £276.4m for 2021/22, resulting in a total capital programme of £832.6m over four years.

15. The capital programme provides a significant boost to the local economy through jobs and the purchase of construction materials. This is a very significant investment in the infrastructure of Hampshire, of even more relevance as the local area and the country look to recover from the effects of the Covid-19 pandemic. Furthermore, the capital programme also presents opportunities for the County Council to contribute towards its climate change targets of being carbon neutral and resilient to the impacts of a 2℃ temperature rise by 2050.

16. It should be noted that the construction industry is in a period of instability with significant inflationary pressures and volatility. The outlook for the UK economy is uncertain. There are uncertainties around material price increases and availability of labour, with recent tender returns showing evidence of this. There is a risk of higher prices, but until material and labour shortages are resolved the impact is difficult to predict with certainty. The Building Cost Information Services (BCIS) of the Royal Institution of Chartered Surveyors (RICS) recently forecast inflation of 4.7% from Q3 2021 to Q3 2022 and five year tender price inflation of 17% through to Q3 2026. Structural changes and sustained pressure on resources are expected to contribute to ongoing inflationary pressures over the medium term. Continued use of local and regional construction frameworks and the early engagement of contractors will be vital in securing value for money and capacity from the industry for the successful delivery of projects within this programme.

17. The proposed 3 year programme includes:
    - £109m of investment in new and extended school buildings to ensure there is a school place for every child in Hampshire
    - £136m for structural maintenance and improvement of roads and bridges in Hampshire over the next three years
    - £109m of Integrated Transport Plan schemes including over £50m specifically focused on walking and/or cycling improvements
    - £30m related to proposed recycling infrastructure including a new materials recovery facility, two fibre processing plants and upgrades to 11 waste transfer stations
    - £95m to address condition-based maintenance of the schools’ estate

18. The detailed departmental capital programmes are shown in Appendix 1. A summary of the programme is shown in Table 1.

Table 1 – Proposed capital programme

	Revised 2021/22	**2022/23**	**2023/24**	**2024/25**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adults' Health & Care	43,727	14,733	481	481	59,422
Children's Services	49,049	32,530	27,559	89,895	199,033
Economy, Transport and Environment	112,855	109,734	102,953	62,212	387,784
Culture, Communities and Business Services	70,779	59,728	27,950	27,950	186,407
Total	**276,440**	**216,725**	**158,943**	**180,538**	**832,646**

$\underbrace{\text{2022/23 to 2024/25}}_{\textbf{556,206}}$

19. For the elements of the programme that operate on a 'starts' basis, the figures for the 3-year programme do not include the value of schemes currently in delivery which commenced prior to 2022/23, including, amongst others, significant schemes totalling over £100m related to the Integrated Transport Programme and £97.55m approved for the M27 J10 improvement scheme.

20. 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.

21. The proposals take account of the County Council's Capital and Investment Strategy and the requirements of the Prudential Code for capital finance in local authorities. This includes not only the capital financing position, but also the level of external debt and the consequences of the programme for the revenue budget and council tax. The County Council sets and monitors prudential indicators covering capital expenditure, external debt and affordability and these are included within the Capital and Investment Strategy (appendix 7 within the revenue budget report on this agenda).

22. The capital programme is supported by Government grants for schools, highways, transport, and disabled facilities. Information on these grants is provided in the following paragraphs.

23. The Secretary of State has yet to announce details of individual local authority basic need capital allocations for the years 2023/24 and 2024/25 and School Condition Allocation (SCA) for the year 2022/23. However, indications are that the 2022/23 SCA allocation will be equal to 2021/22. Devolved Formula Capital (DFC) has yet to be confirmed for 2022/23 but again, expectations are that it will be at a similar level to the 2021/22 allocation. In addition, the recent budget statement by the Chancellor of the Exchequer announced an additional £2.6bn nationally for SEN Schools. Individual local authority allocations will be announced at a later date.

24. The Department for Transport (DfT) has yet to confirm future allocations for Integrated Transport, Structural Maintenance, or the Pothole Fund. It is also yet to confirm that the County Council will achieve Band 3 (highest band) for its Incentive Fund. For planning purposes, it is assumed that previous allocations will be maintained. 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), however the lack of additional LGF being made available to LEPs by central government means there is no funding from this source within the starts programme for the next three years. The County Council has previously had success in securing funding from the DfT across the Tranche 2 Transforming Cities Fund and Tranche 2 Active Travel Fund (ATF) and hopes to build on this with the submission of recent bids for further ATF funding and through the Bus Service Improvement Plan (BSIP), part of the National Bus Strategy.

25. 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 2022/23. For planning purposes, the 2022/23 programme therefore assumes £14.252m in line with the 2021/22 allocations.

26. 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.
    - The proposed programme includes the planned use of prudential borrowing. When coupled with the ongoing impact of prior year programmes, it results in estimated outstanding and planned prudential borrowing of £304m.
    - The prudential borrowing agreed to date and now proposed is in accordance with the County Council's Capital and Investment Strategy

and the requirements of the Prudential Code for Capital Finance in Local Authorities.

Contextual information

27. The cash limit guidelines for the new capital programme for 2022/23 to 2024/25 have been set at the same level as the current capital programme. This follows the Financial Update and Budget Setting and Provisional Cash Limits 2022/23 report to Cabinet on 7 December 2021 that outlined provisional guidelines to allow detailed capital programmes to be prepared.

28. Executive members have now prepared proposals for:

    - A locally resourced capital programme for the three-year period from 2022/23 to 2024/25 within the guidelines set and other resources available to services.
    - A programme of schemes supported by Government capital grants.

29. ‘Locally resourced’ schemes are those financed from the County Council’s own resources. This can include capital receipts, contributions from the revenue budget, prudential borrowing, reserves, and other funds. Schemes supported by capital grant from Government are not included.

30. 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

31. The guidelines for the locally resourced programme were set by Cabinet in December 2021 based on existing levels with no uplift for inflation. These amounts are shown in Table 2 (the ‘original guidelines’) in addition to the use of reserves proposed by Executive Members and other adjustments.

Table 2 – guidelines for locally resourced capital programme

	2022/23 £'000	2023/24 £'000	2024/25 £'000	Total £'000
Adults' Health and Care				
Original guideline	481	481	481	1,443
Adults' Health and Care Total	**481**	**481**	**481**	**481**
Children's Services				
Original guideline	100	100	100	300
Developers' contributions	3,848	15,110	58,446	77,404
Capital receipts	2,973	0	0	2,973
Contribution from reserves	1,250	1,750	0	3,000
Carry forward from previous years	0	0	1,000	1,000
Children's Services Total	**8,171**	**16,960**	**59,546**	**84,677**
Economy, Transport and Environment (ETE)				
Original guideline	11,929	11,929	11,929	35,787
Developers' and other contributions	13,501	13,341	9,756	36,598
Prudential borrowing	30,000	0	0	30,000
Carry forward from previous years	0	0	414	414
ETE Total	**55,430**	**25,270**	**22,099**	**102,799**
Culture, Communities and Business Services (CCBS)				
Original guideline	4,559	4,559	4,559	13,677
Contribution from revenue & reserves	1,034	0	0	0
Carry forward from previous years	6,126	0	0	0
CCBS Total	**11,719**	**4,559**	**4,559**	**20,837**
Overall Total	**75,801**	**47,270**	**86,685**	**209,756**

Government supported programme

32. 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 2022/23 onwards.

Children's Services

33. The Secretary of State has previously announced details of individual local authority Basic Need allocations for 2022/23 but has yet to announce details for 2023/24 and 2024/25. Allocations to date for Devolved Formula Capital only cover 2021/22 but expectations are that it will be at a similar level in

2022/23. In addition, the recent budget statement by the Chancellor of the Exchequer announced an additional £2.6bn nationally for SEND Schools. Individual local authority allocations will be announced at a later date.

34. The 2022/23 Basic Need allocation did not allocate any capital funding to Hampshire. Whilst this is disappointing, it was expected. The DfE capital allocations have largely caught up with the requirement and delivery of school places. There is the potential for a zero or low capital allocation in 2023/24 as the DfE assesses the impact of the free school places they directly fund. At this stage, it is considered prudent to assume a zero allocation. An update will be provided as soon as possible following capital announcements in 2022.

Culture, Communities and Business Services

35. The School Condition Allocation (SCA) grant from Government is included in the CCBS Capital Programme however priorities are jointly agreed with Children's Services. The Secretary of State has not yet announced details of individual local authority capital allocations for 2022/23, 2023/24 and 2024/25. However, further changes to the allocation formula are anticipated from 2022/23 and it is unclear what the net impact will be on the SCA grant for Hampshire County Council. A continuation of 2021/22 allocation is assumed in the 2022/23 capital programme, however it is recognised that the confirmed allocation may be lower and this is being considered in the detailed planning for the 2022/23 SCA programme.

Economy, Transport and Environment

36. The Department for Transport (DfT) has not yet confirmed allocations for Integrated Transport and Structural Maintenance for 2022/23, 2023/24 and 2024/25. For planning purposes, the values are based on previous allocations, but they are subject to change as government funding announcements are made throughout the year. The DfT is also yet to confirm that Hampshire County Council will achieve Band 3 (highest band) of its Incentive Fund which would equate to £3.721 million. It is assumed for the purposes of this report that Hampshire County Council will retain its Band 3 status and that level of funding will remain through to 2024/25 inclusive.

37. Further, at the time of writing, the DfT has not confirmed the Pothole fund, but for planning purposes, it is assumed that this year's allocation of £14.886 million will be received each year for the next three years.

38. The County Council has historically had a great deal of success in securing Local Growth Funding from both the EM3 and Solent LEPs, with a significant proportion of Integrated Transport schemes currently being delivered from previous capital programme years (due to the 'starts-based' nature of this programme) being part-funded from Local Growth Funding (LGF). However,

due to the lack of additional LGF being made available to the LEPs by central government, there is no funding from this source within the starts programme in the next three years and there is no further indication of any future funding.

39. To mitigate the reduced opportunity for LGF funding, the ETE department has worked hard to identify other sources and has previously been successful in securing funding from the DfT to the value of £40 million across the Tranche 2 Transforming Cities Fund and Tranche 2 Active Travel Fund (mix of capital and revenue). Schemes within these programmes will continue to be delivered in 2022/23. The County Council hopes to build on this success with the submission of recent bids following the Government announcement of two multi-year capital funding streams, via the Active Travel Fund (ATF) and the Bus Service Improvement Plan (BSIP), part of the National Bus Strategy. Although the outcome of these bids is not known yet, based on previous assumptions, schemes relating to these funding sources have entered the capital programme in 2022/23, 2023/24 and 2024/25**.**

Adults' Health and Care

40. From 2016/17, the Government has discontinued the Social Care capital grant and consolidated funding within the Disabled Facilities Grant (DFG). The Secretary of State has not yet announced details of individual local authority capital allocations for 2022/23, therefore for planning purposes funding has been assumed to be £14.252m in line with the 2021/22 allocation. The funding is allocated as part of the Better Care Fund (BCF) pooled budget which is overseen by the Hampshire Health and Wellbeing Board. Grant conditions prevent the use of this funding for anything other than awarding grants for changes to a person's home.

The programmes submitted

41. The total starts value of the three-year programme submitted by Executive Members is £556.2m, as shown in Table 3. It includes £346.45m of schemes supported by Government grants and £209.756m of locally resourced schemes.

Table 3 – starts programme proposed 2022/23 to 2024/25

		Works etc			
	Land	**Locally resourced**	**Supported by Govt allocations**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2022/23	646	75,155	140,924	216,079	216,725
2023/24	646	46,624	111,673	158,297	158,943
2024/25	646	86,039	93,853	179,892	180,538
Total	**1,938**	**207,818**	**346,450**	**554,268**	**556,206**

42. The proposed programmes are in line with the cash limit guidelines for the capital programme, as adjusted in Table 2. The programmes themselves are set out in detail in Appendix 1. Key themes for each programme are outlined below.

