

HAMPSHIRE COUNTY COUNCIL

Decision Report

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| Decision Maker: | Cabinet County Council |
| Date: | 6 February 2024 22 February 2024 |
| Title: | Revenue Budget and Precept 2024/25 |
| Report From: | Deputy Chief Executive and Director of Corporate Operations |

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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 2024/25. It also provides an update on the financial position for 2023/24.

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 directorates for 2024/25 as set out in Appendix 2.
4. Approves that the stage 2 consultation results and subsequent decision making are reported to Cabinet in July rather than individual Executive Members.
5. 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.

6. Recommends to County Council that:

- a) The Treasurer’s report under Section 25 of the Local Government Act 2003 (Appendix 6) be taken into account when the Council determines the budget and precept for 2024/25.
- b) The Revised Budget for 2023/24 set out in Appendix 1 be approved.
- c) The revenue pressures set out in Section G be approved.
- d) The Revenue Budget for 2024/25 (as set out in Appendix 3 and Appendix 4) be approved.
- e) The Reserves Strategy at Appendix 5 be approved.
- f) The **council tax requirement** for the County Council for the year beginning 1 April 2024, be £826,732,345.43.
- g) The County Council’s band D council tax for the year beginning 1 April 2024 be £1,533.24, an increase of 4.999%, of which 2% is specifically for adults’ social care.
- h) The County Council’s council tax for the year beginning 1 April 2024 for properties in each tax band be:

| | £ |
|--------|----------|
| Band A | 1,022.16 |
| Band B | 1,192.52 |
| Band C | 1,362.88 |
| Band D | 1,533.24 |
| Band E | 1,873.96 |
| Band F | 2,214.68 |
| Band G | 2,555.40 |
| Band H | 3,066.48 |

- i) Precepts be issued totalling £826,732,345.43 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:

| Local Authority | Tax Base | Council Tax Precept (HCC share) |
|------------------------|-----------------|--|
| Basingstoke and Deane | 69,800.30 | 107,020,611.97 |
| East Hampshire | 52,599.43 | 80,647,550.05 |
| Eastleigh | 49,037.29 | 75,185,934.52 |
| Fareham | 44,188.90 | 67,752,189.04 |
| Gosport | 26,980.90 | 41,368,195.12 |
| Hart | 42,690.97 | 65,455,502.84 |
| Havant | 42,774.50 | 65,583,574.38 |
| New Forest | 72,371.50 | 110,962,878.66 |
| Rushmoor | 33,011.65 | 50,614,782.24 |
| Test Valley | 52,059.00 | 79,818,941.16 |
| Winchester | 53,691.65 | 82,322,185.45 |

- j) The Capital & Investment Strategy for 2024/25 (and the remainder of 2023/24) as set out in Appendix 7 be approved.
- k) The Treasury Management Strategy for 2024/25 (and the remainder of 2023/24) as set out in Appendix 8 be approved.
- l) 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.
- m) The Council's Constitution and Policy Framework are reviewed and updated in due course and where necessary to ensure that they align with the principles of legal minimum service provision.

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 2024/25.
- b) The Revised Budget for 2023/24 set out in Appendix 1.
- c) The revenue pressures set out in Section G.
- d) The Revenue Budget for 2024/25 (as set out in Appendix 3 and Appendix 4).

- e) The Reserves Strategy at Appendix 5.
- f) That the council **tax requirement** for the County Council for the year beginning 1 April 2024, be £826,732,345.43.
- g) That the County Council's band D council tax for the year beginning 1 April 2024 be £1,533.24, an increase of 4.999%, of which 2% is specifically for adults' social care.
- h) The County Council's council tax for the year beginning 1 April 2024 for properties in each tax band be:

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- j) The Capital & Investment Strategy for 2024/25 (and the remainder of 2023/24) as set out in Appendix 7.

- k) The Treasury Management Strategy for 2024/25 (and the remainder of 2023/24) as set out in Appendix 8.
- l) 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.
- m) That the Council's Constitution and Policy Framework are reviewed and updated in due course and where necessary to ensure that they align with the principles of legal minimum service provision.

Section C: Executive Summary

- 7. The purpose of this report is to set out the County Council's proposals for the revenue budget and precept for 2024/25. It also provides an update on the financial position for 2023/24.
- 8. Savings targets for 2025/26 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 2025 (SP2025) which were agreed by Cabinet and County Council during October and November last year. Any early achievement of resources from proposals during 2024/25 as part of the SP2025 Programme will be contributed to the Budget Bridging Reserve to help fund predicted budget deficits in future years, as per the revised policy agreed by County Council.
- 9. 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 22 February 2024.
- 10. Financial performance in the current year remains relatively stable given that a further £80m was removed from budgets in 2023/24, but there are a number of service pressures that have been reported during the year which will impact on the budget for 2024/25 and are set out in the report. Overall recurring funding of £6.068m and one off funding of £1.661m is recommended for approval.
- 11. In line with the MTFS and Government presumption, this report recommends that council tax is increased by 4.999% in 2024/25, of which 2% 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. In particular, we await to see what share we will receive of the additional funding announced on 24 January and at this stage no allowance has been made for this in this report.

