

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Lead Member for Universal Services
<b>Date:</b>	20 January 2025
<b>Title:</b>	2025/26 Revenue Budget & Savings Report for Universal Savings
<b>Report From:</b>	Director of Universal Services

**Contact name:** Patrick Blogg

**Email:** [patrick.blogg@hants.gov.uk](mailto:patrick.blogg@hants.gov.uk)

### Section A: Purpose of this Report

1. The purpose of this report is to set out the proposed 2025/26 budget for Universal Services, and for the Executive Lead Member for Universal Services to recommend for approval to Cabinet the proposed SP25 phase 2 savings proposals as set out in the report and in Appendix 1.

### Section B: Recommendation(s)

- i. It is recommended that the Executive Lead Member approves the savings proposals set out in Appendix 1 for submission to Cabinet.
- ii. To recommend the revised 2024/25 Budget and proposed 2025/26 Budget for Universal Services to Cabinet as set out in Appendices 2 and 3, of which the latter reflects the officer proposed SP25 phase 2 savings set out in the report.

### Section C: Executive Summary

2. This report provides the summary outputs of the detailed budget planning process undertaken by the Universal Services Directorate for 2025/26 and the revised budget for 2024/25. Despite finding significant savings of £66m (which rise to £84.1m in a full year) there remains a budget gap of £97.6m by 2025/26, which the Council is unable to close through savings alone. Put simply, the escalating cost of our demand led services, Adult Social Care, Children's Social Care, School Transport and the impact of inflation exceeds the Council's ability to increase funding. Every Directorate continues to look for further efficiency savings and opportunities to raise income as we work tirelessly to bridge this gap.

3. The County Council recognises this period of financial challenge is difficult for our most vulnerable residents who may be concerned about the assistance they receive. Our financial situation does not, and will never, impede the services to those of our residents and neighbours most needing of our support. The County Council will continue to enact our Core Purpose; caring for our most vulnerable residents, assisting those with disabilities to lead fulfilling lives, providing protection to those children at risk of harm and supporting the education of those children with special educational needs.
4. It was hoped that the Local Government Finance Settlement would deliver on the government's commitment in the Autumn Statement to provide an 'initial rescue package' for local government through the 2025/26 financial settlement, with a wholesale review of the local government funding model to follow in 2026/27.
5. However, the detail of the draft settlement proved very disappointing for Hampshire, with the Council now expecting to receive an additional £3.1m compared with the MTFS assumptions from the additional settlement grants in 2025/26, subject to confirmation when the final settlement is published late January.
6. We are concerned that the Policy Statement published in December signals a worrying direction of travel, with the government likely to increase the weighting of deprivation in future grant distributions, a measure which is unlikely to assist the Council's financial prospects.
7. As a result of the Council's increasingly challenging financial position, officers have been considering what further savings could be made if the Council reviews every service we deliver whilst ensuring we continue to support our core purpose, an exercise which has been supported by an Independent Panel of experts. The additional savings identified for the Universal Services Directorate are set out in Section I and Appendix 1. These savings will contribute a total of £9.192m to addressing the remaining budget shortfall.
8. The proposed budget for 2025/26 analysed by service is shown in Appendix 3.
9. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2024/25 and detailed service budgets for 2025/26 for the Universal Services Directorate. The report has been prepared in consultation with the Executive Lead Member and will be reviewed by the Universal Services Select Committee. It will be reported to the Leader and Cabinet on 4 February 2025 to make final recommendations to County Council on 13 February 2025.

## **Section D: Background and Context**

10. In the Medium Term Financial Update to Cabinet and Council in November 2024, it was reported that the Council's gross budget gap for 2025/26 had

increased to £182m after accounting for expected additional social care grant funding of £8.7m, and after the savings agreed in the autumn through SP25 Phase 1 were taken into account a gap of £116m still remained.

11. Following the announcement of the draft Local Government Finance Settlement, the revised budget gap is £97.6m, as set out below.

	£m	£m
Budget gap as per MTFS		116.2
<b>Impact of Draft Local Government Finance Settlement:</b>		
Additional Social Care Grant (£13.5m increase compared with MTFS assumption of £8.7m)	(4.8)	
Change to other grant assumptions	1.7	(3.1)*
<b>Other Significant Grant Changes:</b>		
Extender Producer Responsibility grant guarantee (One off impact)		(5.0)
<b>Other Changes:</b>		
Estimated Collection Fund Surplus*		(6.0)
Additional new savings achieved through the Mutually Agreed Resignation Scheme (MARS)		(4.5)
<b>Revised Gap</b>		<b>97.6</b>

\*Will be confirmed once all Hampshire Billing Authorities confirm their estimated collection fund surplus/deficit due by end of January

12. As set out in the MTFS, given the size of the net budget gap and the extent of savings already achieved to 2025/26, the County Council believes that it has reached the point where it is unable to find the level of savings required to balance the budget on a recurring and sustainable basis, a position supported by the work of an Independent Panel of subject matter experts. The impact of the Local Government Finance Settlement does not alter this view.
13. The current budget gap position represents the cumulative impact of financial pressures across Social Care, Special Education Needs and School Transport which have been building since 2021/22. Pressures across these key areas are expected to increase by a further £118m in 2025/26, and together with inflationary increases will add a total of £188m to cash limited budgets next year. This represents an increase of over 15% before savings, far outstripping the proposed 4.99% increase in the Council Tax Precept. The Council is

working to identify every available route to bridging this gap and anticipates that a balanced budget can be presented for 2025/26 using drawings (if required) from reserves built up in previous years.

14. The 2024/25 budget position has also been affected by in-year pressures, with an overspend of £6.9m forecast based on month 8, after utilising all remaining contingency budgets. The major contributing factors include a significant increase in pupils with Special Educational Needs and associated school transport costs, a lack of grant funding to cover the care costs of Unaccompanied Asylum Seeking Young Children, and the increasing complexity of client needs within Younger Adults Care.
15. The Council continues to relentlessly seek further savings, while protecting the services delivering our Core Purpose. To address the in-year pressures, strict in-year spend controls were introduced in September 2024 with the aim of reducing the overspend, including a freeze on all non-business critical recruitment.
16. It is against this backdrop that the Council continues to review all options for balancing the 2025/26 budget and directorates have therefore been required to bring forward additional savings for implementation in 2025/26 to help close the remaining gap.

## **Section E: Returning to our Core Purpose**

17. Previous reports to Cabinet and County Council have outlined the need to consider what further savings could be made if we were to deliver only those services that form, or are at the level of our Core Purpose as set out by statute. Officers have been working on this premise of delivering our Core Purpose over the Summer and have produced a significant body of evidence covering 177 separate service lines to evidence the thought processes and outcomes of this exercise, challenged and supported by an Independent Panel (Chaired by Rob Whiteman CBE), many of whom are already commissioners in other authorities and are very experienced in this sort of role.
18. The scale of this exercise should not be underestimated. The key challenge is that whilst regulations place many statutory requirements on local government, they are rarely defined in any detail (if at all) leaving local authorities to interpret what must be provided to meet that statutory duty.
19. The Independent Panel will provide a written report in support of their findings, which will be included within the budget setting report to Cabinet and County Council in February 2025, but their emerging thoughts and feedback from discussion to date supports our view that the Council has reached a tipping point where we are now unable to find sufficient new savings to balance the budget on a recurring and sustainable basis.
20. The Panel feedback also concluded that the Council is well run, is performant across its services, has delivered consistently on its savings programmes, but

is now unable to find sufficient new recurring savings to balance the 2025/26 budget, with a significant risk that in the medium term the Council is no longer sustainable.