Adults' Health and Care

43. The Adult Services capital programme for locally resourced schemes is £0.481m per annum of the 3 year programme and reflects the strategic aims of enabling people to live safe, healthy and independent lives, enjoy a rich and diverse environment and be part of a strong and inclusive community. It includes priority works on residential and nursing care premises to meet the needs of residents and service users to satisfy the requirements of regulators including the Care Quality Commission, The Fire Service and the Health and Safety Executive.

44. The locally resourced capital programme is supported by Government funding for the Disabled Facilities Grant (DFG), which is capital money available to local authorities to pay for essential housing adaptations to help disabled people stay in their homes. The Secretary of State has not yet announced details of individual local authority capital allocations for 2022/23. For planning purposes, the programme assumes £14.252m in line with the prior year allocation.

45. A range of essential health and safety liabilities at in-house residential care and nursing homes were identified through inspections at a total cost of £4.3m over two years. This was reported to Cabinet on 24 November 2020. A programme of works is being undertaken as part of the Culture Communities and Business Services revenue budget. It is recommended that Cabinet approves a virement of £1.03m in the 2021/22 financial year from the Adult Services Capital Budget to fund this work. This work cannot be capitalised under capital accounting rules. It is anticipated that further requests for funding will be made as the estate continues to age and liabilities are identified.

46. As part of the MTFS Update and Savings Programme to 2023 report to Cabinet and County Council (October and November 2021) an investment of £22m was approved for younger adults extra care and the Woodcot Lodge discharge facility to be funded by prudential borrowing with repayments accounted for within proposed revenue savings. This is included in the revised 2021/22 programme.

Children's Services

47. The proposed three-year programme equates to just under £150m, of which £32.5m is to fund starts in 2022/23. This 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 2021 the County Council will have delivered 14,215 new school places with projects contained within the 2022/23 to 2024/25 programme totalling a further 8,066 places giving a total of 22,281 new school places by September 2025.

48. The current presumption (by the DfE) is that every new school will be an academy/free school. This means that once built the County Council hands over the site and buildings to the Academy on a Full Repairing and Insuring 125-year lease but still retains the freehold of the site. Austen Academy opened in April 2021 followed by Cornerstone CE (Aided) Primary and Deer Park schools in September 2021. A further 7 schools are on the planning horizon to September 2025, however the timing of new provision to serve new developments will be dependent on the build out of the new housing.

49. There has been a significant increase in numbers of pupils requiring a Special Educational Needs and Disability (SEND) specialist school place. Increased numbers alongside advances in medical technology are giving rise to some schools having very specific accommodation needs to meet the specialist and often complex requirements of individual pupils. For these reasons, there are some significant suitability issues within special schools across the county. Forecasting for the future need and type of SEND School Places is complex and the cost per place of provision is significantly more expensive than in mainstream schools. The forward capital programme includes a number of special school projects, costed at over £35m.

50. As part of the Early Years Sufficiency Strategy, it is proposed to allocate £3m 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 2022/23 – 2023/24.

51. The focus of capital investment in recent years has been on Basic Need and Capital Maintenance. However, it is recognised that some buildings are now in need of significant suitability investment that is beyond individual school budgets. County Council resources of £5m (including fees) were allocated over a three-year programme of investment to ensure facilities are fit for purpose and continue to provide good quality learning environments. It is now proposed to continue this important investment programme with an allocation of £2m per annum from 2023/24 onwards. The remaining funding and future years allocations will be targeted towards improvements to general teaching spaces in primary and secondary schools, science laboratories and additional SEND projects.

52. The proposed programme includes other improvement and modernisation projects relating to access to schools, adaptations to properties for foster

carers and disabled children and young people, and schools Devolved Formula Capital.

53. 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 many cases this is due to the need to obtain the necessary statutory approvals. It is proposed to carry forward resources of £16.87m across a number of schemes, the most significant (£6m) being Winton Academy, which will provide a permanent expansion to the existing site and is due to start during 2022.

54. The Children's Services capital programme has reached a balanced position between income and expenditure in recent years. However, despite the ongoing primary pressure and secondary impact, indications are that a balanced position will be maintained over the 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 any impact on teaching spaces and environment. Future design solutions will also carefully consider the impact on climate change. Alongside this, the strategy to pursue free schools has also helped reduce the forecast deficit and officers will keep abreast of any new funding initiatives that may help to reduce the deficit further.

55. The County Council has a local and national reputation for the quality of its school buildings, and better value schools have been delivered over recent years despite the Covid-19 pandemic. The County Council also continues to innovate in the construction of schools in response to climate change targets, working with contractors, using modern methods of construction, and engaging with supply chain and manufacturers.

56. 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.

Economy, Transport and Environment (ETE)

57. Proposals of the Executive Lead Member for Economy, Transport and Environment amount to over £274m over the next three years. The programme includes £135.9m of new investment in structural maintenance, £108.6m in the Integrated Transport programme, £30.0m in the Waste programme and £0.3m in flood and coastal defence projects.

58. The Structural Maintenance budget is used to extend the life of an existing asset and is made up of two major programmes of work:

- The Structural Planned Maintenance programme (£41.3m in 2022/23) includes Operation Resilience, local depot sub-programmes, and Intelligent Transport Systems (replacing life expired equipment). Operation Resilience is expected to comprise about 75% of the spend in 2022/23 (£30.5m).
- The Bridges and Structures programme (£4.0m in 2022/23) consists of works to County Council owned Highway structures, which includes roads, bridges, culverts (1.5m span or more), subways and retaining walls, as well as works on pumps at subways and low spots in the carriageway.

59. Budgets are allocated in line with Hampshire County Council's Asset Management principles and needs based budgeting. Programmes are developed based on various factors, including condition, remaining life and lifecycle planning including whole life costs.

60. The Integrated Transport Plan (ITP) programme operates on a 'starts' basis and the proposed total value across 2022/23 to 2024/25 of £108.6m does not therefore include the value of schemes currently in delivery which commenced prior to 2022/23, such as Stubbington Bypass, M27 Junction 9, Brighton Hill Roundabout and A326 Fawley Waterside, totalling over £100m. Nor does it include the increase to the existing M27 Junction 10 improvement to £97.55m as approved by Cabinet on 13 July 2021. The proposed programme includes £38m of schemes where funding is not yet secured but where submissions will be made as part of future rounds for Active Travel Funding (£26m), Bus Service Improvement Plan (£11m) and Levelling Up Fund (£1m). The programme also includes a sub-programme of over £50m relating to schemes mainly concerned with walking and/or cycling improvements. This reflects the increased investment in walking and cycling infrastructure and the capital programme's shift in emphasis to sustainable transport measures to contribute to the County Council's de-carbonisation and climate change ambitions.

61. Work has now been completed to determine the optimum waste collection and processing system for Hampshire between twin stream (recyclable containers are collected separately from the fibre stream) and kerbside sort (all materials are segregated at the kerbside). This work demonstrated that a modelled twin stream system scored best financially, from a whole systems cost perspective, as well as achieving a 13.4% increase in recycling performance and a reduction in carbon of over 11,000 TCO2e. This has been followed by the development of the Project Integra Joint Municipal Waste Management Strategy which is a response to the forthcoming legislative requirements set out in the Environment Act and contains a commitment from all partners to switch to the twin stream system. At the point of writing, it is

expected that all Project Integra partners will have adopted the strategy by the end of the financial year 2021/22.

62. Following a further round of Government consultations during the first half of 2021/22, the feasibility study for the proposed recycling infrastructure has been updated to take account of the need to capture flexible plastics and films and to consider the implications on the waste flow of the deposit return scheme.

63. The scope of this work covered delivery of a new materials recovery facility (MRF), a materials analysis facility, two fibre processing plants, upgrades to the 11 waste transfer stations to accommodate the shift to twin stream and provide bulking points for food waste together with provision for decommissioning costs and inflation. The work resulted in a provisional cost estimate of £30 million. As such, the three-year capital programme has included an allocation of £30 million for capital programme year 2022/23. It is anticipated that, subject to approval, the project would be funded from prudential borrowing.

64. The County Council's Flood Risk and Coastal Defence Programme is an important part of its response to the challenge of climate change. Over the next 3 years, new capital funding from the programme funded by local resources is £0.3m. This does not, however, include the value of schemes currently in design and delivery which started prior to 2022/23 and the estimated value of the total programme is £24.6m. The programme is supported with external funding of £10.2m from the Flood Defence Grant in Aid (FDGiA), Regional Flood and Coastal Committee (RFCC) Local Levy, other local authorities, and developers contributions.

Culture Communities and Business Services (CCBS)

65. The proposed three-year capital programme for CCBS totals just over £115.6m. The majority of the schemes are reported to the Executive Member for Commercial Strategy, Estates and Property (EMCSEP) and will be delivered by the Culture, Communities and Business Services (CCBS) Department. However, from time to time, the three-year programme may also need to include one-off proposals from Corporate Services.

66. The largest allocation within the locally resourced programme is the £3.4m per annum for vehicle purchases by Hampshire Transport Management. An increase of £0.4m per annum from 2020/21 was approved by County Council in February 2020 to enable HTM to respond to growing business for electric vehicles. The cost of these purchases is recovered through business unit charges to customers. The programme also includes new capital improvement schemes for the corporate estate, improvements to visitor facilities at the Great Hall, and priorities relating to statutory Rights of Way

duties. In addition the 2022/23 capital programme includes the proposal to carry forward funding from the 2021/22 programme in respect of schemes that for a variety of reasons will not start in 2021/22.

67. The School Condition Allocation (SCA) grant from Government is included in the CCBS Capital Programme however priorities are jointly agreed with Children's Services. The allocation is used to address condition based improvements to the schools' estate which delivers improvements in the operational efficiency and quality of the learning environment in Hampshire's maintained schools. Schemes identified support the County Council's statutory responsibilities for schools and reduce the maintenance backlog liability through targeted risk-based investment. The most significant maintenance challenge in the schools' portfolio remains the high proportion of 'system buildings' including the SCOLA system used extensively throughout the 1950s to the 1970s. Recladding SCOLA schools is a cost and carbon efficient way to address condition related maintenance issues and protect the overall structure of the buildings, extending their life. Recladding also significantly improves the internal building environment and energy efficiency of the buildings. Beyond the SCOLA programme, there is also a need to continue to address the wider maintenance liabilities across the schools' estate.

County Council revised capital programme 2021/22

68. During the current financial year the capital programme has been revised to reflect additional funding sources and revised timetables for some schemes, with reporting and decisions in line with approval thresholds set out within the County Council's Financial Regulations.

69. Proposals for further amendments requiring the approval of Cabinet and/or County Council set out in recent Executive Member capital programme reports are detailed below.

Uplands Development Infrastructure (UDI)

70. There is a need to increase the funding for the UDI project, which will see the provision of the servicing arrangements (highways and utilities) to support the delivery of Deer Park School and housing on the County Council owned Woodhouse Meadows site at Hedge End. The need for additional funding is due to challenging groundwater conditions, the need for remedial works and a consequent change in the construction specification, together with re-sequencing of works to ensure a serviced access was available to the new school. This has resulted in an additional cost to the UDI contract of £1.498m. The improved land value arising from the recent marketing exercise of Phase 2 of Woodhouse Meadows site will more than meet this cost increase.

71. In addition, it is proposed to use a ‘windfall’ compensation payment of £0.85m from Scottish and Southern Electric to support the County Council’s role as master-developer across the Woodhouse Meadows and Botley Fields sites. This compensation payment follows SSE’s decision to retain existing, overhead high voltage cables that cross the Woodhouse Meadows site. This will enable the County Council to implement noise attenuation arrangement to deliver potential scheme cost savings and/or enhanced land value (Botley Fields) and to meet landowner obligations where existing funding has largely been used to support unforeseen costs (Woodhouse Meadows).