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) for 2024/25 is £84.7m, which is in line with the previous forecast of a draw of £86m for the year.
14. In addition, this report includes both the County Councils Capital and Investment Strategy and the Treasury Management Strategy (TMS) for 2024/25 (and the remainder of 2023/24), set out in Appendix 7 and Appendix 8 respectively.
15. The financial position to 2025/26 is well documented and following a neutral provisional local government finance settlement for 2024/25 there is no major update on the position for 2025/26 other than to note that some of the service pressures may impact on the current forecast deficit of £132m. However, with the lack of any Government proposals beyond 2024/25 and so many other unknowns within the forecast it is considered appropriate not to fully update the forecasts until later in the year.
16. The Government announced a late funding package of £600m on 24 January but individual authority amounts are not yet known, although Hampshire can expect to receive up to £10m. The additional funding is very welcome and will help to reduce the level of reserves required to balance the budget in 2024/25, thereby providing further re-assurance that we will be able to balance the remaining budget gap in 2025/26 from reserves. However, there are no indications as to whether this funding will be built into future settlements and even if we assume that it is, it means we still face a recurring budget deficit of over £30m from 2025/26 onwards, even if all of the current SP25 savings proposals are progressed following the current consultation process. In essence, the extra funding helps to shore up our finances further to 2025/26 but it does not change the underlying fact that our recurring budget position is unsustainable.
17. Members will be aware that the strategy at this stage is to fund the deficit in 2024/25 and the remaining gap in 2025/26 from the BBR whilst we carry out the legal minimum service level exercise that was reported to December Cabinet.
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 and will look to build the body of evidence that demonstrates that as a council with a statutory duty to set a balanced budget but also to provide a wide range of statutory services, we have nowhere left to go.

19. In order to demonstrate that we have exhausted all locally available options, Members should note that the Council will heighten its focus on what a legal minimum provision of services looks like over the next year. This will partly be achieved through the implementation of the SP25 programme following the outcome of the current consultations but may in some areas require us to go further in line with the outcomes of the legal minimum service review. As part of this work, it is recommended that the Council's Constitution and Policy Framework are reviewed and updated where necessary to ensure that they align with the principles of legal minimum service level provision and reflect the constraints of the Council's current budgetary position.
20. These are not changes which the Council would wish to make but are an unavoidable consequence of the serious financial position in which we find ourselves. Without wholesale change to the financial system for local government, the range and level of services which the Council is able to deliver will continue to reduce.
21. 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 2024/25, is set out in Appendix 6 and also considers the future financial resilience of the County Council in this context.

Section D: Contextual Information

22. Members will be aware of the two year cycle that the County Council operates for addressing its budget deficits and a similar pattern has been followed working towards 2025/26 and a predicted deficit of £132m. What is different for this cycle is that we still have a recurring budget deficit of £50.8m in the current year despite £80m of new savings and following County Council approval of the Savings Programme to 2025 (SP25) we still have a recurring £41.6m gap in the 2025/26 budget, plus the further one off impact of delayed savings.
23. Members will also recall that the approach to the SP25 programme was different to other years in that no specific savings targets were set for Directorates. They were instead asked to look at what savings might be achieved if we were to start to move towards a legal minimum level of service. The outcome of this was a set of savings totalling £90.4m, which is not surprising given the level of savings that have already been taken out of the budget.
24. This is the first time we have not been able to close the budget gap and is a combination of high inflation and growth pressures and a system of local government finance which is not fit for purpose and has been identified as such since 2016.
25. The financial pressure across local government services is now being described as 'systemic' and despite significant lobbying from the sector and

acknowledgements from Government that the financial case had been made, there was no new funding announced in the Autumn Statement nor the provisional local government finance settlement released in mid-December.

26. The Government chose instead to divert what resources they had to fund tax cuts and the announcement on the National Living Wage was above what most authorities were expecting and will create further pressure on costs.
27. Members will be aware that following lobbying by MPs the Government announced a further £600m package of funding for local government, although individual allocations will not be known until the final grant settlement for 2024/25, which is not due out until this report has been dispatched. Whilst the extra funding is welcome, the Government is still effectively expecting councils to rely on their reserves to balance budgets, despite the fact that these are not evenly distributed and the majority are set aside for specific purposes as part of a wider financial strategy and good management of an authority's business as set out in Appendix 5 for the County Council.
28. In December 2023 Cabinet received a budget update report that set provisional cash limit guidelines for directorates, taking into account inflation, savings and base changes. This report confirms the cash limits that will be applied to directorates 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 there are additional pressures that will be covered off in this report.
29. Following the approval of the SP25 savings proposals in November last year, the County Council is currently carrying out stage 2 consultations that seek stakeholders views on a range of options for making savings across 13 separate service areas.
30. It would be usual for the outcome of the consultation exercises and final decisions to be taken by individual Executive Members, however, given the extent of the consultation exercise and the fact that they are all being undertaken over the same time frame, it is recommended that the results and subsequent decisions around the proposals are taken collectively by Cabinet in July rather than by individual Executive Members.
31. Given the recurring budget gap of £41.6m from 2025/26 onwards (which may be reduced if the £600m is rolled into future years) the County Council is undertaking an exercise on what a legal minimum level of service looks like and what potential further savings could be proposed, initially to help close the gap in 2025/26 but then to consider what other options might we need to implement in the face of a Section 114 notice.
32. This will be a significant exercise for the Council and could have major impacts on the services that we provide going forward. With this in mind County Council is recommended to approve that a review of the Constitution and Policy Framework is conducted once the outcome of the legal minimum exercise is known to ensure that there is consistency across these areas.