21. With the Council now unable to find sufficient savings to balance the budget on a recurring and sustainable basis, it is clear that whilst there remains a number of options to support the achievement of a balanced budget for 2025/26, ultimately Government need to find a solution to ensure the viability of local government, be that increased funding, additional Council Tax flexibility, or the flexibilities and freedoms and changes to legislation which the Council has requested; the Local Government Finance Policy Statement has not provided any grounds for optimism.
22. Officers have been working across four separate service categories as set out below, applying a set of principles to ensure that future service delivery aligns with the Council's Core Purpose:
  - Statutory – resources will be focussed on statutory services
  - Discretionary Preventative – services we continue to deliver must evidence that they provide a positive financial impact within a year
  - Enabling – services will be provided as efficiently and effectively and possible from the centre of the organisation
  - Discretionary – services should at least break even and make a suggested target of 15% contribution to corporate overheads
23. The review of service activities and budgets against the Core Purpose principles was followed by a focused period of challenge with the Corporate Management Team, wider Chief Officer Group and with members of the Independent Panel to establish how directorates could achieve further efficiencies and savings, while still being able to provide services at the level identified by our assessment of Core Purpose. The additional savings identified through this exercise are set out in Section I.
24. Although the scale of the Council's financial challenges means that we must consolidate and recalibrate our activity back to our core purpose as an organisation, underpinning this policy position is the principle that irrespective of our financial challenges 'what we do, we will do well'. We will continue to perform to high professional standards, validated by external review, and the County Council will remain a £2.5bn a year business providing services to the most vulnerable in our society and providing a range of other statutory services and discretionary services where they are able to cover their own costs from income.
25. It is important to recognise the County Council will continue to provide services to those in Hampshire who need it most, caring for our most vulnerable residents, assisting those with disabilities to lead fulfilling lives, providing protection to those children at risk of harm and supporting the education of those children with special educational need. Our financial situation does not,

and will never, impede the services to those of our residents and neighbours most needing of our support.

## **Section F: Directorate Challenges and Priorities**

26. The Universal Services Directorate delivers a wide range of services that are used and valued by most, if not all, the residents of Hampshire, with total gross expenditure of £296m a year and income streams of £141m, leaving a cash limit of £155m. In addition, the Directorate is responsible for the Coroners Service, which sits outside the Universal Services cash limit, as well as managing the River Hamble Harbour Authority and the Sir Harold Hillier Gardens, both of which are self-funding.
27. The Directorate's underlying budget strategy continues a relentless focus on core service delivery of our statutory functions such as Highways Maintenance, Waste Management, operating the Concessionary Fares scheme, management of our countryside sites and Rights of Way, and regulatory services including Registration and Trading Standards; our enabling functions, such as maintaining the corporate estate through Property Services and Facilities Management; and our discretionary services, such as the management of our Country Parks and Outdoors Centres, and elements of our Passenger Transport services.

### Local Government Financial Settlement and other recent funding announcements

28. The position for the County Council as a whole has been set out in Section D above, however, for the Universal Services Directorate there were a number of positive items in the various announcements made by central government in late 2024. The full impact of these is still being worked through, but to summarise these included:
  - £14.099m uplift funding for highways maintenance (capital funding)
  - Further clarity on Simpler Recycling proposals that have enabled plans for the build of a new Materials Recycling Facility to recommence.
  - £7.537m guaranteed minimum income payment confirmed for 2025/26 from the Extended Producer Responsibility for packaging scheme which has enabled the delayed Tt2021 Waste savings to be fully delivered and a one-off addition to the Budget Bridging Reserve.

### Highways Maintenance

29. Highways maintenance is primarily funded by central government Department for Transport (DfT) grants, which in the past have been supplemented by local funding from within County Council budgets. In addition to the base funding from DfT, central government has provided additional funding in recent years to address the declining state of the highways network.

- 30. In November 2023, the previous government announced further Network North capital funding totalling £8.3billion nationally for local road resurfacing and wider maintenance activity on the local highway network, of which, Hampshire’s published share was a minimum of £132.297m over the eleven-year period up to and including 2033/34. Allocations of £4.225m per annum were awarded for the 2023/24 and 2024/25 financial years.
- 31. On 20 December 2024 the new government announced the base funding allocations for local roads highway maintenance for 2025/26, which included an uplift following the 2024 budget announcement where an extra £500m was set aside nationally for pothole repairs. Funding allocations for highway maintenance beyond 2025/26 will now be a matter for the Spending Review in 2025.
- 32. The implications of this announcement are still to be fully understood but it is thought to be a one-year only arrangement, pending the 2025 Spring Spending Review. Hampshire’s total allocation has increased from £37.718m (which includes the 2024/25 element of the Network North funding) to £52.924m as set out in the table below.

	<b>2024/25 £m</b>	<b>2025/26 £m</b>
Base capital funding:		
Highway Maintenance Block <sup>(1)</sup>	14.9	38.8
Incentive Fund <sup>(1)</sup>	3.7	-
Pothole Fund <sup>(1)</sup>	14.9	-
<b>Total base capital funding</b>	<b>33.5</b>	<b>38.8</b>
Network North Funding <sup>(2)</sup>	4.2	<i>tbc</i>
Share of additional £500m nationally <sup>(3)</sup>		14.1
<b>Total one-off capital funding</b>	<b>4.2</b>	<b>14.1</b>
<b>Grand total</b>	<b>37.7</b>	<b>52.9</b>

<sup>(1)</sup> For 2025/26 the base allocation now includes the Highways Maintenance Block funding, Incentive Fund and Pothole fund elements.

<sup>(2)</sup> Pending confirmation in the Spring Spending Review. Previously assumed to be £13.2m, but possibly may be replaced by the £14.1m uplift funding.

<sup>(3)</sup> 25% to be held back until certain conditions have been met.

- 33. The new funding includes a £14.099m uplift element, a significant funding boost that will be used to reintroduce more planned works such as surface treatments, resurfacing schemes and structural repairs, which had previously been scaled back to focus on reactive maintenance. 25% of this uplift funding will be held back until certain conditions have been met, with these conditions to be shared in Local Authorities in due course.
- 34. It had previously been assumed that Hampshire would receive £13.8m Network North funding from 2025/26 onwards based on a straight-line distribution of the remainder of the £132.297m total allocation, however, the actual 2025/26

allocation will not be confirmed until the Spring Spending Review, and given the £14.099m uplift funding and a clear statement in the 20 December announcement that the Network North plan was an initiative of the previous government, for prudence it has currently been assumed that the £14.099m confirmed uplift element in DfT funding will be instead of, not in addition to, the Network North funding.