Stubbington Bypass

72. Work on the Stubbington Bypass is well underway. Delays with planned utility diversions and additional works have impacted adversely on the main programme with completion now forecast in late Spring 2022. Additional works required include the repair and relocation of uncharted services as well as dealing with contaminated land and ground stabilisation which have been exacerbated by high ground water levels. These additional works coupled with economic conditions mean an increase in the capital programme value of £2.7m, from £39.295m to £41.996m is proposed, with the increase to be funded by a mix of S106 contributions, CAVAT funds, savings from Eclipse Busway scheme and LTP.

Lynchford Road Improvement Scheme Phase 1

73. There is significant uncertainty with respect to costs due to economic factors causing increases across the sector which include material shortages, rising fuel costs, labour costs and saturation of the regional market as high volumes of infrastructure schemes are being delivered to similar timescales. Whilst tender bids have not yet been received, it is considered prudent to seek an increase in the scheme value for Lynchford Road at this stage to avoid further delay and minimise slippage against EM3 LEP funding conditions. The cost estimate for the Lynchford Road scheme has subsequently been refreshed to reflect market conditions and is forecast at £10.88m which is an increase of £2.91m. These additional costs will be funded from S106 contributions and LTP.

Botley Bypass

74. An emerging cost pressure in the region of £1.856m has been identified for the Botley Bypass project, reflecting current supply chain and cost inflation, taking the estimated scheme cost to £23.531m (including the Botley Village Enhancements scheme, which has been entered as a separate scheme). It is recommended that the capital programme value is increased by £1.856m to be funded from additional developer contributions and enhanced forecast capital receipts arising from the sale of the Uplands Farm developments sites.

Hartford Bridge Flats Junction Improvements Phase 2 – Fourth Arm

75. Additional design requirements were identified for the Hartford Bridge Flats Junction Improvement Phase 2 scheme in March 2021. The increase in scope and necessary planning application process, associated design fees, and emerging economic and commercial pressures mean that additional contingency is required and an increase in scheme value of £1.021m (from £1.1m to £2.121m) is proposed, to be funded by a mix of S106 contributions and LEP funding.

Brighton Hill Roundabout Improvements Scheme

76. Tender returns for the Brighton Hill Roundabout improvement scheme have returned significantly higher than anticipated. This reflects the national economic situation such as the higher demand for resources associated with the recovery in construction demand; a sharp rise in transportation and shipping costs and a shortage of HGV drivers across the sector impacting logistics and supply chains and increasing lead times for key materials. An increase in the capital programme value of the Brighton Hill Roundabout improvements scheme from £19.3m to £20.75m is proposed, with the increase to be funded by a mix of LEP funding (subject to formal confirmation) and S106 contributions.

Bedhampton Hill Roundabout Signalisation Scheme

77. Some of the schemes within the Portsmouth Transforming Cities Fund (TCF) have been revised following developments in the design stages. The overall funding envelope is sufficient and there is no amendment to the overall programme. At an individual project level, a reduction in the Bedhampton Hill Roundabout signalisation scheme of £1.725m is proposed, from £2.925m to £1.2m.

Health and Safety works within the Nursing and Residential estate

78. A range of essential health and safety liabilities at the County Council's in-house residential care and nursing homes were identified through inspections at a total cost of £4.3m over two years. This was reported to Cabinet on 24 November 2020. A programme of works is being undertaken as part of the Culture Communities and Business Services revenue budget and Cabinet's approval is requested for a virement of £1.03m from the Adult Services Capital Budget to fund this. This portfolio of buildings remains the highest priority in the HCC estate in terms of health and safety, compliance and operational risk management, with a consequential ongoing demand for routine and one-off investment in maintenance and improvement. It is anticipated that further requests for funding will be made as the estate continues to age and liabilities are identified.

Capital financing

79. There are different ways in which projects in the capital programme can be financed:

    - Capital grants from Government
    - Contributions from other bodies such as developers, the health service, and other local authorities
    - 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
    - Prudential borrowing, which will involve borrowing money from external sources and/or the use of internal cash balances.

80. Where prudential borrowing is used, there will be an impact on the revenue budget. This is explained in more detail in the section of this report on prudential borrowing and revenue implications of the programme.

81. Planned sources of funding have been identified for all items within the proposed and prior year capital programmes. However, as most capital schemes are delivered over more than one year, the actual cash flow of capital income and expenditure each year varies from the programme. The forecast sources of funding to match current forecasts for capital payments are set out in Table 4.

Table 4 – Resources to fund capital expenditure

	2021/22 £'000	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**
Prudential borrowing	41,227	49,418	40,733	19,713
less repayments from capital	-10,791	-32,648	-15,114	-25,187
Capital grants	155,073	125,957	114,043	118,356
Contributions from other bodies*	73,748	82,263	44,927	79,860
Capital receipts	5,703	24,032	7,829	18,271
Revenue contributions to capital	4,203	3,669	3,669	4,269
New resources in the year	**269,163**	**252,691**	**196,087**	**215,282**
Use of the capital reserve	39,534	22,714	16,117	13,010
Total resources available	**308,697**	**275,405**	**212,204**	**228,292**
Forecast capital payments	**308,697**	**275,405**	**212,204**	**228,292**

* including developers

82. Progress will be monitored during the remainder of 2021/22 and throughout 2022/23 and reported to the Leader during the year. Executive Members will also review progress on their capital programmes at regular intervals.

Prudential borrowing

83. Prudential borrowing is one of the ways in which the County Council may fund its capital programme. The use of prudential borrowing is carefully managed in line with the requirements of the Prudential Code for Capital Finance in Local Authorities and in accordance with the County Council's Capital and Investment Strategy (appendix 7 of the revenue budget report on this agenda).

84. Prudential borrowing may be in the form of borrowing from external sources to fund capital schemes. Alternatively, as part of its Treasury Management Strategy, the County Council may instead decide to use internal borrowing. This refers to the use of internal cash balances to finance capital expenditure in place of borrowing money from external sources. Both approaches to funding schemes are referred to as prudential borrowing.

85. Funding schemes through prudential borrowing increases the County Council's Capital Financing Requirement (CFR) and results in ongoing charges to the revenue budget in future years through the Minimum Revenue Provision (MRP). In addition, where external debt is taken on, the County Council will incur interest charges.

86. Table 5 provides details of outstanding and planned prudential borrowing advances.

Table 5 – Summary of outstanding and planned prudential borrowing advances

	£'000
CFR for prudential borrowing at 31/3/21	153,601
Forecast additional prudential borrowing 2021/22 to 2024/25	151,091
Outstanding and planned prudential borrowing	**303,772**
To be financed by:	
Minimum Revenue Provision charges to the revenue budget	204,116
'Bridging loans' to be repaid from capital receipts and developer contributions	99,656

87. MRP charges to the revenue budget will be incurred over time in accordance with the County Council's MRP Statement within its Capital and Investment Strategy.

Capital reserve

88. The capital reserve shown in Table 6 holds approved local resources until they are required to fund 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

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Opening balance	148,962	119,428	106,714	100,597
Used in year	-39,534	-22,714	-16,117	-13,010
Added in year	10,000	10,000	10,000	10,000
Closing balance	**119,428**	**106,714**	**100,597**	**97,587**

Revenue implications

89. The revenue implications of the new programme are shown in Table 7.

Table 7 – Revenue effects

	Running costs £'000	Capital charges £'000	Total £'000
2022/23 starts	480	6,774	7,254
2023/24 starts	805	6,395	7,200
2024/25 starts	235	4,507	4,742
Total	**1,520**	**17,675**	**19,195**

90. 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. These capital charges will however be reversed out of service budgets to the capital adjustment account (CAA) prior to the calculation of the budget requirement. The CAA is an unusable reserve and statutory requirements mean that depreciation charges cannot be included when calculating council tax.

91. The budget requirement will, however, be increased by the capital financing costs associated with financing the programme through prudential borrowing, predominantly equal to the Minimum Revenue Provision plus any interest

payments on external debt (defined in aggregate as financing costs). The estimated financing cost as a proportion of the net revenue stream is a key indicator of the affordability of the County Council's capital programme and is one of the Prudential Indicators detailed within the Capital and Investment Strategy. The net annual increase in MRP as a result of the proposed three-year programme is £1.2m by 2025/26.

Consultation and Equalities

92. Consultation on the budget is undertaken every two years when the County Council considers savings to help balance the budget. All savings proposals put forward by the County Council have an Equality Impact Assessment published as part of the formal decision making papers and for some proposals stage 2 consultations are undertaken before a final decision is made by the relevant Executive Member.

93. Equalities impact assessments will be considered when individual project appraisals are developed for the schemes included in the approved capital programme.

Climate Change Impact Assessment

94. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2℃ temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does

95. This report collates the overall capital programme for approval. All relevant developments within the capital programme are subject to individual assessments and climate change impacts will therefore be assessed through project appraisals as part of the approval to spend process for individual programmes and projects. 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. This will take account of technical feasibility and what is deliverable within budget constraints.

Conclusions

96. Executive Members have proposed capital programmes for the next three years in line with the Corporate Strategy and County Council priorities. The locally resourced guidelines set by Cabinet in December 2021 have been

supplemented with contributions from reserves and developers. They have also been adjusted by transfers between programme years. In addition, the programme includes projects funded by Government grants. In total, this gives a programme for the next three years of £556.2m.

97. 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 2022/23, and the progress on obtaining the capital receipts necessary to finance the capital programme.

REQUIRED CORPORATE AND 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
Financial update and budget setting and provisional cash limits for 2022/23 (Cabinet)	7 December 2021
Children's Services Capital Programme 2022/23 to 2024/25 (Executive Lead Member for Children's Services)	14 January 2022
Adults' Health and Care Capital Programme for 2022/23 to 2024/25 (Executive Member for Adult Services and Public Health)	18 January 2022
Culture, Communities and Business Services Capital Programme 2022/23 to 2024/25 (Executive Member for Commercial Strategy, Estates and Property)	21 January 2022
Economy, Transport and Environment Capital Programme 2022/23 to 2024/25 (Executive Lead Member for Economy, Transport and Environment)	27 January 2022
Economy, Transport and Environment Capital Programme Quarter 3 2021/2022 (Executive Lead Member for Economy, Transport and Environment)	27 January 2022
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:**

Equality objectives are not considered to be adversely impacted by the proposals in this report but the County Council’s budget and the services that it provides are delivered in a way that ensures that any impact on equalities issues are fully taken into account. Equalities impact assessments will be considered when individual project appraisals are developed for the schemes included in the approved capital programme.

Appendix 1

Adult Services — **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											
1	Maintaining Operational Buildings including Residential and Nursing Care	327	54	100	481	-	18	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	327	54	14,352	14,733	-	18					
											+ Projects to be partly funded from external contributions.	

Adult Services **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											
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 - 2024/25**

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*		
	2024/25 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.	