Section E: 2023/24 Financial Monitoring

33. An updated position on the in year monitoring was provided as part of the December Cabinet report and at the end of the third quarter, the position remains broadly the same. The key areas to highlight, which have also been picked up as part of the revenue pressures in Section G are:
- **Adult's Services (£10.8m)** - Increased residential and nursing clients during the year have increased costs but a proportion of these can be met from the unallocated Market Sustainability and Improvement Fund (£6.4m).
 - **SEN Service (£3.5m)** - The 2023/24 budget included additional funding of some £3.8m for the Special Educational Needs Service and Educational Psychologists as a result of a significant rise in the number of requests for Education Health and Care Plans (EHCPs) in recent years. Despite this additional funding, the service is forecasting a pressure of £3.5m. Options to provide a new structure for the service have been considered and the ongoing impact of this is included in the pressures in Section G.
 - **Children with Disabilities and Post 16 Support (£3.8m)** – this pressure was not flagged previously as it is covered by the overall budget for Children Looked After and it was not clear if it was a temporary blip in numbers or a longer term issue. It now seems likely that this pressure will continue into future years and will need to be closely monitored in the context of the overall CLA budget.
 - **School Transport (£12.9m)** – The growth in this service is well documented and it continues to be the highest growth area in relative terms in the council. This overspend is despite significant extra resources that have been added to the budget in recent years and following the new school year starting in September 2023, we are seeing further pressure on numbers and costs such that the overspend has increased by £3m since Quarter 2.
 - **Coroners (£1m)** - The 2023/24 provisional cash limits report to Cabinet in December 2022 highlighted a 50% increase in Coroners inquests since 2019 resulting from increasing numbers of complex or uncertified referrals and acute shortages in mortuary capacity. An additional £578k was added to the service's budget for 2023/24, however a pressure of £546k is expected for the current year, rising to around £1m in 2024/25 and is reflected in the proposed growth pressures for next year as set out in Section G.
34. Adults Health and Care are forecasting a £5m net budget pressure after fully utilising £13m remaining Cost of Change reserves, most significantly to deliver the required investment to achieve outstanding T21 and SP23 savings and to cashflow later delivery of these savings. Children's Services are forecasting a net budget pressure of at least £13m after fully utilising £14m remaining Cost of Change reserves, the majority of which is required to offset the in-year pressures discussed above. The residual pressure, which is expected to total at least £18m, will be offset by savings on corporate budgets as far as possible but could require the Council to draw on the BBR at year end.

Section F: Revised Budget 2023/24

- 35. 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.
- 36. Appendix 1 provides a summary of the original budget that was set for 2023/24 together with adjustments that have been made during the year. The proposed Revised Budget for 2023/24 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 reduce the required draw from the BBR to balance the budget.
- 37. The following paragraphs explain the main adjustments that have been made to the budget during the year:

Adjusted Budget 2023/24

- 38. **Directorate Spending** – Budgeted directorate spending has increased by around £61.1m and the reasons for this are highlighted in the following table:

| | £m |
|---|-------------|
| Net increase in specific grants | 24.6 |
| Allocations from Corporate Inflation Underwrite | 9.9 |
| Tt2021 Corporate Cashflow Support | 5.4 |
| Use of directorate earmarked reserves | 4.3 |
| In Year Adult’s Services draw from central contingency | 10.8 |
| In Year Children’s Services draw from central contingency | 9.1 |
| In Year Universal Services draw from central contingency | 2.2 |
| Changes to Revenue Contributions to Capital Outlay (RCCO) | (3.3) |
| Other Net Changes | (1.9) |
| Total | 61.1 |

- 39. The increases in budgeted directorate spending are mainly due to increases in government grants and the allocation of approved inflationary and growth funding for Children’s and Adults Services, but this reflects a transfer rather than new unanticipated spend.

40. **Non-directorate Spending** - The paragraphs below outline changes to the other items that make up the overall revenue account.
41. **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 2023/24.
42. **Contingencies** – The reduction in contingencies is partly the result of transfers made to Directorate budgets during the year in relation to the items set out in paragraph 38, most notably growth funding for Children’s and Adults Social Care. Additionally, a saving on the corporate inflation underwrite is expected due to careful budget management by Directorates and robust negotiation with suppliers, recognising the longer term implications for the Council’s budget of any additional price increases agreed during the year.
43. **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 Homes for Ukraine grants and Covid-related Public Health Grants which were carried forward to 2023/24 and a further allocation of the Market Sustainability and Improvement Fund for Adult Social Care announced by the government in-year.
44. **Business Units (Net Trading Position)** – An improvement in the net trading position for the School Improvement Service is expected.
45. 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 2023/24

46. The fourth column of figures shown in Appendix 1 outlines the proposals for the revised revenue budget for the County Council for 2023/24. The revised budgets for directorates include £21.9m funding for the 2023/24 Local Government Pay Award an increase in specific grants allocated to Children’s Services of £1.6m, and funding for the conversion of analogue to digital networks as approved by Council in July 2023.
47. It is anticipated that there will be some limited early delivery of SP2025 savings in directorate budgets by the end of the year. In line with the change in policy agreed by Council in February 2023, any early delivery of savings will be transferred to the Budget Bridging Reserve at the end of the year. This is therefore expected to result in a minor reduction to the final bottom line position of the Council’s revenue account for 2023/24.