35. However, the challenge posed by the deteriorating condition of the highways network due to long-term underfunding from central government at a national level has been well documented, with the maintenance backlog in Hampshire currently estimated at around £500m, and therefore the additional funding, whilst welcomed, is still nowhere near enough to address the substantial maintenance backlog and will not yield a quick fix to an already weakened network.
36. Furthermore, whilst nationally inflation is stabilising following the period of volatility due to external factors such as Brexit, Covid and the war in Ukraine, the construction industry has been particularly impacted and inflation on construction materials has been slower to return to normal levels, worsening the pressure on highways maintenance. The harsh winter weather in previous winters has compounded the issue, with prolonged, heavy freezing conditions mixed with further wet periods, and increasing numbers of storms we are seeing is having a devastating impact on the highway network, which generated unprecedented levels of enquiries, pothole reports, other defects, and damage claims, as well as dramatically accelerating the deterioration in the highways network.
37. The County Council has provided significant additional funding to supplement the ringfenced grant funding provided by the DfT, including an additional £10m “Operational Resilience” revenue funding per year since 2010 which has been capitalised for structural planned maintenance activities (such as carriageway resurfacing and other surface treatments); an additional £7m per year from 2022 initially focussed on reactive revenue-funded repairs (such as repairing potholes and other carriageway defects) but with the intention over time to support structural maintenance capital work programmes; and in July 2023 the County Council approved one-off “Stronger Roads Today” funding of £22.5m, originally over a three year period but subsequently accelerated to a two year period, to provide a direct response to the deterioration caused by the severe weather of the 2022/23 winter.
38. In light of the significant financial situation facing the Council, this local funding to supplement DfT grants is being reduced, with Cabinet agreeing in October 2024 to remove £7.5m of the Operational Resilience funding from 1 April 2025 as SP25 savings, and removal of the remaining £2.5m is proposed as a further SP25 saving within this report. However, this should be seen in the context of the £15.2m increase in DfT funding highlighted above, which still represents an overall increase even after accounting for the proposed savings.



39. The County Council continues to make best use of the available resources, with the Stronger Roads Today funding being used on significantly increased frontline operational resources and on changing working practices to provide a swift response to reported defects, ensuring that the County Council is now much better prepared for any harsh winter weather conditions. Innovative and proactive approaches have been trialled and developed to increase productivity and improve public perception, and the additional resources have been utilised to undertake large programmes of reactive carriageway repairs, which in the longer-term will be protected by increased programmes of surface treatments to improve the longevity and resilience of the repairs, prolonging the life of the road network.
40. The Council's Highway Network Recovery Strategy, which sets out a 10-year plan to arrest the deterioration of the highway network condition utilising the £7m additional annual funding, was originally approved in March 2022, but unfortunately coincided with the start of the war in Ukraine. The ensuing rapid and sustained increase in construction industry inflation meant that whilst the £7m new funding has been vital in ensuring previously planned work programmes could continue, it has not yet been possible to fully realise the benefits originally envisaged, and it was subsequently agreed by the Executive Lead Member for Universal Services in November 2023 to postpone the Network Recovery Strategy to the 2025/26 financial year at the earliest.
41. It was planned to review the Strategy in the Autumn of 2024, however, this has been postponed pending confirmation of DfT funding following the change in central government, now expected in the Spring Spending Review. The intention remains to implement the Network Recovery Strategy as soon as practicable.

#### Waste Management

42. In November 2021, the Environment Act received Royal Assent, introducing radical changes to waste and recycling, including the introduction of a deposit return scheme, extending producer responsibility to pay the net cost of disposal of their packaging and implementing greater consistency of recycling collections that would bring major changes including the requirement to collect food waste separately. The County Council's intention was to align this new legislation with a redefined relationship between the Hampshire Waste Authorities (including Portsmouth & Southampton City Councils), with plans including a proposed new twin-stream Material Recycling Facility (MRF) due to be operational by Summer 2025. This was a key component of the County Council's Tt2021 Waste savings programme.
43. Delays to the legislation combined with the complexity of reaching agreement between the Hampshire Waste Authorities has hampered progress and delayed full delivery of the Tt2021 savings in this area, as referenced below in section G of this report. However, recent announcements, including notification of the minimum amount of the County Council's 2025/26 income payment due under the extended producer responsibility for packaging (EPR) regime has

enabled the Tt2021 savings to be delivered in full from 1 April 2025 and plans for the new MRF to recommence with a later operational date of Autumn 2027.

44. The Simpler Recycling announcement from Government in October 2023 had provided some clarity on requirements, but the potential allowances announced for a fully co-mingled collection waste system were not compatible with the proposed twin-stream MRF. Therefore, plans to build the new MRF were put on hold until such time the legislative position had been clarified by Government. The policy paper update on 29 November 2024 included a requirement to separate paper and card from other dry recyclables unless there are Technical, Environmental or Economic Practicalities (TEEP) reasons for not doing so. This is to reduce the risk of contamination, and this has meant the plans for the twin-stream MRF can recommence, albeit it at a greater cost partly to enable greater automation but also due to the impact of inflation and supply chain demand. Agreement will still need to be reached between the Hampshire Waste Authorities on the future waste collection methodology.
45. In late November 2024 the Council was notified that the payment under the Extended Producer Responsibility for packaging (EPR) regime for 2025/26 would be £7.537m, and although this figure is provisional and subject to change, for 2025/26, it has been guaranteed as the minimum payment that will be received. This figure is higher than expected and will therefore allow the Tt2021 savings to be delivered in full, with the surplus for 2025/26 proposed to be added to the Budget Bridging Reserve. The position for future years will be considered once the packaging Extended Producer Responsibility (pEPR) Scheme Administrator provides details on the payments for 2026/27 onwards.
46. There remains ongoing uncertainty surrounding the Deposit Return Scheme (DRS) (which is expected to divert plastic & metal drinks container packaging waste away from kerbside collections and thus mean a reduction in recycling income for the Council), as although Government have announced their intention to introduce this by April 2027, no further details have been provided. The Government have provided a financial backstop within the pEPR regulations whereby if a DRS for drinks containers is not introduced by 2028 the relevant materials will fall into scope of pEPR with the relevant costs being paid to local authorities.
47. The previous budget report had highlighted a potential pressure arising from legislation passed in November 2023, which from 1 January 2024 removed local authorities' ability to charge residents to dispose of a specified amount of DIY waste (soil & rubble, plasterboard and asbestos) at their local Household Waste Recycling Centre. However, the volumes of this type of waste have not yet returned to the levels seen before charging a small fee was introduced on 1 June 2016, and therefore the £0.935m added back to the waste budget to offset the lost income from cessation of charging from 1 January 2024 has so far been sufficient, although there remains a risk that DIY waste volumes and the associated high costs of disposing of it, will rise.
48. Current Government proposals are that from 2028 Energy Recovery Facilities will be included in the UK Emissions Trading Scheme, effectively adding a

carbon tax per tonne for all waste being incinerated. The new Government have indicated their support for this and are due to respond to the recent consultation on its implementation in Summer 2025. Local Authorities have made representations to Government that this would unduly penalise Waste Disposal Authorities, who have minimal influence over the levers to reduce the carbon content of the waste that is presented to them, yet have a statutory duty to dispose of it, and instead, any increase to the Emissions Trading Scheme should be targeted at the manufacturers, producers and consumers of the products that end up as waste, to provide the incentive to invest in decarbonisation. Should the announcement be implemented it would have significant future cost implications - potentially as much as **£11million** per annum based on current tonnage and existing carbon market prices.

49. We have seen an increasing level of legislative and regulatory intervention in waste recently, particularly with regards to the management of chemicals contained within products and the impact these can have both on human health and the environment. The change to the way we are required to manage Waste Upholstered Domestic Seating is an example of this, requiring increased segregation of waste and specified treatment routes to ensure the chemicals do not escape into the environment. We expect this theme to continue and indeed increase as awareness and understanding grows about the impact these chemicals have. Whilst it is not possible to estimate the financial impact of this it will be significant, and we are engaged through Local Authority networks with Government and the Regulator to seek to mitigate the impact of these changes whilst ensuring compliance. This includes lobbying for further extend producer responsibility initiatives on more materials as well as seeking alternatives to using these chemicals in products.
50. Finally for Waste, the contracts for waste disposal and the management of the Household Waste Recycling Centres are entering their final periods, due to end in December 2030. These are substantial, long-term contracts to reflect the investment in infrastructure with net values of approximately £60m per annum, and the tendering process will require considerable planning and resource, including the involvement of Southampton City Council and Portsmouth City Council as our partners. The three Waste Disposal Authorities are working through the available options for future arrangements including a possible extension to the Main Disposal Contract.