Appendix 1

Children's 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											
	Children's Social Care											
1	Foster Carers	86	14	-	100	-	-	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	1,288	212	-	1,500	-	30	N/A	Various	Various	Improvements to early years facilities	3
4	Little Deer's Day Nursery, Burley	429	71	-	500	-	10	N/A	2	3	Improvements to early years facilities	4
	Primary School Improvements											
5	Liphook Infant & Junior, Liphook	900	148	-	1,048	-	21	Owned	4	4	School Improvements	5
6	Sharps Copse Primary, Havant	1,588	262	-	1,850	-	37	Owned	4	4	School Improvements	6
7	South Farnborough Junior, Farnborough	386	64	-	450	-	9	Owned	2	4	School Improvements	7
8	Stanmore Primary, Winchester	429	71	-	500	-	10	Owned	2	4	School Improvements	8
	Secondary School Improvements											
9	Winton Academy, Andover	5,665	935	-	6,600	-	132	Owned	2	9	Expansion to 7fe	9
10	**Special School Improvements**	858	142	-	1,000	-	20	Owned	Various	Various	Rebuild and refurbishment of special schools	10
11	Berewood Primary, Havant	644	106	-	750	-	15	Owned	4	6	New SEMH resourced provision	11
12	Icknield School, Andover	2,403	397	-	2,800	-	56	Owned	2	9	New cycle route	12
13	Pinewood Infant, Farnborough	172	28	-	200	-	4	Owned	2	3	New ASC resourced provision	13
14	**Special High Needs Grant**	266	44	-	310	-	6	Owned	Various	Various	Rebuild and refurbishment of special schools	14
15	Henry Tyndale School satellie at Park Children's Centre, Farnborough	944	156	-	1,100	-	22	Owned	3	6	Major refurbishment	15
16	Hollywater School, Bordon	455	75	-	530	-	11	Owned	2	3	Additional places	16
17	Mark Way School, Andover	1,871	309	-	2,180	-	44	Owned	3	9	Major refurbishment	17
18	**School Suitability Programme**	1,717	283	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs	18
19	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified	19
20	Health & Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues	20
21	Schools Devolved Capital	3,349	-	-	3,349	-	67	N/A	Various	Various	Allocations to schools through devolved formula capital	21
22	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Accessibility improvements to school buildings	22
23	Furniture & Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	23

Children's 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 (continued)											
24	Contingency	2,028	335	-	2,363	-	47	N/A	Various	Various		24
	Total Programme Supported by the Government and other bodies	28,102	3,928	500	32,530	-	716					-
	Total Programme				32,530	-	716					

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Children's 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											
	Children's Social Care											
25	Foster Carers	86	14	-	100	-	-	N/A	Various	Various	Improvements to foster carers' homes where necessary	25
26	Adaptation Equipment	-	-	250	250	-	25	N/A	Various	Various	Access improvement equipment for homes	26
27	Early Years/Childcare Sufficiency	858	142	-	1,000	-	20	N/A	Various	Various	Improvements to early years facilities	27
	Primary School Improvements											
28	Bordon Infant & Junior, Bordon	3,433	567	-	4,000	-	80	Owned	2	9	Expansion to 3fe	
	New Primary School Provision											
29	Hounsome Fields, Basingstoke	9,064	1,496	-	10,560	-	-	Owned	2	12	New 2fe primary school to meet housing demand	29
30	**Special School Improvements**	858	142	-	1,000	-	20	Owned	Various	Various	Rebuild and refurbishment of special schools	30
31	Guillemont Junior, Farnborough	670	110	-	780	-	16	Owned	2	6	New ASD resourced provision	31
32	**School Suitability Programme**	1,717	183	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs	32
33	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified	33
34	Health & Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues	34
35	Schools Devolved Capital	3,349	-	-	3,349	-	67	N/A	Various	Various	Allocations to schools through devolved formula capital	35
36	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Accessibility improvements to school buildings	36
37	Furniture & Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	37
38	Contingency	1,176	194	-	1,370	-	27	N/A	Various	Various		38
	Total Programme Supported by the Government and other bodies	23,835	3,124	500	27,559	-	405					
	Total Programme				27,559	-	405					

Appendix 1

Children's Services

Capital Programme - 2024/25

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		
	2024/25 Schemes											
	Children's Social Care											
39	Foster Carers	86	14	-	100	-	-	N/A	Various	Various	Improvements to foster carers' homes where necessary	39
40	Adaptation Equipment	-	-	250	250	-	25	N/A	Various	Various	Access improvement equipment for homes	40
	New Primary School Provision											
41	New AUE 2nd School, Aldershot	7,708	1,272	-	8,980	-	-	Owned	2	12	New 2fe primary school to meet housing demand	41
42	Berewood Primary, Havant	7,336	1,210	-	8,546	-	-	Owned	2	12	New 1.5fe primary school to meet housing demand	42
43	Hartland Village, Fleet	7,708	1,272	-	8,980	-	-	Owned	2	12	New 2fe primary school to meet housing demand	43
44	Manydown Primary, Basingstoke	7,708	1,272	-	8,980	-	-	Owned	2	12	New 2fe primary school to meet housing demand	44
45	One Horton Heath, Fair Oak	7,708	1,272	-	8,980	-	-	Owned	2	12	New 2/3fe primary school to meet housing demand	45
46	Welborne Primary, Fareham	7,708	1,272	-	8,980	-	-	Owned	2	12	New 2fe primary school to meet housing demand	46
	Secondary School Improvements											
47	Alderwood School, Aldershot	4,292	708	-	5,000	-	100	Owned	2	6	Expansion to 7fe	47
48	Oakmoor Academy, Bordon	3,949	651	-	4,600	-	92	Owned	2	6	Expansion to 7fe	48
49	**Special School Improvements**	858	142	-	1,000	-	20	Owned	Various	Various	Rebuild and refurbishment of special schools	49
	New Special School Provision											
50	New Complex Needs/SEMH Places	10,300	1,700	-	12,000	-	-	Owned	2	15	New provisions for 125 places	50
51	**School Suitability Programme**	1,717	183	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs	51
52	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified	52
53	Health & Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues	53
54	Schools Devolved Capital	3,349	-	-	3,349	-	67	N/A	Various	Various	Allocations to schools through devolved formula capital	54
55	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Accessibility improvements to school buildings	55
56	Furniture & Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	56
57	Contingency	4,292	708	-	5,000	-	100	N/A	Various	Various		57

Children's Services **Capital Programme - 2024/25**

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*		
	2024/25 Schemes (continued)											
	Total Schemes Supported by the Government and other bodies	77,343	11,952	500	89,895	-	554					
											# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	
	Total Programme				89,895		554					

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											
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
3	Hampshire Waste Recycling Infrastructure (Chickenhall Lane MRF)	24,000	6,000	-	30,000	-	600	N/A	2	24	New Materials Recovery Facility Infrastructure	3
	Total Programme Supported by Local Resources	34,729	7,200	-	41,929	-	1,193					
	Schemes Supported by the Government and Other External Bodies											
4	A323 High Street/Ash Road, Aldershot - Cycleway/Footway*	750	250	-	1,000	-	50	N/A	4	8	Pedestrian and cycle improvements	4
5	Fair Oak Village NMU Improvement +	1,492	498	-	1,990	-	100	N/A	4	6	Walking and cycle improvements	5
6	Redbridge Causeway Package 4: Ped/Cycle improvements *	1,485	495	-	1,980	-	99	N/A	4	6	Pedestrian and cycle improvements	6
7	Whitehill & Bordon: Arrival Square *	1,260	420	-	1,680	-	84	N/A	3	4	Walking and cycle improvements	7
8	Whitehill & Bordon GGGL – Hogmoor Road Cycle & associated Traffic Measure*	750	250	-	1,000	-	50	N/A	4	12	Traffic and Cycle Improvements	8
9	SCR - Marchwood Bypass *	1,486	496	-	1,982	-	99	N/A	2	6	Bus priority measures	9
10	SCR - Bishopstoke Road, Eastleigh *	3,035	1,012	-	4,047	-	202	N/A	1	7	Bus priority measures	10
11	SCR - Providence Hill cycle route *	1,425	475	-	1,900	-	95	N/A	2	6	New cycle route	11
12	PCR - Delme to Downend Bus and Cycle improvements*	7,449	2,483	-	9,932	-	497	N/A	2	14	Bus and cycle improvements	12
13	West End High Street, West End - Accessibiltiy Improvements*	187	63	-	250	-	13	N/A	4	4	Accessibility Improvements	13
14	Basing View to Basingstoke Town Centre Enhancements*	337	113	-	450	-	23	N/A	4	6	Accessibility Improvements	14
15	Minley Road, Farnborough Accessibility Improvements*	397	133	-	530	-	27	N/A	3	6	Walking and cycle enhancements	15
16	Andover: B3400 Andover Down Pedestrian Improvements *	487	163	-	650	-	33	N/A	3	6	Pedestrian improvements	16
17	Chapel Hill, Basingstoke walking / cycling improvements*	262	88	-	350	-	18	N/A	4	9	Walking and cycling improvements	17
18	SCR - Airport Parkway Travel Hub *	335	112	-	447	-	22	N/A	3	3	Travel hub	18
19	North Baddesley: Firgrove Rd to Castle Lane Cycleway +	388	129	-	517	-	26	N/A	4	5	Provision of missing cycle link	19

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)											
20	Schemes Costing Less than £250,000+	2,517	840	-	3,357	-	167	N/A	1	12	Local Improvements Sub-programme	20
21	Safety Schemes #	1,125	375	-	1,500	-	75	N/A	1	12	Casualty reduction programme.	21
22	Minor Improvements (part #) +	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each.	22
23	Structural Maintenance of Roads and Bridges #	30,144	3,349	-	33,493	-	1,675	N/A	1	12	Structural maintenance to improve road conditions and structu maintenance and strengthening of bridges.	23
	Total Programme Supported by the Government and other bodies	55,874	11,931	-	67,805	480	3,393					-
	Total Programme				109,734	480	4,586					

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											
24	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591	N/A	1	12	Structural maintenance to improve road conditions.	24
25	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	25
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593					
	Schemes Supported by the Government and Other External Bodies											
26	Manydown Cycle Routes, Basingstoke*	9,600	3,200	-	12,800	-	640	N/A	4	12	Cycling improvements	26
27	Havant LUF Cycle Schemes *	825	275	-	1,100	-	55	N/A	4	6	Cycling improvements	27
28	NCN22 Petersfield Road, Havant Phase 2 *	2,250	750	-	3,000	-	150	N/A	4	9	Pedestrian and cycle improvements	28
29	A30 SW Corridor Basingstoke Cycle Route & Bus Priority*	6,150	2,050	-	8,200	-	410	N/A	4	18	Cycling and bus improvements	29
30	Basing View Cycles*	2,700	900	-	3,600	-	180	N/A	4	12	Cycling improvements	30
31	Basingstoke Bus Priority Measures*	5,850	1,950	-	7,800	-	390	N/A	4	12	Bus priority	31
32	Farnborough Gold 1 corridor Bus Priority Measures*	1,500	500	-	2,000	-	100	N/A	3	18	Bus priority on approaches Gold 1.	32
33	Tap-on Tap-off card readers on bus (countywide)*	900	300	-	1,200	-	60	N/A	3	6	Bus Servcie Improvements	33
34	RTI bus information - Upgrade and additional (countywide) +	900	300	-	1,200	-	60	N/A	4	6	Bus Stop improvements	34
35	Stockbridge Road corridor active travel imps, Winchester *	1,875	625	-	2,500	-	125	N/A	4	12	Active travel improvements	35
36	Worthy Road Corridor active travel imps, Winchester *	1,875	625	-	2,500	-	125	N/A	4	12	Active travel improvements	36
37	Twyford Road, Eastleigh accessiblity imps *	3,825	1,275	-	5,100	-	255	N/A	4	12	Accessibility Improvements	37
38	Andover Railway Station Improvements *	525	175	-	700	-	35	N/A	4	6	Access improvements and environmental enhancements	38
39	A27 Barnes Lane Junction Improvements *	600	200	-	800	-	40	N/A	4	10	Junction improvements	39
40	Highlands Road, Fareham pedestrian improvements *	337	113	-	450	-	23	N/A	4	3	Pedestrian access improvements	40
41	Four Marks, Five Lane junction*	187	63	-	250	-	13	N/A	4	4	Drainage Improvements	41
42	Romsey Road, Clifton Terrace, Winchester Phase 2 *	285	95	-	380	-	19	N/A	4	6	Junction improvements	42

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 (continued)											
43	Schemes Costing Less than £250,000+	1,276	425	-	1,701	-	85	N/A	1	12	Local Improvements Sub-programme	43
44	Safety Schemes #	1,125	375	-	1,500	-	75	N/A	1	12	Casualty reduction programme.	44
45	Minor Improvements (part #) +	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each.	45
46	Structural Maintenance of Roads and Bridges #	30,144	3,349	-	33,493	-	1,675	N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	46
	Total Programme Supported by the Government and other bodies	73,292	17,732	-	91,024	805	4,553					
	Total Programme				102,953	805	5,146					