48. As detailed in Section E, the forecast pressures in Adults and Children's Services exceed the Cost of Change reserves remaining for these directorates. These pressures will be offset against corporate budgets as far as possible, and any remaining pressures will need to be met from the BBR.
49. **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. Additionally, as detailed in the Treasury Management Strategy (Appendix 8) investment returns have continued to rise over the last 12 months due to increasing interest rates over the first half of 2023/24. As a result, it is anticipated that we will receive around £9m more than originally budgeted this year. However, this will be required to offset the pressures in Adults and Children's Services, and it should be noted that average returns are expected to reduce over the medium term as interest rates begin to fall.
50. **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 the general inflation underwrite.
51. 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 L. At this stage of the year, it is considered possible to release contingency budget of £13m earmarked for the inflation underwrite and an allowance for general risk given the significant level of additional interest income forecast. However, should the forecast positions outlined for the social care directorates worsen further, it might be necessary to utilise predicted savings to offset these in year.

Section G - Unavoidable revenue pressures

52. Cost pressures arising from growth and inflation have been reported during the year and whilst for some of these we will continue to monitor the trajectory and deal with the impact in future years if needed there are some pressures which need to be reflected in the 2024/25 budget position. This is an important part of the budget process and provides re-assurance within the Section 25 report (Appendix 6) that the basis of the estimates are robust.
53. The table below provides a summary of the proposed recurring and one off additions to the budget over and above the cash limits approved in December and further explanations are contained in the paragraphs that follow.

| | Recurring £'000 | One-Off £'000 |
|--|----------------------------|--------------------------|
| IT Cyber Security and Growth Pressures | 574 | |
| Mosaic and Care Director Support Costs | | 323 |
| Special Education Needs and Education Psychologist Resources | 3,539 | |
| Subject Access Request and Complaints Team Resources | | 486 |
| Independent Reviewing Service Resources | 700 | 352 |
| Hampshire Equipment Store Improvement Work | 250 | 500 |
| Coroners Service | 1,005 | |
| Total | 6,068 | 1,661 |

54. **IT Cyber Security and Growth Pressures** – This additional investment was highlighted in the December Cabinet report and is primarily associated with adding further layers of protection against cyber attacks. The decision was delayed to allow Corporate Management Team (CMT) to discuss how the additional investment compared to a legal minimum level of service, given that this expenditure is not technically unavoidable. CMT agreed unanimously that since IT underpinned all of the statutory functions that it provides, the extra security was essential to ensure that the council was as prepared as it could be to withstand cyber attacks.
55. **Mosaic and Care Director Support Costs** - Both Childrens' Services and Adult's Health and Care implemented new social care systems last calendar year, replacing the joint Swift system which has been in place for many years. Inevitably, there will be higher running costs for two new systems compared to the single Swift system and there is extra resource in place in the early stages following implementation to ensure that any initial technical problems are dealt with efficiently and effectively. Additional one off funding of £323,000 is therefore requested for 2024/25 after which time the resource requirements will be reviewed and appropriate permanent funding put in place going forward.
56. **Special Education Needs and Education Psychologist Resources** – Financial monitoring throughout 2023/24 has highlighted the pressures in this service created by ever growing demand for Education Health and Care Plans (EHCPs) and difficulties in recruiting staff leading to high agency staff costs. As part of the Financial Resilience meetings held between the Chief Financial Officer and the Director of Childrens' Services, a review has been undertaken of both services looking at the resource requirements based on a number of different factors such as caseload, numbers of annual reviews, likely levels of agency staff going forward etc. This provides a more formulaic approach to funding such that if the number of EHCPs increase as we expect it to it will determine the resource requirements to deal with the increased activity. Alongside this, the service continue to look for efficiencies in ways of working supported by increased staff training and other activity designed to drive performance and assist with staff recruitment and retention. Whilst this is a

significant amount of additional funding it is in line with the predicted additional spend this year, and also takes into account an increased caseload next year and the statutory requirement to undertake 100% of annual reviews which is not being met at the moment.

57. **Subject Access Request and Complaints Team Resources** – This item in some respects links to the above pressure but is also related to numerous requests for information on historic Children Looked After cases. Again, a similar approach has been taken to review the service based on expected activity levels and the increase of £486,000 is the minimum that is considered necessary to deal with the predicted activity levels. The reason that this funding is one off is to provide time to look at the way that subject access requests, FOIs and complaints are dealt with across the Council to determine if there are efficiencies that could be made by bringing these services together.
58. **Independent Reviewing Service Resources** – Following the review of children’s social care undertaken by the Government there has been uncertainty for some time as to whether the requirement to have Independent Reviewing Officers would remain going forward. Recent clarification suggests that this role will need to be provided in the future and once again this has prompted a review of activity levels based on a formulaic approach as outlined above. This sets a maximum caseload per reviewing officer which at the moment we are well above and would be criticised by Ofsted in a future inspection. Additional resources are therefore required to put the service back on an even footing and bring caseloads down to manageable levels. The reason that part of the funding is one off is to allow for the fact that the approach to child protection conferences (which IROs also currently undertake) is going to change over the next year which will free up capacity in the longer term and hopefully reduce the reliance on agency staff. Based on current projections that will mean the £352,000 will reduce to just under £100,000 from 2025/26 onwards.
59. **Hampshire Equipment Store Improvement Work** – The December Cabinet report outlined the need for additional one off and recurring funding to ensure that the County Council complies with its obligations in respect of the inspection and maintenance of lifting equipment. Whilst the Health and Safety Executive have confirmed that we have complied fully with our improvement notice there is still further work to be done to improve systems and processes going forward and this funding will enable that to happen together with introducing a separate external inspection regime going forward.
60. **Coroners Service** – This pressure has been highlighted in monitoring reports during the year and is a combination of a number of factors. The number of postmortems and inquiries continues to increase with numbers well above pre pandemic levels. In 2019 there were 7,264 referrals leading to 2,772 postmortems (38% of referrals) and 692 inquests (9.5% of referrals). In 2022 whilst referrals dropped to 6,612 there were 4,036 postmortems (61%) and 1,021 inquests (15%). This not only causes increased activity for the coroners service but also feeds through to higher funeral director and mortuary fees. The overall increase in the service cost is expected to be in excess of £1.7m

but some of this is met by Southampton and Portsmouth bringing the pressure down to around £1m for the County Council.

