

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Leader and Executive Member for Hampshire 2050 and Corporate Services
Date:	25 September 2023
Title:	Savings Programme to 2025 – Revenue Savings Proposals
Report From:	Director of Hampshire 2050 and Director of Corporate Operations

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Purpose of this Report

1. The purpose of this report is to outline the detailed savings proposals for the Hampshire 2050 Directorate that have been developed as part of the Savings Programme to 2025 (SP2025) Programme.

Recommendation(s)

2. To approve the submission of the proposed savings options contained in this report and Appendix 1 to the Cabinet.

Executive Summary

3. This report outlines the detailed savings proposals for the Hampshire 2050 Directorate that have been developed as part of the Savings to 2025 (SP2025) Programme. The report also provides details of the Equality Impact Assessments (EIAs) that have been produced in respect of these proposals and highlights where applicable, any key issues arising from the public consultation exercise that was carried out over the summer and how these have impacted on the final proposals presented in this report.
4. The Executive Member is requested to approve the detailed savings proposals for submission to Cabinet in October and then full County Council in November, recognising that there will be further public consultation for some proposals.

Contextual Information

5. In February 2023, Cabinet and Council were updated on the budget gap position and the early work undertaken by the Corporate Management Team to identify the available options to balance the budget to 2025/26. The Council expects to face a budget gap of at least £132m after taking account of annual Council tax increases at the maximum permitted level of 4.99% and additional grant funding expected to be provided by the government in 2024/25.
6. The early publication of a government policy paper on local authority funding for 2024/25 was welcomed. However, with 2024/25 representing the last year of the current parliament and spending review period, there remains considerable uncertainty as to the resources available to the Council from 2025/26 onwards. It is clear, however, that the landscape for the public finances remains challenging following the pandemic, considering current economic and geopolitical factors. Given the lack of any certainty from 2025/26, the County Council has had no choice but to assume that savings required to meet a gap of at least £132m will be required by April 2025, as we cannot take the risk of assuming further government financial support will be forthcoming. Furthermore, the financial constraints on the Council mean that there will be no funding available to cash flow a savings programme beyond April 2025.
7. In recognition of the size of the financial challenge, coming after a decade of savings totalling £640m, directorates were not issued with 'straight line' savings targets as per previous savings programmes but were instead instructed to review what savings might be achievable if we were to move towards a 'bare minimum' provision of services. This approach aimed to maximise the potential for savings across the organisation whilst ensuring that the Council can continue to target resources on the most vulnerable adults and children and deliver other vital core services.
8. The early work undertaken by directorates consisted of a detailed review of each budget line to understand where:
 - Further efficiencies could be achieved, for example due to changes to working practices following the pandemic or through changes to service management arrangements following the Fit for The Future organisational structure review.
 - Investment in new equipment or IT technology could enable us to deliver services differently.
 - Income generation could be increased through expanding the scope of existing sales, fees and charges or introducing new charges for some services.
 - Non-statutory or discretionary services could be scaled back or ceased.

9. Following the initial scoping exercise undertaken at directorate level, the savings options were subject to a detailed and robust scrutiny process, consisting of peer reviews within the Corporate Management Team and scrutiny by Executive Members, the Leader and Deputy Leader. The review process aimed to ensure that:
 - The available savings opportunities for each key service line have been maximised and directorates have considered how the implementation of savings can be accelerated where possible to maximise early delivery.
 - There is a shared understanding across directorates of any risks or dependencies linked to savings in other areas to eliminate any unintended consequences of savings delivery, for example possible cost and/or demand increases for other services.
 - The cumulative impacts of savings across all directorates on specific service user groups have been assessed and minimised as far as possible.

10. This detailed work has identified a total of £90.4m savings across all directorates, of which £75.0m are expected to be delivered by 2025/26, leaving an unmet budget gap of £57.0m in 2025/26. It is not surprising that this position has been reached given the £640m savings already removed from the budget since 2010. In the absence of any further government funding to 2025/26, the Council will be reliant on reserves to temporarily bridge the budget gap pending fundamental reform to the funding system and legislative framework for local government. Additionally, a budget shortfall of £86m is currently expected for 2024/25 which will also need to be met from reserves.