### **Passenger Transport**

51. As a largely discretionary area of spend, the Directorate is required to carefully balance the needs of residents with the limited funding available in this area. Therefore, resources are being focused on improving those services with longer term viability; supporting making services commercially sustainable; and undertaking a holistic view of passenger transport across the wider County Council to retain as much of the service as possible within the financial constraints.

52. During 2022, the County Council established an Enhanced Bus Partnership with bus operators in Hampshire, in response to the publication in March 2021 of the first ever National Bus Strategy for England. The Partnership co-developed a Bus Service Improvement Plan (BSIP), and in May 2023, the County Council was awarded a total of £7.159m BSIP Plus funding from central government, split across the 2023/24 and 2024/25 financial years. However, given the time limited nature of the funding, it was allocated to measures that would support and improve local bus services and associated infrastructure without generating any on-going funding requirement from the County Council.
53. The Autumn Budget Statement announced a number of national transport funding commitments including a total of £1 billion nationally for bus services for 2025/26. On 17 November 2024, Government announced that Hampshire's allocation of the £1 billion funding would be a total of £14.087m - £1.068m Bus Service Operator Grant (BSOG) and £13.019m for BSIP, split between capital and revenue funding. The BSOG allocation is regular funding, already built into the base budget, however, the BSIP funding is new funding which previously was subject to a bidding process. Officers across the H2050 and Universal Services Directorates are jointly considering the options for making best use of the BSIP funding, subject to the detailed grant conditions issued 20 December 2024, for an Executive Member decision.
54. Over the COVID pandemic period when passenger numbers plummeted, bus operators were supported to continue using Government funding and County Council decisions on reimbursement of Concessionary Fares. Post-pandemic this additional funding has now ceased, however, the operating environment for bus companies remains challenging with high costs of fuel, staff retention challenges, and passenger numbers still below pre-pandemic levels.
55. At the 14 October 2024 meeting, Cabinet took the decision to scale back SP25 savings originally proposed for this area, following the outcomes of the public consultation that ran from January to March 2024, and further scrutiny and modelling of the proposals that concluded some of the service reductions proposed would simply shift costs onto social care budgets. This was subject to the remaining savings proposed being subject to a further review by officers to address concerns raised by the Children and Young Persons, Health and Adult Services, and Universal Services Select Committees.
56. At the November Decision Day, the Executive Lead Member for Universal Services approved a report confirming that a holistic approach to Passenger Transport was being taken, recognising that the passenger transport functions within the Universal Services, Children's Services and Adults Health & Care Directorates are inextricably linked, with the aim of a combined approach to commissioning passenger transport to achieve efficiencies whilst protecting services to our most vulnerable residents. Implementation of the remaining saving proposals could therefore proceed, with the joint commissioning of community and passenger transport commencing in the Autumn. The sector remains an important part of any strategy to reach net zero carbon targets for transport.

## **General Directorate Challenges and Priorities**

57. The Universal Services areas supported by cash limit funding already rely on income and recharges to fund 48% of the gross costs of service delivery. Much (but not all) of the income relates to discretionary service provision that we are not required to provide by law, but that has a wider public benefit. Set against the background of ever decreasing central Government funding, a key objective of the Directorate has for some time been to ensure these discretionary services fully cover their operating costs through income, to be cost neutral to the County Council. With the move to return to our Core Purpose service levels, this approach has been accelerated and expanded to include a contribution towards the associated corporate overhead costs, to ensure these services are not only providing wider benefits to Hampshire residents but are truly operating on a full cost recovery basis.
58. Furthermore, by providing combined statutory and income generating discretionary services, efficiencies can be made which effectively lower the cost of providing statutory services, and in many areas effectively subsidise statutory services, such as income from the Country Parks contributing to the cost of providing statutory Countryside services.
59. Maintaining existing levels of income from 'choose to use' services such as Country Parks and Outdoor Centres is challenging and depends at least in part on ongoing digital, marketing, and other investment to ensure the services remain attractive and relevant to Hampshire residents and visitors. The cost-of-living crisis has created an added dimension to income streams – whilst services are having to be creative to absorb cost pressures that can't necessarily be simply passed on through increased prices, the relative affordability of these services means they remain attractive to visitors. The weather also has a part to play, with poor weather reducing visitor numbers and therefore income. Investment in all-weather activities has helped to mitigate this, however, the trend of more extreme weather linked to climate change is having a negative impact – for example with Parks needing to be closed in high winds to protect members of the public.
60. The tightening of public sector finances has a twofold impact on some services within the Directorate, such as Hampshire Engineering Services and Property Services, which receive recharge income from County Council capital projects funded from government grants, and external income for services provided to other local authorities, schools and other public bodies. This income is expected to decline as a result of the restriction of public sector finances and additionally the change in central Government has added uncertainty. These service areas are therefore building in the necessary flex into their staffing structures to enable them to adapt to any changes to workload whilst retaining a core element of skilled staff.
61. Most services within the Directorate continue to face increasing challenges in retaining and recruiting staff at all levels. The County Council has always faced challenges in recruiting and retaining technical and professional roles in the construction industry such as engineers and quantity surveyors, where better

paid opportunities are frequently available in the private sector. Recent changes to the labour market including the departure of many EU citizens and many older workers opting for early retirement post pandemic, together with surging demand in new sectors (e.g., online retail and delivery drivers) have meant there is also more availability of both low and high skill work with higher pay, which impacts on recruitment across the Directorate in general, ranging from Facilities Management to catering in Country Parks.

62. Where appropriate, vacancies have been used to achieve SP25 savings, however, frequently the vacancies are in areas of our core service delivery and therefore not part of the SP25 programme. As such these vacancies are impacting both service delivery and cost (agency cover being typically more expensive if available) and the wellbeing of existing staff who are having to cover additional workload often for extended periods of time which in turn has an adverse impact on retention.
63. If not carefully managed, the SP25 proposals have the potential to exacerbate these recruitment and retention difficulties and therefore a significant focus of the Directorate remains managing the messaging to staff and investing in staff wellbeing to ensure that the Directorate maintains staff morale and retains our valuable staff that are so important in delivering our services to Hampshire residents. Actions continue to be taken at service, Directorate and a corporate level to mitigate the immediate impacts and build greater resilience for the future.

## **Section G: 2024/25 Revenue Budget**

64. The Universal Services directorate is currently reporting a net underspend against the budget of £5.736m (3.5%) across the range of services delivered by the directorate. Within this position are a number of one-off in-year variances both above and below budget, the most noteworthy of which are discussed below.
  - £2.7m underspend on Highways Traffic, which includes additional income from Temporary Traffic Regulation Orders (TTROs) and parking; as well as savings from staff vacancies, including within Safer Roads, where recruitment continues following the transfer of on-street parking from districts, and within School Crossing Patrols, where it has not been possible to fill vacancies.
  - £1.2m underspend relating to concessionary fares due to patronage remaining below pre-pandemic levels. Changes from 1<sup>st</sup> April to the methodology for calculating the reimbursements due to bus operators (using updated Department for Transport guidance) were initially expected to significantly reduce the underspends seen in recent years. Actual spend to date suggests the underspend will continue, however the final position cannot be predicted with certainty before the end of the financial year due to the changes from 1<sup>st</sup> April combined with the overarching “no better, no

worse” principle of concessionary fares, which allows operators to submit additional capacity cost claims at any point within the financial year.