Other Pressures

61. This report proposes additional funding for a range of pressures that are outlined in detail above. There are also a range of other pressures which are effectively on a 'watch list' for now and whilst specific extra funding is not being provided we will need to take account of these in setting contingency levels for next year.
62. **Children with Disabilities and Post 16 Support** – Children's Services have been very successful in keeping the numbers of children in care stable over the last few years but there are signs in the current year that the costs of children with disabilities and post 16 support is starting to increase above budgeted levels. In overall terms in the current year, the Children Look After total budget is managing to absorb this pressure and we would hope that this continues to increase going forwards, however it is an area to keep an eye on in 2024/25.
63. **Unaccompanied Asylum Seeking Children (Care Leavers)** – The number of UASC cases has increased in Hampshire in line with Government targets and whilst additional funding has been provided for UASC costs whilst they are children, UASC care leavers now account for 21% of all care leavers receiving our support for which we get no extra money from the Government. This continues to be a pressure and we will lobby the government to provide adequate funding for this area in future years, although the Directorate is managing to fund this within the bottom line at the present time.
64. **School Transport** – This is very well documented and represents the highest risk budget in the County Council at the present time due to the pace of change and the exponential increases in costs that we are seeing. We had already reported that the forecast to 2025/26 had increased by £18m above what we had already allowed, and recent forecasts suggest that this could be at least another £8m higher than this albeit we are waiting for the third quarter figures at the moment. The current plan is to meet this years and next years increased costs from increased investment income, but clearly this pressure will continue to have an impact on the forecast for 2025/26 which will be updated later in the year.
65. **Children's Services Partnership with the Isle of Wight** – Members will be aware that Hampshire is withdrawing from the partnership after 10 years and the Isle of Wight (IOW) have taken over the running of their children's services from the start of February this year. The funding arrangements mean that the contribution that the IOW made to our overheads is lost and could lead to a pressure of £400,000 from 2024/25 onwards. However, in the short term some 'paid for services' have been taken by the IOW which will be reviewed at the end of the year to determine which if any will continue. It may therefore be necessary to provide some funding to meet this gap in 2024/25 and on an ongoing basis but it is not clear at what level at this stage.

- 66. **National Living Wage (NLW)** –The announcements in the Autumn Statement did not provide any additional funding to local government which was disappointing but the further announcement on the higher than expected increase in the NLW means that we will face increased pressure in some service areas as a result. It is difficult to predict with any certainty the overall cost impact of this but some general funding will need to be held back in contingencies for allocation during the year if necessary.
- 67. In overall terms, what is interesting to note is that the majority of pressures are within Childrens’ Services which is a pattern repeated up and down the country and the reason that most of our lobbying effort was focussed on the pressures in this area. Past monitoring has also highlighted ongoing pressure in adults social care with many more residential and domiciliary clients during 2023/24 than expected. Additional funding for this has already been included in the budget for 2024/25 as part of the cash limits report presented in December and the additional funding from the Government will help to offset part of this next year (albeit other funding was lost as set out in the next section).

Section H: Local Government Finance Settlement

- 68. 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 2024/25 only as the final year of the current Spending Review period. Funding allocations for 2025/26 onwards will be subject to the outcome of the next Spending Review.
- 69. The key outcomes of the settlement for the County Council are shown below:

| Funding Source | Budgeted increase/ (reduction) £m | Actual increase/ (reduction) £m | Change £m |
|--|--|--|----------------------------|
| Increase in Social Care Grant | 9.4 | 10.5 | +1.1 |
| Increase in Market Sustainability Fund | 0.7 | 2.4 | +1.7 |
| Improved Better Care Fund | - | - | - |
| Increase in Discharges Fund | 2.9 | 2.9 | - |
| Reduction in New Homes Bonus | (1.4) | (0.5) | +0.9 |
| Reduction in Services Grant | - | (4.1) | (4.1) |
| Total | 11.6 | 11.2 | (0.4) |

In addition to the grants set out above, an inflationary increase to business rates and associated grants totalling around £10m has been budgeted. At the time of writing

the grant allocations and business rates payable have yet to be confirmed, however these are expected to be approximately in line with budgeted levels.

70. The key features of the settlement are:

- A 6.5% increase in Core Spending Power, of which 2% is attributable to the grant allocations set out above and 4.5% is attributable to council tax increases (including 2% for ASC) and tax base growth. This compares with an average 6.7% increase for Shire Counties.
- The Services Grant, which was introduced in 2022/23 to aid transition to a new funding formula, was cut by over 80% in a move that was unforeseen by the sector. The reduction in Services Grant was used to fund increases to other grants within the settlement, including Social Care Grant and Revenue Support Grant, and a small amount of grant has been held back by DLUHC to cover “unexpected movements”; the allocations of this amount are expected to be included in the Final Settlement.
- The Market Sustainability and Improvement Fund includes the additional Workforce Fund announced in July 2023 from which the Council has received an allocation of £7.2m in 2023/24. This funding will reduce to £4.1m in 2024/25, however a £5.6m increase to the level of core MSIF grant means that overall, the Council will receive £2.4m additional funding in 2024/25.
- The New Homes Bonus has been extended for a further year to 2024/25, albeit at a reduced level. The grant has traditionally been used for one-off purposes by the Council, but given the significant shortfall in Services Grant, it is assumed that this will be used to support the Council’s budget position.