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Economy, Transport and Environment **Capital Programme - 2024/25**

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*		
	2024/25 Schemes											
	Schemes Supported from Local Resources											
47	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591	N/A	1	12	Structural maintenance to improve road conditions.	47
48	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	48
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593					
	Schemes Supported by the Government and Other External Bodies											
49	Hamble Lane Improvements*	3,750	1,250	-	5,000	-	250	N/A	4	12	Traffic, cycling and pedestrian access improvements	49
50	Fleet Access Plan +	2,850	950	-	3,800	-	190	N/A	4	18	Active Travel improvements	50
51	Whitehill Bordon - A325/B3004 Junction - Sleaford Lights*	750	250	-	1,000	-	50	N/A	4	12	Junction Improvements	51
52	Andover - Walworth RAB/A3093/A3057 *	638	212	-	850	-	43	N/A	4	9	Roundabout signalisation, pedestrian and cycle improvements	52
53	A339/B3349 Junction Improvements, Alton*	728	242	-	970	-	49	N/A	3	16	Junction Improvements	53
54	Andover - London Street/Eastern Avenue *	230	76	-	306	-	15	N/A	4	4	Junction improvements & bus priority measures	54
55	North Test Valley - LCWIP*	525	175	-	700	-	35	N/A	4	7	Sustainable accessibility improvements	55
56	Botley Bypass - Village Enhancements	310	104	-	414	-	21	N/A	4	12	Footway widening, crossing improvements, cycle improvements	56
57	Schemes Costing Less than £250,000+	1,125	375	-	1,500	-	75	N/A	1	12	Local Improvements Sub-programme	57
58	Safety Schemes #	1,125	375	-	1,500	-	75	N/A	1	12	Casualty reduction programme.	58
59	Minor Improvements (part #) +	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each.	59
60	Structural Maintenance of Roads and Bridges (part #)	30,144	3,349	-	33,493	-	1,675	N/A	1	12	Structural maintenance to improve road conditions and structural	60
	Total Programme Supported by the Government and other bodies	42,738	7,545	-	50,283	235	2,516					
	Total Programme				62,212	235	3,109					

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Appendix 1

Culture, Communities and Business Services — **Capital Programme - 2022/23**

Ref	Project	Construction 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											
1	Vehicles for Hampshire Transport Management #	-	-	3,400	3,400	-	340	N/A	-	-	Continuing programme of replacing vehicles	1
2	Hampshire Transport Management Vehicle Workshop	515	85	-	600	-	12	N/A	-	-	Refurbishment of Petersfield HTM vehicle workshop	2
3	County Farms - Lyde Green Farm	472	78	-	550	-	11	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	665	110	-	775	-	16	N/A	1	12	Planned improvements across the County Farms Estate	5
6	Corporate Estate	930	154	-	1,084	-	22	N/A	1	12	Planned improvements across the Corporate Estate	6
7	Fareham Parkway Improvements	2,146	354	-	2,500	-	50	N/A	1	12	Condition related and internal refurbishment works to improve working environment at Fareham Parkway office	7
8	Office Accommodation	43	7	-	50	-	1	N/A	1	12	Planned improvements to Office Accommodation	8
9	Countryside - Bridges	343	57	-	400	-	8	N/A	1	12	Planned improvements to bridges	9
10	Countryside - Rights of Way	242	40	-	282	-	6	N/A	1	12	Planned improvements to Rights of Way	10
11	Basingstoke Canal - Swan Cutting Restoration	665	110	-	775	-	16	N/A	1	12	Swan cutting bank stabilisation works at North Warnborough	11
	Corporate Services											
12	Contingency	-	-	-		-	-	N/A	-	-		12
	Total Programme Supported by Local Resources	6,586	1,087	3,400	11,073	-	493					

Appendix 1

Culture, Communities and Business Services — **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 (continued)											
	Schemes Supported by the Government											
	Schools Condition Allocation (SCA)											
13	Baycroft School, Fareham	2,146	354	-	2,500	-	50	Owned	-	-	SCOLA recladding and building refurbishment	13
14	Cranbourne School, Basingstoke	1,550	256	-	1,806	-	36	Owned	-	-	SCOLA recladding	14
15	Crookhorn College, Waterlooville	1,200	198	-	1,398	-	28	Owned	-	-	SCOLA recladding	15
16	Hart Plain Junior School, Waterlooville	750	124	-	874	-	17	Owned	-	-	SCOLA recladding	16
17	Henry Beaufort, Winchester	1,250	206	-	1,456	-	29	Owned	-	-	SCOLA recladding	17
18	Henry Cort Community College, Fareham	2,146	354	-	2,500	-	50	Owned	-	-	SCOLA recladding (ROSLA block)	18
19	Hiltingbury Junior School, Eastleigh	1,327	219	-	1,546	-	31	Owned	-	-	SCOLA recladding	19
20	Marchwood Infant School, Southampton	944	156	-	1,100	-	22	Owned	-	-	Recladding and building upgrade (Vic Hallam Building)	20
21	Nightingale Primary, Eastleigh	2,146	354	-	2,500	-	50	Owned	-	-	SCOLA recladding	21
22	Red Barn Primary, Fareham	601	99	-	700	-	14	Owned	-	-	Roof upgrade	22
23	Springwood Junior School, Waterlooville	532	88	-	620	-	12	Owned	-	-	Patent glazing upgrade	23
24	Warblington School, Havant	1,742	288	-	2,030	-	41	Owned	-	-	Recladding	24

Culture, Communities and Business Services — **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 (continued)											
25	Boiler Upgrades - Various sites (all schemes costing less than £500,000)	500	82	-	582	-	12	Owned	-	-	Boiler upgrades at various school sites	25
26	Roof Upgrades - Various sites (all schemes costing less than £500,000)	3,957	653	-	4,610	-	92	Owned	-	-	Roof upgrades at various school sites	26
27	Schools Condition Allocation (other schemes costing less than £500,000)	20,418	3,369	-	23,787	-	476	Owned	-	-	Major improvements to school buildings	27
	Total Schemes Supported by the Government	41,209	6,800	-	48,009	-	960					
	Total Excluding Land				59,082		1,453					
	Advance and Advantageous Land Purchases				646							
	Total Programme				59,728		1,453					

Culture, Communities and Business Services | **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											
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	20,078	3,313	-	23,391	-	468	Owned	-	-	Major improvements to school buildings	31
	Total Schemes Supported by the Government	20,078	3,313	-	23,391	-	468					
	Total Excluding Land				27,304		818					
	Advance and Advantageous Land Purchases				646							
	Total Programme				27,950		818					
											# controlled on an accrued expenditure basis	

Culture, Communities and Business Services — **Capital Programme - 2024/25**

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*		
	2024/25 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	20,078	3,313	-	23,391	-	468	Owned	-	-	Major improvements to school buildings	35
	Total Schemes Supported by the Government	20,078	3,313	-	23,391	-	468					
	Total Excluding Land				27,304		818					
	Advance and Advantageous Land Purchases				646							
	Total Programme				27,950		818					
											# controlled on an accrued expenditure basis	

HAMPSHIRE COUNTY COUNCIL

Report

Decision Maker	Cabinet
Date:	8 February 2022
Title:	*Serving Hampshire* – 2021/22 Half Year Performance Report
Report From:	Director HR, OD, Communications and Engagement

Contact name: Steph Randall, Head of Corporate Services Transformation

Tel: 0370 779 1776 **Email:** stephanie.randall@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to:
   - provide strategic oversight of the County Council's performance during the first half of 2021/22 against the *Serving Hampshire* Strategic Plan for 2021-2025;

Recommendation

2. It is recommended that Cabinet notes the County Council's performance for 2021/22 to date.

Executive Summary

3. This report demonstrates that the overall performance measured against Serving Hampshire has been assessed as good during Q1 and Q2, as services have remained resilient, with improvement in most measures.

4. The County Council is on track to meet target in almost half of its corporate performance measures despite the continued impact of the COVID-19 pandemic on some aspects of service delivery.

Contextual information

5. The Serving Hampshire Strategic Plan 2021-2025 and Corporate Performance Management Framework (PMF) were approved by Cabinet in July 2021. The PMF provides the governance structure for performance management and reporting to Cabinet, specifying that Cabinet receives bi-annual reports on the County Council's performance against the strategic priorities set out in the Serving Hampshire Strategic Plan.

6. The four strategic aims set out in the Serving Hampshire Strategic Plan are:
   - Hampshire maintains strong and resilient economic growth and prosperity;
   - People in Hampshire live safe, healthy and independent lives;
   - People in Hampshire enjoy a rich and diverse environment;
   - People in Hampshire enjoy being part of strong, inclusive, resilient communities.

7. To report progress against the Strategic Plan, departments are asked to rate performance against a core set of performance metrics on a quarterly basis. For each measure, a risk-based 'red, amber, green' rating is applied, informed by the most recent data and management information.

8. Departments also provide a quarterly Director's Performance Assessment to summarise each department's delivery of its aims, introduced in the new PMF. As with previous years, the results of any recent external assessments and resident feedback are also submitted by departments. These assessments have informed the achievements and risks highlighted in this report.

9. The full impact of COVID-19 on County Council services is reported separately to Cabinet and performance will continue to become evident over 2021/22. This is therefore not detailed in this report, which covers performance up to the end of September 2021.

10. Performance information on children's and adults' safeguarding, major change programmes, including Savings Programme 2023 (SP23), and the County Council's financial strategy are reported separately to Cabinet.

Overall performance

11. Overall, the majority of corporate performance measures were reported as low performance risk, and the remainder as medium performance risk. No measures were identified as high risk. Where measures were reported as medium performance risk, mitigating actions are being undertaken by relevant services.

12. The majority of measures were showing improved or maintained performance during Q1 and Q2 2021/22.

13. The County Council is on track to meet target in almost half of its corporate performance measures. Where targets were not on track, this was generally attributable to reduced activity during COVID-19, with the situation expected to improve as the year progresses. However, five targets do continue to show a negative direction of travel where related external challenges (such as global supply chain issues, resourcing, inflation and energy price increases) continue to restrain recovery. These measures were:
    - Value of private sector investment into Hampshire secured as a result of HCC direct support;
    - Number of jobs created or safeguarded by businesses that HCC has supported;
    - Level of development contribution secured (total) – Corporate Infrastructure Group measure;
    - Outstanding T2019 and T2021 savings to be delivered;
    - County Council's working hours lost to sickness absence in the previous 12 months.

14. Mitigation plans are already in place to support these programmes, and the picture will become clearer in the coming months as the recovery from the pandemic continues.

15. Performance highlights during the period of April to September 2021 were as follows:
    - Outcome one: Hampshire maintains strong and resilient economic growth and prosperity
        - The Transfer to Transform campaign has been launched to enable small and medium businesses to access unspent Apprenticeship Levy funding to take on and develop apprentices.
        - Services have been returning to full capacity following the lockdowns and restrictions of the pandemic being lifted. Library, heritage, and outdoor services have reopened, face-to-face visits have resumed for Adult Social Care clients, and social distancing and visit

frequency restrictions at HWRCs have been reduced. Prior to update Government guidance in December 2021, staff had been returning to County Council sites as part of phased programme with hybrid working in place across much of the Organisation.