11. A review of the Council's reserve balances was undertaken at the end of the 2022/23 financial year and the results were reported to Cabinet and Full Council in July. The review identified most of the additional funding required to bridge the gap for 2024/25, albeit a small deficit of £2.4m still remains in addition to the significant shortfall of £57.0m in 2025/26. It is therefore not possible to continue with the Council's usual financial approach of allowing directorates to retain any early achievement of savings for reinvestment in service delivery. All savings delivered in 2023/24 and 2024/25 will instead be transferred to the budget bridging reserve to help balance the budget in 2025/26.

12. As part of the Council's Fit for The Future Programme, a series of detailed reviews of key functions which are common across all directorates will be undertaken with the aim of maximising consistency, efficiency and effectiveness in the following areas:
 - how the Council engages with its customers when they contact the County Council directly
 - how transformation and business support activity is defined and delivered

- how senior management structures, roles and responsibilities align between directorates
 - how the Council provides core enabling services such as Finance, IT and HR; ensuring these are delivered from the centre of the organisation
13. As well as delivering operational benefits for the Council, these reviews are expected to help reduce costs through removing duplication, enabling more effective prioritisation of resources and improving retention of specialist skillsets. Whilst the financial benefits are expected to supplement the £90.4m savings identified by individual directorates, they will not be sufficient to meet the remaining budget gap to 2025/26.
14. As we seek to establish a long-term sustainable funding solution through on-going lobbying and discussions with central government, our options to meet the predicted annual budget shortfall (of at least £132m) by 2025 are limited. It is considered that there will be very few ways in which the County Council can continue to meet the legal duty to balance the budget without any impact on the residents of Hampshire. To help understand how people could be affected by the proposals being considered, the County Council undertook an open public consultation '*Making the most of your money*', which ran for six weeks between 12 June and 23 July 2023. The consultation was widely promoted to residents and stakeholders, and asked for views on a range of high-level options that could help to address the shortfall, so that the County Council could take residents' needs in to account when considering the way forward.
15. The consultation provided an overview of the anticipated budget gap by 2025 and explained the range of options likely to be needed to enable the County Council to continue to deliver statutory service obligations.
16. The consultation feedback confirmed that a number of approaches are likely to still be needed to meet the scale of the financial challenge. Consequently, the County Council will seek to:
- **continue with its financial strategy**, which includes:
 - **targeting resources** on the most vulnerable adults and children
 - **using reserves carefully** to help meet one-off demand pressures
 - **continue to lobby central government** for fundamental changes to the way local government is funded, as well as a number of other ways to help address the funding gap including increasing funding for growth in social care services and for highways maintenance, and allowing new charges to be levied for some services;
 - **help to minimise reductions and changes to local services** by raising council tax by 4.99% in line with the maximum level permitted by government without a public referendum;

- **generate additional income** to help sustain services;
 - **introduce and increase charges** for some services;
 - consider further the opportunities for **changing local government arrangements** in Hampshire.
17. Executive Lead Members and Chief Officers have been provided with the key findings from the consultation to help in their consideration of the final savings proposals for this report, and a summary of these is provided at Appendix 3. Responses to the consultation will similarly help to inform the decision making by Cabinet and Full Council in October and November of 2023 on options for delivering a balanced budget up to 2025/26, which the Authority is required by law to do.
18. In addition, Equality Impact Assessments have also been produced for each savings proposal, and these together with the broad outcomes of the consultation and the development work on the overall SP2025 Programme have helped to inform and shape the final proposals presented for approval in this report.

Savings Programme to 2025 – Directorate Context/Approach

19. The Hampshire 2050 Directorate is a newly formed Directorate in the organisation, following the organisational redesign and restructure completed in January 2023. It comprises the organisation's key place shaping strategic functions, aligned to the Hampshire 2050 vision that was revalidated by Cabinet in July 2023. The Directorate is comprised of 3 core areas:
- **Land and Assets** – the strategic one-organisation oversight of the County Council's land and assets portfolio including schools, the corporate estate and the County Council's strategic land holdings.
 - **Culture, Communities and Strategic Programmes** – oversight of the County Council's strategic, cultural and community offer including grants to community and charitable organisations. There are 2 broad categories of grants to organisations; i) Grant programmes through which organisations need to competitively apply for one-off grant funding based on set criteria (this includes grant streams such as the Leaders Grant and the Rural Grants Programme); ii) recurring revenue grant support to organisations based on funding agreements or partnership arrangements.
 - **Skills, Economy and Strategic Planning** – oversight of the County Council's strategic role and ambition to drive economic growth and prosperity alongside the development of transport strategy, infrastructure and statutory planning responsibilities (such as Minerals and Waste Planning and Local Nature Recovery).