71. The net impact of these changes on the bottom line compared to what was reported in December is a reduction in resources of £0.4m, which has been accounted for in the revised budget position for 2024/25.

72. Members will be aware that following lobbying from a number of County MPs across the country and the consultation feedback received by the Government on the provisional finance settlement that a funding package of £600m was announced on 24 January. No individual authority allocations were provided but it is likely that the County Council will receive up to £10m funding for 2024/25. Due to the late announcement no assumptions for additional funding have been made in this report and figures will be updated as part of the papers to full County Council.

73. The additional funding is very welcome and will help to reduce the level of reserves required to balance the budget in 2024/25, thereby providing further re-assurance that we will be able to balance the remaining budget gap in 2025/26 from reserves. However, there are no indications as to whether this funding will be built into future settlements and even if we assume that it is, it means we still face a recurring budget deficit of over £30m from 2025/26 onwards, even if all of the current SP25 savings proposals are progressed following the current consultation process.

74. What is pleasing to note is that the Government have listened to the views of MPs and the wider sector and have recognised the financial pressure that local government is under. Hopefully this will now act as a trigger for more fundamental changes to the whole funding system as we move towards 2025/26 which is a critical year for the County Council.

Council Tax

75. The MTFS approved by the County Council in November 2023 assumed that Council Tax will increase by the maximum permissible without a referendum in line with government policy. This was expected to be a total increase of 4.99% in each year of the MTFS in line with the limits announced in the 2022 Autumn Statement. The Settlement has confirmed the threshold at 4.99%, consisting of a 2.99% increase for core Council Tax plus a 2% Adult Social Care Precept, so there is no impact on the Council's budget gap for 2024/25.
76. Given the long term financial outlook, it is recommended in this report that Council tax is increased in line with the referendum limit of 4.99%. This proposed increase will see the council tax for a Band D property increase by £72.99 per annum (approximately £1.40 per week) to £1,533.24.
77. This will generate around £39m of additional income, however forecast inflationary and growth pressures are expected to exceed £150m in 2024/25, equivalent to a 19% increase in Council tax. Even after accounting for the proposed 4.99% increase it is anticipated that Hampshire will have the second lowest council tax of any county across the country in 2024/25 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 2023/24 was just over £1,570, around £110 higher than Hampshire's level in that year. If the County Council set its council tax at this average amount, it would receive around £59m a year more income than current levels.
78. Total income from council tax in 2024/25 is expected to be around £826m and represents 72.1% of the total funding of the County Council's net budget. This includes a forecast surplus on the collection fund for 2023/24 of £6.4m.

Section I: Service Cash Limits 2024/25

79. In December Cabinet considered a budget update report which set provisional cash limit guidelines for directorates for 2024/25.
80. 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 £113.7m. This is principally

due to an increase in DSG, however it also reflects the allocation of funding to Directorates for the 2023/24 Local Government Pay Award as set out in Appendix 2.

81. Appendix 3 provides a summary for each directorate of the main services under their control and shows the original budget for 2023/24, the revised budget for 2023/24 and the proposed budget for 2024/25. All directorates are proposing budgets that are within their cash limits, albeit the additional pressures in adults' and children's services are being dealt with corporately.
82. It is worth reiterating that directorates 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 directorate cash limits, which has allowed the Council to protect spending in non-social care directorates 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 directorates as set out in the table below. Over the two years to 2024/25, directorate cash limits will have increased by almost a third after accounting for £80m SP2023 savings. This is an unprecedented and wholly unsustainable position and highlights the severity and pressing nature of the financial challenges we face.

| | 2022/23 | 2024/25 | Change | Change |
|-----------------------------------|----------------|------------------|-----------------|---------------|
| | £'000 | £'000 | £'000 | % |
| Adults' Health and Care | 445,112 | 612,242 | +167,130 | +37.5% |
| Children's Services – Non Schools | 257,816 | 361,762 | +103,946 | +40.3% |
| Universal Services | 139,780 | 159,861 | +20,081 | +14.4% |
| Hampshire 2050 | 13,715 | 16,415 | +2,700 | +19.7% |
| Corporate Services | 53,486 | 58,003 | +4,517 | +8.4% |
| | 909,909 | 1,208,283 | +298,374 | +32.8% |

Section J: 2024/25 Overall Budget Proposals

83. 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.
84. Appendix 4 sets out a summary of the overall revenue account starting with the cash limited expenditure for directorates 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 2023/24 budget.