- Net staff savings from recruitment and retention difficulties as well as planned vacancy management totalling £1.1m across a range of services including Facilities Management and Environmental Services.
  - Net savings on direct service provision of £0.7m which includes the overachievement of income targets across numerous services, such as additional Property Services income from fees charged on a ‘percentage of works value’ basis (so benefitting from high inflation), and high rental occupancy rates and strong rents.
65. It should be noted that the County Council anticipates it will face challenges relating to winter maintenance, weather emergencies, and highways revenue reactive maintenance activity, with the extremes of heavy rain downpours and high temperatures causing additional damage to the road network. Spend on this area is greatly affected by winter weather. At the time of writing this report, the remaining budget for the rest of the financial year is slightly more than was spent over the same period last year, indicating a potential underspend that would be added to the Weather Emergencies contingency for future use. However, costs in this area accumulate rapidly and therefore should conditions be more adverse than anticipated, there may be challenges that could not be contained within the existing budget.
66. Similar pressures apply to our built estate with the potential for a significant increase to repairs and maintenance spend, and coastal change has led to a number of areas being vulnerable to coastal erosion which carry a risk of significant cost to make safe should a harsh winter cause them to fail.
67. The forecast position is after the projected draw down of £4.898m Cost of Change funding for various one-off investments to support the transformation projects required to deliver savings; service investment to generate income; one-off exceptional pressures (e.g. an allocation for urgent coastal defence works); and cash-flowing late delivery of savings.
68. A total of £2.175m is being used to cash-flow the late delivery of the remaining Waste Tt2021 savings. These savings were originally delayed due to the Covid pandemic, but further delays have ensued as the savings programme is particularly complex, involving changing the financial relationship between the County Council as the Waste Disposal Authority and the district and borough councils as Waste Collection Authorities with regards to responsibilities for Recycling. Furthermore, the majority of the savings in this area are inextricably linked to changes in Government Policy around waste, recycling and the environment, and therefore the delays in this legislation referenced in Section G above have further delayed the achievement of these savings.
69. In response to the legislative uncertainty, since April 2024 the County Council has retained all recycling income from the existing MRFs (which had previously been passed through to the waste collection authorities), meeting a large part

of the Tt2021 savings shortfall. In addition, from January 2024 the County Council has benefitted from a contractual entitlement in our agreement with our third-party waste disposal contractor to a share some of income from the electricity generated by the Energy Recovery Facilities, which has further addressed the shortfall. As set out in Section G, the EPR income is now expected to address the remaining Tt2021 savings in the 2025/26 financial year.

70. Cost of Change funding is also cash-flowing a shortfall of £0.662m in respect of Enhanced Traffic Management Enforcement SP23 savings. A one-year delay had been expected, due to a combination of delays in Government enacting the relevant legal powers; the unexpected inclusion of a six-month initial period for each site where enforcement is proposed with warning letters only, with no fines to be issued; and inflation and supply issues leading to delays in securing the necessary specialist equipment. Further delays have ensued in installing the equipment, and therefore it is proposed to extend the scope of this saving to include income from Temporary Traffic Regulation Orders (TTROs), which will enable the saving to be delivered in full from 2025/26.
71. The budget for Universal Services has been updated throughout the year and the revised budget is shown in Appendix 2. The revised budget shows an increase of £3.645m made up of:
- A one-off increase to the Passenger Transport budget of £6.040m from the BSIP+ grant to continue to support the bus network recovery post covid.
  - A reduction of £0.450m to Street Lighting and Waste budgets for revised profiling of PFI payments between capital repayments and interest in respect to IFRS16 to reflect the contingent rental element (a technical accounting adjustment with the overall cost remaining the same).
  - A reduction of £3.0m to support capital programmes including structural maintenance within Highways.
  - £0.643m total one-off increases for grants including Trading Standards grants in relation to product safety and standards, and Countryside Coastal Path and Woodland Creation.
  - An increase of £0.285m towards addressing the additional costs associated with Ash Dieback (part of the allocations agreed by Cabinet in February 2020, December 2020, and July 2022).
  - A net increase of £0.852m to cover inflationary pressures including the local government pay award.
  - A net reduction of £0.725m from transfers between directorates including IT growth charges and the Fit for Futures cross-cutting savings programme which has seen certain posts transferred to the corporate centre to achieve efficiencies.

## **Section H: 2025/26 Budget Pressures**



72. In addition to the issues covered in Section F, which cover the ongoing issues and challenges affecting Universal Services, there are a number of pressures specifically relating to the 2025/26 financial year.
73. The capacity and resource challenges for the Directorate over the coming year cannot be overstated with numerous resource intensive, urgent business critical projects all needing to be delivered concurrently.
74. The implementation of the SP25 Phase 1 and, subject to Member decisions, the Phase 2 proposals, together with developing the potential Phase 3 savings (that have arisen out of the returning to our Core Purpose work and the positive challenge provided by the Independent Panel), alongside continuing to provide far-reaching and highly varied frontline services, whilst remaining agile enough to respond to one-off work programmes be they planned or unexpected, will present significant challenges.
75. It is expected that programmes led by other directorates will also impact on Universal Services, such as the rationalisation of the corporate assets being led by the Hampshire 2050 directorate, that will inevitably have a major impact on the Property Services, Facilities Management and Countryside teams within Universal Services.
76. Furthermore, a layer of uncertainty has been created by the change in central government, with new funding allocations being announced. Although these are most welcome, the announcements are being made in a piecemeal way without the clarity needed (which typically comes much later) to fully progress resulting spend programmes, all whilst raising public expectations of what will be delivered. The very nature of the Directorate delivering services to all Hampshire residents, means customer contacts are always at a high level and these changes are expected to increase this further still.
77. These resource and capacity issues will be compounded by the period of adjustment required as some staff exit the organisation under the savings proposals, particularly those exiting under the Mutually Agreed Resignation Scheme (MARS). The speed at which individuals are able to exit the organisation is one of the many benefits of MARS, but it also makes the adjustments required by remaining staff more pressured and acute.
78. The changes to Employer's National Insurance Contributions (NIC) will impact the Directorate in various ways, as although central government funding has been promised, this is only intended to cover the costs of directly employed County Council staff. Early indications are that the cost of the Highways Maintenance contract, being one of the highest value contracts for the Directorate, could increase by almost £1m per annum, which, as a change in legislation, under the terms of the contract the provider is entitled to pass directly on to Hampshire County Council. It is likely that costs will increase across the board as our many suppliers and contractors look to recover the cost impact of the NIC increase.