Given the strategic nature of the Directorate, a proportion of activity is focussed on development of place shaping across Hampshire rather than direct operational delivery of front-line services to residents and communities. A detailed review has therefore been completed across all budget lines, balancing the on-going importance of enabling positive, strategic place shaping across Hampshire, whilst proposing opportunities that maximise savings, reduce duplication, remove recurring grant funding for non-essential activities and move to a principle of bare minimum for service delivery.

20. There are 5 areas for review identified for the Directorate:

Grant funding - The County Council will review and consolidate the range of grants currently offered and reduce the level of grant spend available to organisations who do not support the core statutory responsibilities of the County Council. This aligns to a principle that the County Council will not subsidise recurring revenue expenditure of organisations, beyond the agreed delivery of statutory duties / activities undertaken on behalf of the County Council. The overall grants review is comprised of three specific proposals:

- a) **Grants (One-Off Competitive)** - Review and consolidation of existing centrally administered competitive grants schemes which provide one-off grants to a range of community groups and organisations.
- b) **Grants (Centrally Administered Revenue)** - Review of centrally administered recurring revenue grant funding awarded to a small number of services, community organisations and charitable trusts working in partnership with the County Council (including grants awarded to The Spring in Havant, the Hampshire Association of Local Councils and other funding awarded through the wider rural programme).
- c) **Grants (Management Funding Agreements)** - Review of grant funding provided under formal Management Funding Agreements to Hampshire Cultural Trust and Energise Me to manage specific services or areas of activity on behalf of Hampshire County Council.

Directorate Organisational Redesign – As a newly formed Directorate there is an opportunity to re-design the current operating model for Strategic Transport, Spatial Planning, Economic Development & Skills and Climate Change & Environmental Strategy. This will consider the core role and purpose of teams delivering key place shaping priorities for Hampshire and the development of an operating model based on partnership, leadership and influence rather than direct delivery.

Office Accommodation – In accordance with the recently approved Strategic Asset Management Plan (SAMP) there is an opportunity to consolidate and rationalise the County Council's built estate to maximise the utilisation of buildings and deliver revenue savings. This will include an

assessment of all buildings across both corporate office accommodation and front-line service delivery.

21. The above proposals have been developed noting that there are important interdependencies between longer term strategic placemaking and wider organisational outcomes, such as the well evidenced relationship between strategic infrastructure investment, economic prosperity and societal outcomes linked to health, well-being and quality of life.

Summary Financial Implications

22. The total value of the savings opportunities identified for the directorate is £5.037m. The expected cashflow profile for implementation of the savings is set out in the table below.

2024/25	2025/26	Full Year Impact
£'000	£'000	£'000
632	2,968	5,037

23. All of the £5,037m total savings will be achieved through reductions to expenditure budgets as a result of service efficiencies and reductions, whilst developing opportunities to reduce reliance on core budgets and draw on alternative funding sources.
24. The detailed savings proposals that are being put forward by the directorate are contained in Appendix 1.

Workforce Implications

25. Appendix 1 also provides information on the estimated number of reductions in staffing as a result of implementing the proposals.
26. Of the 32 Full Time Equivalent (FTE) posts that may be affected, it is anticipated that the majority of these will be achieved through natural turnover within the relevant services but noting that any balance would need to be managed down between now and the implementation date.
27. The County Council's approach to managing down staff levels in a planned and sensitive way through the use of managed recruitment, redeployment of staff where possible and voluntary redundancy where appropriate will be continued.

Climate Implications

28. 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°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
29. Given that this report deals with savings proposals it is difficult to assess any specific climate change impacts at this stage, but assessments will be undertaken for individual proposals, if appropriate as part of the implementation process.