85. **Revenue Contributions to Capital Outlay (RCCO)** – Each year, revenue contributions are made to help fund the Capital Programme. The capital cash limit guidelines approved by Cabinet in December 2023 allocated the funding from these revenue based contributions to directorates for 2024/25 only, with the amounts for subsequent year to be held centrally pending further review in light of the current MTFs position. This may result in the RCCOs for future years being returned as a revenue saving.
86. **Contingencies** – The budget for contingencies has reduced by around £39m compared to the 2023/24 original budget. This reflects the earlier allocation of contingency amounts held for Adult Social Care and School Transport in light of the substantial in-year budget pressures reported for these services. The reduction also reflects the lower level of contingency for inflationary uplifts (£15m in 2023/24 and £5m in 2024/25) given strong performance by services in managing inflationary pressures in 2023/24 and recent reductions in the headline rate of inflation. Finally, the centrally held allowance for the pay award has been reduced following the significant pay awards in 2022/23 and 2023/24 and with regard to levels of affordability within the current budget envelope. However, this does represent a risk to the budget position in the event that the local government pay award is on a similar scale to those agreed in recent years.
87. The unprecedented increase in energy prices since 2021 remains a key driver of general inflation. The Council continues to adopt a progressive buying approach to achieve best value, which involves purchasing ‘blocks’ of gas and electricity at different times as and when market conditions are favourable in order to spread risk. A one-off inflationary provision of £4m was included within central contingencies for in 2023/24 and based on in-year forecasts a further provision of £2.5m will be included within contingencies for 2024/25, which will be allocated to directorates during the year as required.
88. Contingency provisions in respect of a limited number of key risk items, notably the one-off funding set out in Section G, the general inflation contingency and allowance for the 2024/25 local government pay award 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 2024/25 budget position.
89. **DSG** – The increase in the DSG reflects the increase in funding announced by the Government in the 2022 Autumn Statement, the detail of which was clarified in the schools’ revenue funding settlement in December 2023. However, a substantial DSG deficit of some £130m is expected by the end of this financial year, which is effectively carried as an ‘overdraft’ on the balance sheet and at these levels is starting to impact the amount of investment income

we are able to earn. As the deficit grows larger (expected to be up to £250m by 2025/26) this may also require the County Council to borrow money earlier than it expected further increasing the pressure on the revenue budget. Options for how to deal with the position are currently being explored.

90. **Specific and Non-Specific Grants** – These income budgets have been updated following grant notifications for 2024/25. The increase in specific grants is largely due to the uplift to the Market Sustainability and Improvement Fund for Adult Social Care and an additional grant to support schools with the Teacher’s Pay Award. The increase to non-specific grants reflects the funding allocated through the Provisional Local Government Finance Settlement, particularly in respect of business rates and core social care grant.
91. **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.
92. **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 2024/25 due to the planned use of the BBR to balance the budget in 2024/25 as outlined elsewhere in the report.
93. **Use of General Balances** – The 2023/24 original budget assumed a net contribution to general balances of £0.9m and this has been increased to £1m for 2024/25 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 K: Budget and Council Tax Requirement 2024/25

94. The report recommends that council tax is increased by 4.99% in 2024/25, 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.
95. 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 final 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 £5.7m in 2024/25. This has been included in the forecast budget position for 2024/25 as set out in section 98.
96. 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 2024/25. 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.

97. For 2024/25 a net council tax collection fund surplus of £6.4m is anticipated, mainly due to general increases in the council tax base during the year. Most Districts have yet to provide estimates of the business rates income they expected to receive for 2024/25 as recent technical updates to the business rates system have increased the complexity of the calculations required for the coming year. The current budgeting position assumes that business rates and associated grants will increase with inflation for 2024/25 in line with government policy, and a balanced position has been assumed for the business rates collection fund. We will await confirmation of final figures and any adjustment will be reported at County Council. Any net surplus on the Council tax and Business Rates collection funds will reduce the required draw from the BBR and contribute to bridging the budget gaps in future years.
98. Taking account of all the budget changes outlined in this and previous sections of this report, the County Council can set a balanced 2024/25 budget as follows:

| | £m |
|--|-------------|
| Forecast Gap per December report to Cabinet | 86.0 |
| Recurring budget additions per Section 54 | 6.1 |
| One-off budget additions per Section 54 | 1.7 |
| Contingency for energy inflation | 2.5 |
| Net variance on Finance Settlement grants | 0.4 |
| Increase in contribution to the General Fund | 0.1 |
| New gross budget gap | 96.8 |
| Tax base growth | -5.7 |
| Council Tax Collection Fund surplus | -6.4 |
| New Net Budget Gap | 84.7 |
| Draw from the Budget Bridging Reserve | -84.7 |
| Balanced Budget | 0 |

99. As highlighted above, these figures do not take account of the late announcement of £600m of funding for 2024/25 and this position will be updated in the papers to full County Council once individual authority allocations have been confirmed in the final local government finance settlement. 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 £826,732,345.43.