79. At the time of writing this report, the Directorate is also in the process of reviewing all its own fees and charges to increase them where required to cover the cost to the Council of the NIC increase. This could potentially affect income if customers (ranging from other public sector organisations to commercial businesses to individual members of the public) are not willing or able to accept the price increases.
80. The Ash Dieback management programme, which commenced in 2020/21 is expected to continue for at least the next two years, before Ash trees become part of standard tree safety operations, however, the previously allocated funding has already been fully utilised. The programme has focused on inspection and identification of the extent of the issue across the 100,000 Ash trees across the highway, property and rural estate that Hampshire County Council are responsible for, mapping and monitoring retention areas, removing high-risk affected trees that present a danger to the public and mitigation planting. The additional costs for 2025/26 have initially been assessed at £1m, for which specific corporate funding will be sought.
81. Finally, although nationally inflation has reduced from the exceptionally high levels seen in recent years, there remains a long-lasting impact on some areas of the Directorate. Issues with inflation in the construction industry remain, with inflated prices continuing to affect the costs of works, causing delays to contractors being able to start work on site with resultant slippage, and creating risks of capital schemes needing to be reduced in scope to ensure they remain within budget, due to the County Council usually having to bear any increase in costs of grant funded schemes. There remains a risk that in some cases it may be necessary to pause or even stop completely approved schemes if alternative sources of funding to address inflationary cost pressures cannot be found. Furthermore, the impact of high inflation continues long after it has reduced on the high value, long term contracts such as the Waste Disposal and Highways Maintenance contracts, which are uplifted using inflation rates set in the previous Autumn.

## **Section I: Revenue Savings Proposals**

82. In October 2023, Cabinet approved savings options for Universal Services totalling £19.279m, subject to public consultation on seven of the overall sixteen proposals. These savings proposals, which have since become known as Phase 1 SP25 savings, reflected a significant change in approach due to the scale of the predicted budget gap for the County Council for 2025/26, which at that time was predicted to be £132m.
83. The SP25 Phase 1 savings were devised by scrutinising each service through the lens of what is our Core Purpose as set out by statute, a much more austere approach than previous savings rounds, which had typically found savings by driving efficiencies in internal and external spend whilst still

delivering good services; and through commercial endeavours to target cost recovery and reduce core-funding to income-generating services.

84. The proposals required savings to be made through a combination of service reductions, the implementation of alternative non-County Council funded delivery models, service efficiencies, organisational efficiencies, and further specific income / cost recovery initiatives where possible. The proposals were estimated to result in the loss of around 140 FTE (approximately 8% of the Universal Services workforce).
85. Following the outcome of the Future Services public consultation (which ran from January to March 2024) and further scrutiny and development of the proposals, in October 2024 Cabinet took decisions to remove or defer £3.413m from the proposals, a further £0.510m have been assessed as undeliverable, and £54,000 have transferred to other Directorates leading to a revised SP25 Phase 1 proposed savings total for Universal Services of £15.302m, which has been removed from the 2025/26 proposed budget. The Phase 1 proposals are set out in more detail below, grouped by each of the four branches within the Directorate.
86. As highlighted in Section E above, due to the worsening financial position, over the Spring and Summer of 2024 officers have undertaken a further detailed review of services based on the County Council returning to its 'core purpose'. As a result of this review, eleven further Phase 2 SP25 proposals totalling £7.743m in 2025/26 with a full year impact of £8.745m have been put forward, with an estimated 31FTE reduction. These proposals are also grouped by each of the four branches and detailed below.
87. The Phase 2 savings that have been put forward have been profiled to reflect a realistic delivery during 2025/26 with a full year impact in future years. The Phase 2 savings in 2025/26 have been taken into account in setting the 2025/26 budget and should any of these be rejected as part of the political process or following any future stage 2 public consultations and decision making, then the assumption is that any lost savings will be met through a draw from reserves whilst other savings options are developed.
88. During November, the County Council offered all staff (excluding schools) an opportunity to apply to voluntarily resign from their employment under the Mutually Agreed Resignation Scheme (MARS). The Scheme was introduced in order to minimise the need for compulsory redundancies given the Council's financial position and to allow the delivery of additional savings in 2024/25 with resignations effective from 31st January. The MARS scheme has enabled the early delivery of £0.478m Phase 1 and 2 SP25 savings (although there will be transitional costs until full restructures can be implemented), and £0.447m of additional savings which are reflected in the 2025/26 Budget Position.
89. As part of the budget preparation process, directorates were asked to undertake a detailed review of non-pay budgets to determine whether it was possible to make any further budget reductions to account for the impact of stringent spend controls implemented in the current financial year. For the

Universal Services Directorate, these corporate housekeeping savings total £0.121m across budgets including staff travel, catering, printing and photocopying, postage and external room hire. These savings have been removed from the Universal Services cash limit but will be shown within a consolidated corporate housekeeping savings proposal for the County Council as a whole.

90. Equalities impact assessments have been undertaken for each of these Phase 2 proposals, as set out in Appendix 4. These are initial assessments, and further assessments may be undertaken as proposals develop. At this stage the impacts take account of the feedback from the stage one and stage two budget consultation responses for the Phase 1 SP25 proposals. Where potential negative impacts have been identified these will be considered and mitigated where possible.
91. In addition to the savings set out above, there is further work in progress on potential Phase 3 SP25 savings options which have arisen from the returning to our Core Purpose work and in particular are in response to the Independent Panel recommendations. However, these proposals will take time to develop (for example where a proposal could significantly impact existing service operating models) and therefore these Phase 3 SP25 proposals are not included within this report but will instead be brought to Cabinet at a later date once they have been fully developed.

#### Highways, Engineering & Transport

92. The Phase 1 SP25 proposals for this branch totalled £12.810m, 66% of the total £19.279m originally proposed. All but one of these proposals were subject to the Future Services public consultation. The proposals for this branch have now been reduced to £10.087m full year impact, plus an anticipated £0.5m saving within Children's Services, as follows:
  - £7.5m reduction in the highways planned maintenance budget, with activity continuing at reduced levels until government funding allows it to be reinstated.
  - £1.0m reduction to the winter maintenance budget by reviewing the current service provision against statutory requirements.
  - Originally up to £1.1m savings from the review of the School Crossing Patrols (SCP) service, undertaking assessments of each SCP controlled site to determine whether alternative safe measures could be put in place which would enable the SCP provision to be safely withdrawn. At the 14 October meeting Cabinet deferred this saving until detailed site assessments had been carried out, and therefore no savings have been removed from the 2025/26 proposed budget for SCPs.
  - £0.5m savings from streetlighting through the use of more energy efficient LED bulbs, additional dimming of streetlights to lower levels during the night, and part-night lighting of streetlights in specific areas.

- Originally £1.7m savings through eliminating all spend on non-statutory public transport provision, including spend on subsidising non-commercially viable local bus routes and on providing community transport services such as Dial-a-Ride and Call and Go, subject to a review of any knock-on impact on the school transport service in Children's Services. Cabinet agreed a revised proposal for public transport, reducing the savings in this area to £0.587m plus an anticipated £0.5m saving which would accrue to Children's Services from jointly commissioning community and school transport.
  - Originally £1.01m from increased income generation by reviewing existing charges, expanding current income streams and through the development of new income streams. This proposal was not subject to the Future Services public consultation but has since been revised down to £0.386 (full year impact £0.5m) following detailed development of the proposal.
93. The Phase 2 SP25 savings for this branch total £5.125m (full year impact £5.141m) and consist of the following:

- £4.323m removal of the remaining County Council funded capital highway maintenance budget. This is effectively a further reduction to the highways planned maintenance budget, removing the last £2.5m of the £10m Operational Resilience funding plus general revenue funding of capital maintenance of £1.823m, which although not specifically for highways planned maintenance, has to date typically been spent that way. (The budgets for these sit outside the Universal Services cash limit). This saving proposal will be subject to a Stage 2 public consultation.