- Outcome two: People in Hampshire live safe, healthy, and independent lives
    - Hampshire Children's Services and our safeguarding partners, Hampshire Constabulary and pan-Hampshire Clinical Commissioning Groups hosted a pilot Joint Targeted Area Inspection (JTAI) in November 2021. The inspection, undertaken by Ofsted, the Care Quality Commission (CQC) and Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), was focussed on the 'Front Door' of our services, this is where we receive all information from any professional or member of the public regarding concerns they might have about a child and where we make joint decisions on whether and how to progress the referrals. The inspectorates also looked at our collective responses, such as our social work assessments (with or without the police, depending on the concerns), provision of Early Help services or signposting to other forms of support. The outcome of the inspection was a significant positive endorsement of our continued strong performance in safeguarding children, coming on the heels of our Ofsted inspection in 2019, graded 'Outstanding' in all areas. As the inspection was a pilot, there will be no published report, however the letter detailing the inspectorates conclusions, is appended to this report.
    - Just over 98% of parents have been offered a reception year place for their child in one of their three preferred choice schools from September 2021, and just over 93% have been allocated a place at their first choice of school, consistent with the performance in previous years.
    - 2,135 additional school places have been provided in the first half of 2021/22, following the completion of six school development projects that included the opening of three new schools.
    - Food vouchers were provided during the May half term break to the children of vulnerable families affected by the pandemic. The COVID-19 Local Support Grant Scheme was organised through the 'Connect4communities' programme, which is led by Hampshire County Council, in collaboration with community partners. In addition, 108 DWP grants, totalling just over £2 million, were awarded to summer schemes that provide food and activities to Hampshire children who are eligible for free school meals.
    - The Call to Care campaign launched, showcasing the careers available in social care in Hampshire, as part of a strategic approach to addressing recruitment challenges in the sector.

    - 1.7 million physical books were issued in Hampshire libraries in the first half of 2021/22 whilst the number of eBooks issued in the period (519,268) was more than double the number issued before the COVID-19 pandemic (252,720 in the first half of 2019/20).

- Outcome three: People in Hampshire enjoy a rich and diverse environment
    - Hampshire's first recycling road materials site opened in Micheldever in June 2021, allowing the Council to reuse road materials dug up during road maintenance operations to reduce CO2 emissions by 67,500kg, and save £320,000 per year.
    - A £150,000 grant scheme, funded from the Department for Travel's Active Travel Fund, will allow businesses to develop cycle facilities to support cycling as a means of commuting to work.
    - Manor Farm opened its new Play Barn, which saw an increase in membership numbers. The attraction delivered 50% of its annual income target in its first 12 weeks of the year.
    - The County Council is working with Southern Water and other agencies to develop a sustainable long-term improvement plan for Chichester and Langstone Harbours – with the aim of protecting the environment, supporting the local economy, and the local community.
- Outcome four: People in Hampshire enjoy being part of strong, inclusive, resilient communities
    - The County Council conducted two consultations, on Balancing the Budget and options for Public Health services, in June 2021, giving residents and stakeholders an opportunity to have their say on how the Council addresses its budget shortfall while continuing to deliver high quality services. Consultations form an important aspect of our decision-making process, helping the County Council to understand the potential impact of changes being considered on particular groups of service users, our residents, and businesses, and why people feel the way they do. This valuable feedback has been used to consider any further changes that could be incorporated in to any proposals, but also to help address any possible misconceptions, and to ultimately enable informed decisions to be taken.
    - The Council has been supporting the Government's programme to resettle Afghan refugees following the withdrawal of UK troops from Afghanistan, including housing refugees in temporary 'bridging hotels' before finding them permanent homes. The Council expects to resettle approximately 30 Afghan refugee families in Hampshire through this work.
    - 'Hampshire Hive' launched during Foster Care Fortnight in May 2021. This is a new support network for foster carers and the children they look after which aims to create an 'extended family' for fostering households.

- The County Council has approved a £515,000 investment to refurbish the Winchester Discovery Centre, which will improve library and gallery facilities, as well as updating the facilities at the site, as part of an agreement with Hampshire Cultural Trust to improve the financial sustainability of the building over the longer term.
- The Getting Going Again Fund of £950,000 has been approved by the Council, to support Hampshire residents who have been classed as Clinically Extremely Vulnerable (CEV) or Clinically Vulnerable (CV) to re-engage with their local communities and focus on the post COVID-19 future, by helping people to safely start accessing their local communities again and return to more normal ways of life.

16. The full list of performance achievements is included as Appendix 1.

17. Performance Risks: No performance measures were rated as high risk during Q1 or Q2 2021. However, departmental returns and Directors Performance Assessments highlighted several wider areas of risk. These included:

- Labour force pressures are impacting departments, including the HGV driver shortage, pressures on care home staffing (which has been increased with the legal requirement for staff to be COVID-19 vaccinated from November 2021), social workers, and staff in catering and hospitality roles. In addition to a greater focus from senior management on recruitment, staff are being reallocated to support where needed (where this is appropriate), and managers remain mindful of the strain on staff who have continued to work over the pandemic;
- Costs and availability of construction materials are impacting highways maintenance and development, and property construction services. Work programmes are being prioritised to allow essential work to be undertaken, although the expectation from the impacted services is that this pressure will continue for the foreseeable future;
- Pressure on essential services remains high, with the volume and complexity of adult safeguarding work having increased as well as growing service user needs as a result of pressures on NHS services. To counter this, waiting lists are reviewed frequently to maintain required standards and additional short-term capacity has been procured to support vulnerable service users.

Conclusions

18. This report and its supporting appendices demonstrate that the County Council performed well in the delivery of core public services during the first half of 2021/22 against its *Serving Hampshire* Strategic Plan, with nearly three quarters of performance measures showing improved or maintained performance. Despite the continuing impact of COVID-19, budget constraints and other on-going externally driven challenges, no areas of performance

were identified as high risk and Directors provided assurance against this positive picture for the first two quarters of 2021/22. This reflects ongoing work by departments in the recovery from the pandemic and the exemplary ongoing commitment of staff.

REQUIRED CORPORATE AND 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 Serving Hampshire Strategic Plan 2021-2025 and Corporate Performance Management Framework	Date 13 July 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	

EQUALITIES IMPACT ASSESSMENT:

19. **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.

20. **Equalities Impact Assessment:**

The County Council has a programme of work in place to advance inclusion and diversity in line with its corporate Equality Objectives. This includes undertaking both internal and external assessment of its performance to identify areas of strength and for improvement. This report reviews past performance - the activities and services that are described were subject to appropriate equality impact assessment in accordance with this programme.

21. **Climate Change Impact Assessment**

Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2℃ temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

The Carbon Mitigation Tool and/or Climate Change Adaptation Tool was not applicable to this report as it relates to performance against the County Council's overarching Strategic Plan rather than any specific interventions. It is expected that these tools will be applied to any relevant projects which support the delivery of the Strategic Plan outcomes.

Appendix 1: 2021/22 key performance achievements at half year

Serving Hampshire **priority**	**Achievement**
Outcome one: Hampshire maintains strong and resilient economic growth and prosperity	The Transfer to Transform campaign has been launched to enable small and medium businesses to access unspent Apprenticeship Levy funding to take on and develop apprentices
	£1 million of additional funding has been agreed by the Council to support the delivery of high-speed broadband to households in rural parts of the county. The funding will 'top-up' the Government's existing Gigabit Broadband Voucher Scheme, which helps people in hard-to-reach locations get a fast, reliable broadband service
	Following County Council approval, on-street parking charges are being introduced in Fareham and Lymington, generating an estimated £450,000 over the coming years
	The Council has extended support for community transport services further six months until 31 March 2022. This will assist operators in the recovery and operation of their services, covering them for loss of service user income which they may continue to experience due to COVID-19 over the winter and into early spring 2021/22
	All Council-managed corporate office buildings have been reopened by late-October, supported by new workspace booking technology solutions and meeting room technology to support hybrid working
	Services have been returning to full capacity following the lockdowns and restrictions of the pandemic being lifted. Library, heritage, and outdoor services have reopened, face-to-face visits have resumed for Adult Social Care clients, and social distancing and visit frequency restrictions at HWRCs have been reduced. In addition, office-based staff have been returning to County Council sites as part of phased programme with hybrid working now in place in much of the organisation
Outcome two: People in Hampshire live safe, healthy and independent lives	Just over 98% of parents have been offered a reception year place for their child in one of their three preferred choice schools from September 2021, and just over 93% have been allocated a place at their first choice of school, consistent with the performance in previous years
	2,135 additional school places have been provided in the first half of 2021/22, following the completion of six school development projects that included the opening of three new schools

Serving Hampshire priority	Achievement
	Food vouchers were provided during the May half term break to the children of vulnerable families affected by the pandemic. The COVID-19 Local Support Grant Scheme was organised through the ‘Connect4communities’ programme, which is led by Hampshire County Council, in collaboration with community partners. In addition, 108 DWP grants, totalling just over £2 million, were awarded to summer schemes that provide food and activities to Hampshire children who are eligible for free school meals
	Hampshire’s primary schools took part in the national ‘Eat Them to Defeat Them’ campaign, encouraging children to eat more vegetables. The initiative includes vegetable tasting sessions, ‘cook-along’ demonstrations, recipe suggestions and vegetable-inspired lesson plans
	A pilot scheme has started in September to create low traffic areas at the start and end of the school day near three schools in Hampshire. Findings will support a study into a healthier and safer environment for young people walking and cycling to school
	1.7 million physical books were issued in Hampshire libraries in the first half of 2021/22 whilst the number of eBooks issued in the period (519,268) was more than double the number issued before the COVID-19 pandemic (252,720 in the first half of 2019/20).
	Work on a segregated cycleway route between Brighton Hill Roundabout and Sullivan Road in Basingstoke has begun, following a public consultation on the scheme in early 2021 which indicated strong support for the development. The route will link directly into the other cycle routes that will be provided as part of the Brighton Hill Roundabout improvement scheme
	The Call to Care campaign launched, showcasing the careers available in social in Hampshire, as part of a strategic approach to addressing recruitment challenges in the sector
	17,000 children registered for the 2021 Summer Reading Challenge, over 14,000 more than in 2020, when the service was delivered wholly online
Outcome three: People in Hampshire enjoy a rich and diverse environment	Hampshire’s first recycling road materials site opened in Micheldever in June 2021, allowing the Council to reuse road materials dug up during road maintenance operations to reduce CO_2 emissions by 67,500kg, and save £320,000 per year

Serving Hampshire priority	Achievement
	A £150,000 grant scheme, funded from the Department for Travel's Active Travel Fund, will allow businesses to develop cycle facilities to support cycling as a means of commuting to work
	Manor Farm opened its new Play Barn, which saw an increase in membership numbers. The attraction delivered 50% of its annual income target in its first 12 weeks of the year
	Hampshire County Council is working with Southern Water and other agencies to develop a sustainable long-term improvement plan for Chichester and Langstone Harbours – with the aim of protecting the environment, supporting the local economy, and the local community
	Changes at Staunton Country Park in Havant have been completed, including improved visitor facilities and the restoration of the historic Georgian landscape
	Hilliers launched the new extension to Jermyn's House, 'The Garden Restaurant' in July 2021
	Hampshire's Library Service was shortlisted for two 'Libraries Connected' awards due to its approach to service delivery during the COVID-19 pandemic. The Home Library Service, during the first COVID-19 lockdown, supported customers who were living alone with phone calls to chat about a shared love of reading, and where needed, were put in contact with support services including Hampshire Coronavirus Support and Helpline. Gosport Discovery Centre was also nominated for its work to support the use of Makaton sign language.
Outcome four: People in Hampshire enjoy being part of strong, inclusive, resilient communities	The County Council launched two consultations, on Balancing the Budget and options for Public Health services, in June 2021, giving residents and stakeholders an opportunity to have their say on how the Council addresses its budget shortfall while continuing to deliver high quality services. The following links show two specific examples of how the feedback from these consultations has been used to inform decision making: Balancing the Budget Public Health