Consultation, Decision Making and Equality Impact Assessments

30. As part of its prudent financial strategy, the County Council has been planning since March 2022 how it might tackle the anticipated deficit in its budget by 2025/26. As part of the Medium Term Financial Strategy (MTFS), which was last approved by the County Council in September 2022 and updated as part of the budget setting process for 2023/24, initial assumptions have been made about inflation, pressures, council tax levels and the use of reserves. Total anticipated savings of £132m are required and directorates were tasked with reviewing all possible opportunities to contribute to bridging this gap.
31. The County Council undertook an open public consultation '*Making the most of your money*' which ran for six weeks from 12 June to 23 July 2023. The consultation was promoted to residents and stakeholders, and asked for views on a range of high-level options that could help to address the shortfall, so that the County Council could take residents' needs into account when considering the way forward.
32. The consultation explained that given the considerable size of the budget gap by 2025, it was likely a combination of the potential options being considered would be needed, given the limited ability the County Council has to generate income and the need to continue to deliver statutory service obligations. For example, the supporting Information Pack explained that the £132m budget forecast took into account an assumed increase in council tax of 4.99% (of which 2% must be spent on Adult social care services), and illustrated the amount of savings that would still be required even if council tax was increased by up to 10%. The Pack also explained that if central government were to support a change to the structure of local government in Hampshire, it would still take several years to fully realise any savings. Residents were similarly made aware that the use of the County Council's reserves (which are retained for service investment and to help manage financial risk) would not

provide a sustainable solution to address ongoing financial pressures. The Pack further explained that if these were used to meet service delivery these would be used up very quickly, and so only temporarily delaying the point at which other savings would need to be found.

33. Executive Lead Members and Chief Officers have been provided with the key findings from the consultation to help in their consideration of the final savings proposals. As the consultation feedback confirms, a number of different approaches are likely to be needed to meet the scale of the financial challenge. Consequently, the County Council will seek to:
 - **continue with its financial strategy**, which includes:
 - **targeting resources** on the most vulnerable adults and children
 - **using reserves carefully** to help meet one-off demand pressures
 - **continue to lobby central government** for fundamental changes to the way local government is funded, as well as a number of other ways to help address the funding gap including increasing funding for growth in social care services and for highways maintenance, and allowing new charges to be levied for some services;
 - **help to minimise reductions and changes to local services** by raising council tax by 4.99% in line with the maximum level permitted by government without a public referendum;
 - **generate additional income** to help sustain services;
 - introduce and increase charges for some services;
 - consider further the opportunities for **changing local government arrangements** in Hampshire.

34. Individual Executive Members cannot make decisions on strategic issues such as council tax levels and use of reserves and therefore, these proposals, together with the outcomes of the *Making the most of your money* consultation exercise outlined in Appendix 3, will go forward to Cabinet and County Council and will be considered in light of all the options that are available to balance the budget by 2025/26.

35. The proposals set out in Appendix 1 represent suggested ways in which directorate savings could be generated to maximise the contribution to the SP2025 Programme and have, wherever possible, been developed in line with the principles set out above. This includes the principle of ensuring that strategic resources are carefully targeted and challenged accordingly.

36. Following the Executive Member Decision Days, all final savings proposals will go on to be considered by the Cabinet and Full Council in October and November – providing further opportunity for the overall options for balancing the budget to be considered as a whole and in view of the consultation

findings. Further to ratification by Cabinet and Full Council, some proposals may be subject to further, more detailed consultation.

37. In addition to the consultation exercise, Equality Impact Assessments (EIAs) have been produced for each of the five savings proposals outlined in Appendix 1 and these have been provided for information in Appendix 2. The cumulative assessment provides an opportunity to consider the multiple impacts across proposals as a whole and, therefore, identify any potential areas of multiple disadvantage where mitigating action(s) may be needed.
38. Together the *Making the most of your money* consultation and Equality Impact Assessments have helped to shape the final proposals presented for approval in this report.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Developing a Medium Term Financial Strategy Template County Council Part I report (hants.gov.uk)	Cabinet - 19 July 2022 County Council – 29 September 2022
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents

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

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

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 disproportionately low.

2. Equalities Impact Assessment:

A full Equalities Impact Assessment has been undertaken for each of the savings options and these are included as a separate appendix to this report (Appendix 2).