As previously highlighted, this local funding had been supplementing DfT grants. The increases to grant funding allocations set out in section F above will offset the withdrawal of this supplementary local funding and lead to an overall net increase in funding of £3.4m. Additionally, the County Council is exploring the potential operation of a disruption charging (lane rental) scheme (a separate report is being taken to the 28 January 2025 Decision Day), which could potentially provide additional funding for highways schemes, with central government's proposals including a requirement for at least 50% of any surplus lane rental funds to be spent on highway maintenance. However, over time unless there is an increase in government funding for the maintenance of local roads, the reduction in maintenance spend will result in the road network becoming more fragile and less resilient to the impacts of winter weather, climate change and traffic, leading to an accelerated deterioration in the overall health of the highway asset. Initiatives continue to be developed to try to mitigate these impacts, including revised operational working practices and the use of smart, innovative technology.

- £0.681m (increasing to £0.697m from 2026/27) savings from various service reduction, operational efficiency and income measures within Highways & Traffic. This will likely include reductions to non-statutory road safety promotional activity for schools and in general, with a shift to greater use of digital and social media; reflecting the existing increased income from temporary traffic regulation orders; and staff post reductions estimated

at 5 FTEs. For clarity, these measures will not include revisiting the proposed School Crossing Patrol savings from Phase 1 SP25.

- £0.121m savings from various operational efficiency and income measures within Passenger Transport Operations. This will likely include changes to public transport information and increased fees and charges from temporary bus stop permits, but again will not include a review of the deferred / rejected Phase 1 proposals. The impact of this proposal will likely be mitigated by the £13.019m BSIP funding recently allocated to Hampshire as referenced above in section F.

#### Waste and Environmental Services

94. The Phase 1 SP25 savings for Waste and Environmental Services (WES) totalled £1.473m, derived from the delivery of two of the sixteen proposals. Of these two proposals, one was subject to public consultation. The savings from these proposals has now been reduced to £0.273m, as follows:
- Originally £1.2m from undertaking a review of the Household Waste Recycling Centre (HWRC) service provision to inform a revised strategy for service delivery. At the 14 October Cabinet meeting, noting the outcome of the public consultation, Cabinet did not agree with the proposals recommended and requested that all HWRCs are included in a county-wide review of waste and recycling to be reported to Cabinet. Therefore, these office proposed savings have not been removed from the 2025/26 proposed budget.
  - £0.273m savings from various measures that move services towards a cash limit neutral position, including increased income and service efficiencies.
95. The Phase 2 SP25 savings for this branch total £0.297m (full year impact £0.396m) and consist of the following:
- £0.190m (increasing to £0.269m from 2026/27) savings from various service reduction and operational efficiency measures within the statutory services within WES. This would likely include the cessation of waste prevention activity which is not a statutory requirement; the removal of the HWRC telephone booking service (entirely separate to the Phase 1 proposal to close HWRCs which was rejected by Cabinet); and the cessation of all non-statutory planning monitoring and enforcement activities and non-statutory flood and water management activities.
  - £0.107m (increasing to £0.127m from 2026/27) savings from various service reduction, operational efficiency and income measures within the traded services within the branch. This would likely include increased income generation and efficiencies; staff post reductions estimated at 1 FTE from the wider service; and ceasing hosting and membership of the Solent Forum.
96. With the recent clarifications on simpler recycling that has enabled the new MRF project to be resumed, and the opportunities arising from the upcoming Waste contract renewal, although there will be some service reductions, the overarching direction of travel for this branch remains one of service improvement. The higher-than-expected additional income under the EPR

regime may enable further savings in this area to be made, although this is subject to the decisions of the pEPR Scheme Administrator regarding Local Authority payments and on the assumption that representations made to central government on continuing the exemption for Local Authorities from the Emissions Trading Scheme (as set out in Section F above) will be heeded.

#### Recreation, Information & Business Services

97. The Recreation, Information & Business Services (RIBS) branch of the Universal Services directorate put forward Phase 1 SP25 proposals totalling £0.831m. Reflecting the nature of the services within the branch, the proposals were made up of income and service efficiencies as follows:

- £0.193m earned income growth at the Hampshire Outdoor Centres, including developing a core educational offer and broadening public access to the facilities at weekends and during school holidays.
- £0.280m from the Countryside Service through price increases and a new membership and ticketing system within the five Country Parks to generate additional income, and cost efficiencies through an integrated ranger service across the 3,000mile Rights of Way network and 80 countryside sites.
- £0.358m from new areas of income across the Registration and Archives services including charging for storage, cataloguing and conservation; training; licencing of premises; funeral celebrant services; and fee increases.

98. The Phase 2 SP25 savings for this branch total £0.423m (full year impact £0.773m) and consist of the following:

- £0.423m (rising to £0.673m by 2026/27) savings from various operational efficiency and income measures across Countryside, Hampshire Outdoor Centres and Archives. These could include introducing new and increased income streams at country parks and farms such as exploring income opportunities from bio-diversity net gain regulations, developing visitor accommodation; further measures to achieve full cost recovery for the Outdoors Centres; ceasing the Archives "Find my Past" subscription (also available in Hampshire libraries); and a wholesale review of the Countryside teams and estate to achieve efficiencies with changes to management, alternative use of the estate including disposals where appropriate
- £0.1m from 2026/27 arising from a review of Rural Estates which is likely to include additional income from higher rents and/or more efficient tenancy turnovers as well as efficiencies from a wider review of the rural estate which could include alternative use of rural land and disposals.

#### Property, Transformation and Business Services

99. The Phase 1 SP25 savings for Property, Transformation and Business Services (PTBS) totalled £0.516m from three proposals, as follows:
- £0.2m from streamlining feasibility activity and spend within the Property Services capital programme through tighter controls and rationalised studies.
  - £0.2m from Facilities Management service reduction and efficiency savings driven through office accommodation rationalisation given changes to ways of working.
  - £0.116m from cross-directorate reductions to US non-pay budgets including learning and development; postage; and printing.
100. The Phase 2 SP25 savings for this branch total £1.898m (full year impact £2.435m) and consist of the following:
- £55,000 (increasing to £0.104m from 2026/27) savings from ensuring the Castle Catering service is operating on a cost recovery basis. This would likely include measures to increase income, including price increases, and making cost efficiencies.
  - £0.131m (increasing to £0.181m from 2026/27) savings from various Facilities Management service reduction and operational efficiency measures reflecting further office accommodation rationalisation and sustained hybrid working arrangements. This would likely include reviewing the cleaning specification for managed buildings; amalgamating out-of-hours emergency response services; ceasing the purchase of stationary supplies for resource areas; ceasing plant maintenance contracts. These savings are achievable with limited impact on staff or services due to the change in ways of working since the pandemic with significantly reduced office-based working.
  - £1.275m Property Services savings from service reduction, operational efficiency and income measures. This would likely include further streamlining of feasibility activity and operational efficiencies associated with the service's Delivering Well programme. A further reduction to feasibility activity would be mitigated by ensuring that priority is afforded to those projects with high probability of progressing.
  - £0.437m (increasing to £0.875m from 2026/27) savings from various service reduction and operational efficiency measures from the Transformation and Business Service. This would likely include staff post reductions estimated at 16 FTE.

#### Cross-directorate proposals

101. The directorate's Phase 1 SP25 proposals included two cross-directorate proposals as follows:
- £0.315m to be enabled from undertaking a wide-ranging review of the approach to charging and enforcing parking across Hampshire. £65,000 of this proposal related to rural countryside parking, which was subject to the Future Services public consultation.