Serving Hampshire priority	Achievement
	The Council has been supporting the Government's programme to resettle Afghan refugees following the withdrawal of UK troops from Afghanistan, including housing refugees in temporary 'bridging hotels' before finding them permanent homes. The Council expects to resettle approximately 30 Afghan refugee families in Hampshire through this work
	'Hampshire Hive' launched during Foster Care Fortnight in May 2021. This is a new support network for foster carers and the children they look after which aims to create an 'extended family' for fostering households
	The County Council has approved a £515,000 investment to refurbish the Winchester Discovery Centre, which will improve library and gallery facilities, as well as updating the facilities at the site, as part of an agreement with Hampshire Cultural Trust to improve the financial sustainability of the building over the longer term
	The Getting Going Again Fund of £950,000 has been approved by the Council, to support Hampshire residents who have been classed as Clinically Extremely Vulnerable (CEV) or Clinically Vulnerable (CV) to re-engage with their local communities and focus on the post COVID-19 future, by helping people to start accessing their local communities again, and return to more normal ways of life, in a way that is safe
	Hampshire County Council has been re-accredited with the Gold Award in the MOD's Employer Recognition Scheme. The award reflects the County Council's support to the armed forces community, as demonstrated by the Armed Forces Covenant.
	The Hampshire Record Office in Winchester has become the new home of the Hampshire Genealogical Society, bringing the Society's volunteers and Record Office staff together to offer a one-stop-shop of support for people researching their family history
	A Community Researchers Programme has launched, which has recruited 13 community researchers from a range of backgrounds to give the Council greater access to views of minority groups. The researchers have been involved in gathering the views of people from ethnic minority groups or nationalities on the impact of COVID-19 on their communities in Hampshire, and on services to support mental wellbeing and prevent suicide

Appendix 2: Sources of internal and external validation

Assessment title	Area	External/internal	Latest judgement
Children's Services			
Inspection of Local Authority Children's Services	Full children's social care inspection	External – Ofsted	Hampshire was judged as *Outstanding* across all areas in June 2019.
Inspection of children's homes	Residential care homes inspection	External – Ofsted	Ofsted resumed graded inspections of residential and secure children's homes with effect from 1 April 2021. Six of the 10 homes in Hampshire have been inspected since April 2021 and five are currently graded Outstanding or Good. Three homes were temporarily closed in April 2020 to support the service during the COVID-19 pandemic re-opened in July 2021. Two have been reopened, while one remains temporarily closed.
School Inspections	Inspections of schools	External – Ofsted	As at the end of August 2021, 93.2% of schools were judged to be *Good* or *Outstanding* by Ofsted. Ofsted inspections were suspended due to COVID-19, but have now restarted.
Social care self-assessment	Self-evaluation is an integral element of inspection of the local authority children's services (ILACS) framework	Internal and external – shared with Ofsted prior to annual conversation with the Director of Children's Services	The 2020 Social Care Self-Assessment was sent to Ofsted ahead of the annual conversation which took place on 31 March 2021.

Assessment title	Area	External/internal	Latest judgement
Inspection of Hampshire youth offending services	YOT inspection	Her Majesty's Inspectorate of Probation	Overall *Good* 2018. The inspectorate considered the arrangements for organisational delivery, the quality of court disposals, and out-of-court disposals work when making its judgement www.justiceinspectorates.gov.uk/hmiprobation/inspections/hampshireyos/ This is a four-year inspection programme which will be extended because of COVID-19.
Restorative Justice Council's Restorative Services Quality Mark	Youth Offending Team	External – Restorative Justice Council	Restorative Services Quality Mark awarded in April 2016 and applies until March 2023
Adults' Health and Care			
Adult Social Care Services Inspection	Inspection of in house provided residential and nursing homes	External – Care Quality Commission	Of 29 registered Council-run services (covering nursing homes, residential care homes, domiciliary care, and the shared lives service) 25 are rated *Good* Three care homes are rated as *Require Improvement*, and the Shared Lives Service has not yet been inspected.
Gold Standards Framework	Residential and nursing homes	External - National Gold Standards Framework (GSF) Centre in End of Life Care	Four of the County Council's residential and nursing homes have maintained their Platinum accreditation with the Gold Standards Framework: • Emsworth House • Fleming House • Malmesbury Lawn • Westholme
Economy, Transport and Environment			

Assessment title	Area	External/internal	Latest judgement
Accreditation to ISO9001:2015 – Quality Management	Economy, Transport & Environment (ETE) Department – whole department	External – British Standards Institute (BSI)	Last assessment (May 2021) resulted in accreditation being successfully maintained. Audits occur twice a year, with surveillance assessments continuing remotely following COVID-19 restrictions. The next assessment is due in November 2021.
Culture, Communities and Business Services			
Operational Authorisation (Replaces the Permission for Commercial Operations)	Drone Service (Asbestos)	External – The Civil Aviation Authority	Permission granted from 19th Aug 2021 until and including 19th Aug 2022.
UKAS Accreditation	Hampshire Scientific and Asbestos Management services following an annual assessment	External – UKAS (UK Accreditation Service)	UKAS provide accreditation that Hampshire's scientific testing and inspection activities are conducted to the standard set out in ISO 17020 and 17025 and comply with the Forensic Regulators Code of Practice. UKAS audit Hampshire Scientific Service annually for compliance and the last assessment was in May 2021 - accreditation was maintained
Adventure Activities Licensing Services (AALS) Inspection	Hampshire Outdoor Centres	External – Adventure Activities Licensing Authority	Calshot Activities Centre: Validation expires July 2023 Hampshire and Cass Foundation Mountain Centre: Validation expires July 2022

Assessment title	Area	External/internal	Latest judgement
Learning Outside the Classroom (LOtC)	Hampshire Outdoor Centres	External - Council for Learning Outside the Classroom (CLOtC)	Calshot Activities Centre: Validation expires September 2023 Tile Barn Outdoor Centre: Validation expires Aug 2022 Runway's End Outdoor Centre. Validation expires Feb 2023
Adventuremark	Hampshire Outdoor Centres	External - Adventure Activity Industry Advisory Committee (AAIAC)	Calshot Activities Centre: Validation expires September 2023 Tile Barn Outdoor Centre: Validation expires Aug 2022 Runway's End Outdoor Centre. Validation expires Feb 2023
National Indoor Climbing Award Scheme (NICAS)	Hampshire Outdoor Centres	External - ABC Training Trust	Calshot Activities Centre: Validation expires at the end of Sept 2022
Royal Yachting Association (RYA) Recognised Training Centre	Hampshire Outdoor Centres	External - Royal Yachting Association (RYA)	Calshot Activities Centre – Recognised Training Centre – validation expires January 2022
Royal Yachting Association (RYA) Sailability accreditation	Hampshire Outdoor Centres	External - Royal Yachting Association (RYA)	Calshot Activities Centre – Recognised Training Centre accredited to provide accessible shore-based facilities for sensory, physical or other disabilities – validation expires January 2022
British Canoeing Quality Mark (BC)	Hampshire Outdoor Centres	External - British Canoeing	Calshot Activities Centre – Quality mark – expires December 2021

Assessment title	Area	External/internal	Latest judgement
Green Flag Awards	Outdoor accreditation for a variety of areas	External - Keep Britain Tidy	Awards resumed post-COVID-19 and Green Flag awarded in 2021 to all the Country Parks. Royal Victoria Country Park and Staunton Country Park have also been awarded the Green Heritage Award October 2021.
Ease of Use Survey	Volunteer survey of the Rights of Way network	External	A minimum of 5% of the network is audited each year (2.5% twice a year, in May and November), based on a set methodology. There are no available figures in May 2021 due to scaled down activity with Ramblers Association.
Sites of Special Scientific Interest (SSSIs)	Countryside sites in Hampshire, as part of UK wide assessment	External – Natural England	Natural England assesses the condition of SSSIs using Common Standards Monitoring (CSM)1. One of the largest grassland sites in southern England owned by HCC and Natural England has recently been reassessed as in ‘Favourable’ condition, improving on its previous rating of ‘Unfavourable Recovering’ condition.
Rural Payment Agency (RPA) Inspections	Countryside sites with Pillar 1 and Pillar 2 common agricultural agreements in place	External - Rural Payment Agency (RPA)	The Rural Payments Agency (RPA) inspects a percentage of agreements each year on behalf of Natural England. The inspections check agreement holders are meeting the schemes’ terms and conditions
Animal and Plant Health Agency (APHA) checks	Inspect animal health and welfare	External - Animal and Plant Health Agency	Spot check countryside sites for animal health and welfare and plant disease

Assessment title	Area	External/internal	Latest judgement
Food Hygiene Ratings	Countryside Country Park cafes	Environmental Health Officer	Current ratings: 5-star ratings at Manor Farm, Staunton Farm, Titchfield Haven, Royal Victoria, Lepe Country Parks and 4-star ratings at Queen Elizabeth Country Park
General Register Office (GRO) – Stock and Security Audit	Registration – provides assurance to the GRO Compliance and Performance Unit	External - General Register Office	Received positive high rating in 2016, Next assessment was due November 2020 (4-year cycle for those with a high rating), but this has been delayed by GRO due to impact of COVID-19 and date for next assurance review will be 3rd May 2022
General Register Office (GRO) Annual Performance Report	Registration- provides assurance to the GRO on local performance against agreed KPIs and improvement plan	External - General Register Office	Last report – Aug 2021 (slight delay in submission due to COVID-19 impacts). Positive comments received regarding performance and development of service. Next report and submission will be June 2022
Hyperactive Children's Support Group's Highest Award for Excellence in School Catering	HC3S annual assessment to retain accreditation for removal of specific additives in primary school meals	External - Hyperactive Children's Support Group	Current accreditation has been extended to September 2021 due to COVID-19. New date for re-accreditation yet to be confirmed
Annual allergen audits	HC3S	Internal	Allergen audits are now completed internally. During the academic year, Sept to Aug, 69 were completed, with an average score of 91.2% compliance against HC3S standards

Assessment title	Area	External/internal	Latest judgement
Annual kitchen audits	HC3S internal audit covering various aspects of catering operation i.e. health and safety, training, finance	Internal	Healthy Kitchen Assessments (HKA's) are undertaken throughout the year and records are held of all those completed per academic year (Sept to Aug). COVID-19 impacted access to schools for 20/21 and 100 HKAs were completed. The average score was 95.2% compliance against the standards set by HC3S
Food for Life Served Here	HC3S	External - Soil Association	Bronze re-accreditation achieved in January 2021 having been assessed against their criteria as providing freshly made, locally sourced food
Institute of Road Transport Engineers (IRTE) Workshop and Technician Accreditation	Hampshire Transport Management	External - Freight Transport Association (FTA)	HTM have an external accreditation and audit by the FTA every 3 years for the workshop and technicians to be IRTE accredited. All 5 workshops were audited and passed in 2021, with the next audit due by Easter 2024.
Compliance with the Port Marine Safety Code	River Hamble Harbour Authority	External - Maritime and Coastguard Agency	Certification of compliance with the Port Marine Safety Code. Compliance at 3 yearly intervals. Expires March 2024
Compliance with Merchant Shipping (Oil Pollution Preparedness Response and Co-operation Convention Regulations 1998)	River Hamble Harbour Authority	External - Maritime and Coastguard Agency	Endorsement of Oil Spill Contingency Plan. Compliance with Merchant Shipping (Oil Pollution Preparedness Response and Co-operation Convention Regulations 1998). 5 yearly intervals. Expires August 2023

Assessment title	Area	External/internal	Latest judgement
Compliance with the Merchant Shipping and Fishing Vessels' (Port Waste Reception Facilities) Regulations 2003	River Hamble Harbour Authority	External - Maritime and Coastguard Agency	Endorsement of Port Waste Management Plan. Compliance with the Merchant Shipping and Fishing Vessels' (Port Waste Reception Facilities) regulations 2003. 3 yearly intervals. Expires September 2023
Corporate Services			
2019 National Inclusion Standard	Corporate	External – Inclusive Employers	Participated in the 2019 Standard Assessment and awarded *Bronze* (September 2019) – accreditation remains valid in 2021/22
Accreditation to ISO20000 Service Management and ISO27001 Information Security for IT services	IT services.	External - British Standards Institute (BSI)	Audited on compliance in September 2020, which was awarded with no areas of non-conformity. The accreditation remains valid until September 2023
Public Sector Internal Audit Standards	Audit services	External - Institute of Internal Auditors	Fully compliant – awarded September 2020 (valid 2020-2025)
Shared Services infrastructure and business processes have been independently accredited to ISAE3402	Shared Services	External – audit undertaken by Ernst and Young	ISAE3402 was achieved in March 2021 based on the design and operating effectiveness of the control environment. This enables all partner organisations to get independent assurance comfort to an external accredited standard on the overall control environment.