Section L - Medium Term Financial Position

100. In normal circumstances, the County Council would expect to maintain a 3 or 4 year forward look of its financial position. However, a combination of no Government forecasts beyond 2024/25 and the fact that we are unable to balance the 2025/26 budget on a sustainable basis means that we continue to concentrate only on the period up to 2025/26. Even looking to 2026/27 there are other unknown issues, such as what will happen when the DSG deficit statutory override is removed, which makes any sort of credible financial planning almost impossible.
101. Members will be fully aware that we have a predicted recurring budget deficit of £132m by 2025/26. In reality, this represents a 3 year net deficit, given that we are 'carrying over' a deficit of £50.8m from the current year rising to £84.7m in 2024/25.
102. Since calculating the £132m deficit we have added a further £18m for school transport pressures and the recurring items outlined in Section G will also feed through into the 2025/26 budget position. Despite this, it is not proposed to change the £132m forecast at the current time, the main reasons for this are:
- The 2025/26 forecast assumes no increase in grants for social care services. Given the pressure in the system and the announcement of a late funding package for 2024/25, it would seem very unlikely that no additional support will be provided in 2025/26.
 - We still retain some contingency amounts as part of the budget forecast as part of our prudent approach to financial planning. Should we be forced to provide more direct funding for services in 2025/26 then we would need to reduce contingencies to balance this off. Whilst this gives us flexibility to manage the bottom line position, it does increase the risk in the budget, which is inevitable given the financial position we are in.
 - We make prudent assessments of income lines such as business rates and investment income which hopefully will be better than expected once we come to set the budget for 2025/26.
103. It is also worth remembering that our current strategy is to balance any remaining budget gap in 2025/26 by re-purposing other existing reserves, but we would also hope to achieve some early SP25 savings that will increase the Budget Bridging Reserve in the meantime. The extra funding announced by the Government late in January helps to shore up our finances further to 2025/26 but it does not change the underlying fact that our recurring budget position is unsustainable.
104. At this stage therefore it is proposed to keep the 2025/26 forecast position at £132m with the next major update expected once we have more information from the Government on the prospects for that year, which is not likely to be available until after a general election and is almost certainly going to be for a single year.

Section M: Capital and Investment Strategy

105. 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.
106. 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.
107. The County Council's Capital and Investment Strategy is presented in three sections:

Section A: Capital Strategy

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

Section B: Minimum Revenue Provision (MRP) Statement

This is a statement that the County Council is required to prepare and approve each year setting out its policy on making MRP for the repayment of borrowing in respect of the upcoming financial year. The statement sets out how the County Council proposes to discharge its duty to make prudent MRP charges to the revenue budget.

Section C: Non-treasury Investment Strategy

This focuses on investments that are not made for treasury management purposes and supports transparent reporting and democratic accountability for any such non-treasury investments.

Prudential Indicators

108. 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.
109. 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.
110. 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 2024/25.

Section N: Treasury Management Strategy for 2024/25

111. 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.
112. The County Council's TMS (including the Annual Investment Strategy) for 2024/25, and the remainder of 2023/24, 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

113. 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.
114. 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, hitherto, 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.
115. 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.

116. Following the increases in UK Bank Rate the decision was made to subsume the investments targeting higher returns within the long-term investment portfolio as there was no longer a significant difference between the interest rates being achieved by those investments and cash, as short-term interest rates are now comparable with longer term interest rates.
117. The County Council will however continue to make use of long-term balances, making investments in longer term investments including local authorities, other asset classes and regions, fixed capital value and pooled funds to mitigate the risk of low interest rates which will affect cash investments when the UK Bank Rate is reduced. This diversification also helps to mitigate the risk of overexposure to a single event affecting a specific asset class.
118. 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.
119. It is worth reminding Members that going forward, 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 2024/25. 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 changes in interest rates means that our approach to higher yielding investments has also needed to change as mentioned above. The investment risk reserve now stands at over £10m following the contribution of the gains made on the sale of pooled investments last year. Originally, the Investment Risk Reserve was set at a level of 2.5% of the total higher yielding investments, however, due to the change in the investment strategy and the increased risk arising from the removal of the statutory override, it is now proposed that the Investment Risk Reserve is set at a minimum level of 2% of total investments.

Section O: Consultation, Equalities and Climate Change Impact

120. A consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, SP2025, to inform the overall approach to addressing the £132m budget gap to 2025/26.

121. The County Council undertook an open public consultation called '*Making the most of your money*' which ran for six weeks from 12 June to the 23 July 2023. 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.
122. Agreement that the County Council should continue with its financial strategy now stands at 60%, 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 89% 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 91% of respondents ranking this option among their top three.
123. The findings from the Consultation were provided to Executive Members and Directors during September 2023, to inform directorate savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2023 on the MTFs and SP2025 Savings Proposals. The results were also reported to Cabinet and County Council as part of the final decision making process.
124. Following the '*Making the most of your money*' Consultation, the County Council launched a set of 13 'stage 2' consultations on 8 January 2024. It is intended that the outcome of this second round of consultation will help to inform final decisions on these proposals in the Summer.
125. 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.
126. This report deals with the revenue budget preparation for 2024/25 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.

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> |
| Medium Term Financial Strategy Update and Savings Programme to 2025 Savings Proposals https://democracy.hants.gov.uk/mgAi.aspx?ID=63758#mgDocuments | Cabinet - 10 October 2023 and County Council – 9 November 2023 |
| Budget Setting and Provisional Cash Limits 2024/25 (Cabinet) https://democracy.hants.gov.uk/documents/s114838/Financial%20Update%20and%20Budget%20Setting%20and%20Provisional%20Cash%20Limit%20202425.pdf | 12 December 2023 |
| 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:

The budget setting process for 2024/25 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 2025 were considered in detail as part of the approval process carried out in Cabinet and County Council during October and November 2023 and full details of the Equalities Impact Assessments (EIAs) relating to those changes can be found in Appendices 3 to 7 in the November Council report linked below:

[\(Public Pack\)Agenda Document for County Council, 09/11/2023 10:15 \(hants.gov.uk\)](#)

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 2023/24
2. Final Cash Limit Calculation 2024/25
3. Proposed Directorate Service Budgets 2024/25
4. Proposed General Fund Revenue Budget 2024/25
5. Reserves Strategy
6. Section 25 Report from Chief Financial Officer
7. Capital and Investment Strategy 2024/25
8. Treasury Management Strategy Statement 2024/25