Assessment title	Area	External/internal	Latest judgement
Annual Payment Card Industry (PCI) Data Security Standard	Corporate	Internal audit	Self-assessment against an industry standard, but is subject to Independent Internal Security Assessor. Self assessment successfully completed, assessed and submitted in October 2021.
Lexcel Accreditation for Legal Services	Legal Services	External – Law Society	Awarded by the Law Society to practices that are committed to Legal Excellence. Last assessed in December 2020, with an updated assessment planned for December 2021.

18 January 2022

Steve Crocker – Director of Children's Services, Hampshire County Council
Margaret Scott – Independent Chair, NHS Hampshire, Southampton and Isle of Wight (HSIoW) Clinical Commissioning Group (CCG)
Maggie MacIsaac – Chief Executive, HSIoW CCG
Julie Dawes – Chief Nursing Officer, HSIoW CCG
Katherine Elsmore – Associate Director for Safeguarding, HSIoW CCG
Donna Jones – Police and Crime Commissioner
Olivia Pinkney – Chief Constable of Hampshire Constabulary
Derek Benson – Independent Scrutineer

Dear local partnership

Joint targeted area inspection of the multi-agency response to identification of initial need and risk in Hampshire

This letter summarises the findings of the joint targeted area inspection (JTAI) of the multi-agency 'front door' services in Hampshire.

This inspection was a pilot to test proposed new arrangements for JTAIs. It took place from 15 to 18 November 2021. It was carried out by inspectors from Ofsted, the Care Quality Commission (CQC) and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS).

Headline findings

Vulnerable children in Hampshire benefit from highly effective multi-agency safeguarding children's partnership (HSCP) arrangements, ensuring that the vast majority of them and their families get the right level of help, at the right time, across the front door services. These mature, well-established professional relationships enable committed leaders to set high expectations and standards of themselves and their staff. This permits them to challenge and support each other to strive for excellence constantly, and constructively.

Key strengths

- Progressive, Hampshire senior leaders throughout the safeguarding partnership are outward-looking, and welcome external scrutiny. They have a sustained record of placing children, and their needs and safety, at the centre of their work across agencies. Underpinning these principles is a shared multi-agency understanding, vision and passionate culture focused on doing the right thing for children. Senior leaders are not complacent; they know their strengths and challenges but strive for continuous improvement, devoid of blame. These values permeate across agencies and their front door teams.

- Partners recognise the importance of addressing needs early to support children. Exceptionally skilled, experienced and enthusiastic early help hub (EHH) managers and practitioners, together with their partners, provide sensitive, imaginative and innovative child-centred help and protection. This joint approach is making a substantial difference to helping vulnerable children and their parents, reducing risk and improving their life chances. Escalating risk and harm to children are understood by professionals, and children requiring a statutory service are promptly referred into the multi-agency safeguarding hub (MASH).
- Strong professional partnerships in Hampshire's MASH serve to protect children from harm. The co-location of the children reception team (CRT), children's social workers, health professionals, the police and adult services is a strength. Thresholds for statutory services are understood; professionals work collaboratively to share information, mitigating risk and ensuring that children receive the right level of help and protection.
- Risks and strengths for children are identified and carefully analysed and consistently informed by their previous history. The child's views and lived experiences are central to multi-agency decisions leading to proportionate action. Most contacts and referrals into the MASH by professionals are concise and holistic, and clearly articulate risk and needs using the inter-agency referral form.
- Child protection strategy discussions take place promptly and result in appropriate outcomes with swift and clear actions recorded about the next steps. Information is shared well by health professionals and the police, and while schools are contacted, there is less information available. Schools are not usually invited to strategy meetings, but they are fully included in child and family assessment and in child protection conferences.
- A daily high-risk domestic abuse (HRDA) multi-agency meeting held in the MASH shares information speedily about children and victims deemed at higher risk resulting in targeted early action and support for victims of domestic abuse and their children.
- The multi-agency response to children at risk of criminal exploitation, trafficked, smuggled or who go missing is pioneering and impressive. Strong and effective communication, between police officers in the Missing, Exploited and Trafficked (MET) team, the Willow Team and the child assessment safeguarding teams (CAST) social workers, appropriately uses current intelligence to target and protect children most at risk.
- Extremely effective and comprehensive out-of-hours services, supported by well-established strong partnership arrangements with the police and health professionals, ensure that children and vulnerable adults are well protected.

- Assessments completed in the child assessment safeguarding teams (CAST) use the strengths-based Hampshire model of practice effectively. Partners work successfully to share information and take action to provide help and protection to children during the assessment process. Joint agency information is appropriately gathered and is used to positively inform child in need and child protection thinking, planning and decision-making.
- All staff spoke very positively about working in Hampshire. They have access to an array of training and development opportunities, both joint and single agency. They are also leaders in developing and delivering bespoke training to other professionals, enhancing their multi-agency safeguarding expertise and cementing relationships.
- Multi-agency tools and protocols developed by the local safeguarding children's partnership are used well across agencies, for instance the age-specific neglect tools, and the bruising and unborn baby protocols leading to earlier support and action by professionals to prevent harm to children and to vulnerable adults from escalating.

What needs to improve?

- The delivery of joint enquiries by the police and children's social care when this has been agreed at child protection strategy meetings.
- The consistency and timeliness of feedback by the MASH to health colleagues following contacts and referrals.
- Timeliness in processing domestic abuse incident public protection notices (PPNs) for children deemed to be at medium or standard risk.

Main findings

The safeguarding partnership in Hampshire is highly effective. Strong governance arrangements are firmly in place, augmented by a culture of professional accountability and respectful challenge. Consequently, agencies work diligently together across their array of front door services to help vulnerable children and to prevent risks from escalating.

Leaders have a comprehensive knowledge of strengths and areas for improvement about what is happening in the 'frontline', informed by accurate performance management information and quality assurance activity. They have been quick to respond to the increase in demand for services. For example, in recognition of the 20% increase in referrals and assessments during the COVID-19 pandemic, additional health, police and children's services staff have been employed in the MASH, and for most workers in the CAST caseloads have remained manageable

Established and consistent recording, investigation and review systems ensure that safeguarding decisions and responses about individual children in the MASH are purposeful and timely. Risk is 'owned' by dedicated and committed health, police and social care practitioners, leading to tailored, child-centred actions that are informed by thorough assessment and by previous family history. However, a small number of children are referred into the MASH on multiple occasions or have been open to children's social care previously without changes being sustained.

Partners demonstrate effective scrutiny and oversight of most frontline practice across all agencies. For example, midwives, health visitors, community specialist and general practitioners work effectively with the MASH to identify unborn children who are at risk or in need of help or support. Neighbourhood police officers have a good understanding of parental vulnerability, and the importance of speaking to and listening to children when attending incidents. Their focus is on 'health, happiness and home', ensuring that the voice of the child is heard. Professionals are respectful and empathic of unmet parental needs but retain a child-focused perspective. Children's need to be protected from abuse and escalating harm is prioritised and informs analysis and proportionate decisions about the requisite next steps.

Escalation processes when there is a difference of professional opinion are effective. Challenges by midwives and health visitors and child and adolescent mental health services (CAMHS) using the escalation procedure have led to more appropriate actions. Communication from the MASH to health partners about outcomes of referrals is more difficult for those health trusts based outside Hampshire borders but serving Hampshire children. This hinders the ability of these professionals to work jointly.

A comprehensive suite of formal joint protocols and risk assessment tools is used well with parents to help them make changes. A positive example is the health-developed ICON (infant crying is normal, comforting methods can help, OK to walk away, never shake a baby) initiative in response to findings from multi-agency case reviews, which is making a difference.

Highly effective integrated early help hub teams, strengthened by the weekly EHH multi-agency triage meetings, ensure that children get the right level of help from the most appropriate professional. Innovative, responsive and continually evolving services delivered by skilled practitioners help families with a wide range of needs, including very complex difficulties. Assistance is provided by numerous partner agencies, including community police officers, adult mental health, and substance misuse support, demonstrating well-planned, cohesive and seamless partnership arrangements. The impact and outcomes of this sensitive and creative work are strongly evident in assessments and multi-agency plans and planning. When risks escalate, children are referred to statutory services but continue to benefit from the involvement of EHH practitioners if appropriate.

Responses to children at immediate risk of harm are timely and effective. Strategy meetings are used constructively to share relevant information about children to make decisions about the next steps. In a small number of cases, appropriate decisions to conduct joint police and social care children protection enquiries were overridden outside of the strategy meeting, limiting joint risk assessment and interventions for these vulnerable children.

Proportionate checks are undertaken with most professionals, who work closely together and collaborate well. CAMHS and schools are not routinely invited to contribute to strategy meetings, and until very recently CAMHS information was not readily available to the health practitioners in the MASH. Consent of parents to share information is routinely considered. Persistent work by all CRT and the MASH staff demonstrates a resolute focus on understanding the impact of domestic abuse, parental substance misuse, and poor mental ill health and neglect on vulnerable children. Risks and strengths are identified and carefully analysed and consistently informed by the previous history. The child's views and lived experiences are central to decisions. Some delays in reviewing police protection notices (PPNs) by the police within the MASH mean that children deemed to be medium or standard risk are not assessed as quickly as they should be. Requests for information made to health services are too general and do not specify the child's individual circumstances or their family context.

Children and their families requiring ongoing help, further assessment and protection are immediately passed from the MASH to the social work CAST service, where they are allocated for assessment. Most children are visited promptly by social workers. Assessments using the strength-based Hampshire Approach model of social work provide an effective framework for multi-agency consideration of risk and need, informing child in need and child protection planning. The majority of assessments are comprehensive and analytical. Focused, purposeful direct work is planned well, is done at the child's pace, and ensures that most children understand what is happening.

During the assessment, professionals using direct work tools, genograms and chronologies make consistently strong efforts to understand parental history and trauma alongside the impact of mental illness, domestic abuse, poverty, parental addiction and insecure housing. Examples were seen of skilled social workers evaluating how these and other vulnerabilities affect the ability of parents to provide stable, safe and consistent care for their children. Assessments are signed off by team managers who clearly record the rationale for decisions and the next steps to be taken. Threshold decisions about children in need and child protection planning are proportionate. For a small number of children known to agencies, sometimes for many years, contingency planning is not robust enough, causing delay in achieving or sustaining changes.

The initial multi-agency response to children at risk of criminal exploitation, trafficked, smuggled or who go missing is pioneering and impressive. All asylum-seeking young people are provided with joint child protection and trafficked assessments coordinated with the eight district police-led MET teams. The quality of work is exceptionally high. Consequently, emerging risks to young people are identified early. Consistently strong and effective communication, including out of hours, targets children most at risk and is helping to keep vulnerable children safer. High-risk strategy meetings, attended by a broad range of relevant services, help to identify perpetrators and plan action to prevent children most at risk being drawn into gangs and associated areas of criminal and sexual exploitation.

Staff across frontline teams and services report feeling well supported in their work and in their professional development by visible, approachable and engaged managers at every level. For example, multi-agency trauma-informed training has been delivered to over 1500 members of Hampshire Constabulary from a variety of departments as part of the force's aim to help the police develop trauma-informed policing. Across frontline teams and services, morale is good. There is a tangible culture of professional accountability and respectful challenge that is improving outcomes for children.

Next steps

Because this inspection was a pilot to test proposed new arrangements, the inspectorates have decided not to require the local partnership to produce a written statement of proposed action that responds to the findings. The local partnership may choose to make a statement and share it with the inspectorates.

Yvette Stanley

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Wendy Williams CBE

Her Majesty's Inspector of Constabulary