- Originally £3.334m organisational redesign, since amended to £3.280m for Universal Services due to corporate restructures meaning part of this saving has transferred to the People & Organisation directorate. This proposal involved a review across all the directorate's branches, to achieve further savings from streamlining services, the removal of non-statutory services that cannot be funded through income generation, and efficiencies from service synergies afforded following the corporate restructure, with an estimated reduction of 80FTEs. An expected overachievement of £0.412m has been identified whilst preparing the proposed 2025/26 revenue budget, which is still included within the Universal Services cash limit as a contribution to reserves.
102. Rigorous monitoring of the delivery of the programme will continue during 2025/26, to ensure that the Directorate is able to stay within its cash limited budget as set out in this report.

### **Section J: Overall Budget Position for 2025/26**

103. The budget update report presented to Cabinet on 10 December 2024 included provisional cash limit guidelines for each Directorate. The cash limit for Universal Services in that report was £158.3m, a £1.644m decrease on the previous year. The decrease comprised of:
- £7.688m reduction for Phase 1 SP25 savings as detailed in section I above.
  - £8.839m increase for inflationary and growth pressures, including a combined total of just under £4.5m inflation on the Highways Maintenance and Waste Disposal contracts, both of which are index-linked; growth recognising the increase in highways assets to be maintained; and demographic growth in Waste.
  - £1.260m increase to offset pressures primarily within the Waste budget to cover the impact of the increase in the HMRC Landfill Tax charges from April 2025. Landfill tax applies to all waste disposed by way of landfill.
  - A reduction of £0.664m to Street Lighting and Waste budgets for revised profiling of PFI payments between capital repayments and interest in respect to IFRS16 to reflect the contingent rental element (a technical accounting adjustment with the overall cost remaining the same).
  - £171,000 decrease in grants primarily the ending of the LEVI Capability Fund Grant to support the transition to Electric Vehicles for Traffic Management and Road Safety.
  - A net decrease of £839,000 from transfers between directorates, mostly relating to internal restructures under the Fit for Futures cross-cutting savings programme which has seen certain posts transferred to the corporate centre to achieve efficiencies, and ongoing IT charges.
104. At that stage, the cash limit guidelines did not include the following items which have now been added (and will be included in the February Cabinet budget report), reducing the cash limit to £154.5m:

- £3.420m reduction for SP25 Phase 2 savings as set out in Appendix 1 (excluding the £4.323m Highways Maintenance proposal which will come from centrally held budgets)
- £0.447m reduction for SP25 Phase 2 MARS savings.
- £0.121m reduction for Corporate Housekeeping savings.
- £0.222m increase to reflect pay inflation for areas of Highways Commissioning and Delivery which had been erroneously excluded from the initial allocation.

105. Appendix 3 sets out a summary of the proposed budgets for the service activities provided by Universal Services for 2025/26 and show that these are within the cash limit set out above.

106. In addition to these cash limited items there are further budgets which fall under the responsibility of Universal Services, which are shown in the table below:

	<b>2025/26</b>	
	<b>£'000</b>	<b>£'000</b>
Cash Limited Expenditure	297,806	
Less Income (Other than Government Grants)	(139,529)	
<b>Net Cash Limited Expenditure before SP25 Phase 2 Savings</b>		<b>158,277</b>
Changes since provisional cashlimit		222
Officer Saving Proposals SP25 Phase 2	(7,743)	
Less: budgets held corporately	4,323	
US cash limit Officer Saving Proposals SP25 Phase 2		(3,420)
MARS		(447)
Corporate Housekeeping Savings		(121)
<b>Net Cash Limited Expenditure after SP25 Phase 2 Savings</b>		<b>154,511</b>
<b>Add Non cash Limit budgets:</b>		
Flood Protection Levy		739

Coroners		4,306
River Hamble		(29)
<b>Less Specific Government Grants:</b>		
Bus Service Operators Grant	(1,068)	
Product Safety and Standards	(205)	
England Coastal Path	(52)	
<b>Total Government Grants</b>		<b>(1,325)</b>
<b>Total Net Expenditure</b>		<b>158,202</b>

## Section K: 2025/26 Review of Fees and Charges

107. For Universal Services, the 2025/26 revenue budget includes income of £38.3m from fees and charges to service users. This is an increase of £3.4m (9.6%) on the revised budget for 2024/25.
108. Universal Services consists of a wide range of services with a variety of different fees and charges, which range from charges to other public sector or private sector organisations such as hourly charge out rates for Property staff, Scientific Services sample testing, materials testing at the Highways laboratory; or charges to private individuals such as admission prices for events at the Country Parks, statutory fees such as charging for death certificates, skip licences, car parking charges, or the price of food and drink at one of the cafes. Therefore, each individual charge has not been listed in this report.
109. However, all fees and charges are regularly reviewed and uplifted annually for inflation and with consideration of the prevailing market conditions as appropriate, and many are published separately on the Council's web pages, in some cases as required by legislation. The annual review of individual charges also includes, where relevant, benchmarking against other Local Authorities to ensure any inflationary uplifts are reasonable. In light of the Council's financial position and approach to returning to our Core Purpose, all fees have also been reviewed to ensure that they are generating a minimum 15% contribution to overheads where possible.
110. Any new fees and charges, significant above-inflation increases, or any other significant changes to individual fees and charges, will be brought to the Executive Lead Member for Universal Services for decision via a separate report, which will include the required equality impacts assessment.

## **Section L: Revenue Budget Other**

111. The budget includes some items which are not counted against the cash limit. For Universal Services these are the Coroners Service and the River Hamble Harbour Authority as shown in Appendices 2 and 3. The directorate also provides management support to the Sir Harold Hillier Gardens, which is a charity funded from visitor income, grants and donations, and therefore reports its budget separately under the Charities Act legislation.
112. A significant uplift of £1.0m was added to the Coroners Service budget in the previous financial year together with various measures including improved accommodation, more efficient ways of working, and an increase in staffing, to address pressures resulting from an increase in both case numbers and complexity. The forecast for 2024/25 is a balanced budget position against the increased budget, with savings from the introduction of a single fee level for pathologist fees, combined with legislative changes likely to lead to fewer coroner referrals and post-mortems, offsetting pressures arising from increased mortuary costs, funeral director fees and legal inquest costs. In addition, options are being explored for ways to address mortuary capacity issues and the ensuing increased costs, including possible in-house mortuary capacity, to reduce costs over the longer term.
113. The River Hamble Harbour Authority is funded entirely by external income, primarily Harbour Dues from mooring holders. The 2025/26 budget was recommended for approval by the River Hamble Harbour Committee at its meeting of 20 December 2024 and approved by the River Hamble Harbour Board on the 10 January 2025.
114. HCC Property Services offers a Service Level Agreement (SLA) to Community, Controlled, Foundation and Aided schools in Hampshire which 95% of schools sign up to. This SLA includes statutory testing, inspection and servicing as well as regular surveys of the school estate. Schools make a contribution into a pooled fund based on a formula taking into account the number of pupils, the floor area of the building and whether there is a pool on site. A % uplift will be applied to the rates charged in 2024/25 based on Local Authority maintenance indices (BCIS), construction price inflation information and the contractually allowable cost increases confirmed by the Term Maintenance Contractors. The Schools SLA budget for 2024/25 was £16.509m and in 2025/26 will be determined by potential academy conversions and the number of schools that choose to renew their participation but is expected to total in the region of £15m. All revenue work funded by the schools SLA budget will be called off within Chief Officer Delegations.

## **Section M: Climate Change Impact**

115. 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.

116. This report deals with the revenue budget preparation for 2025/26 for the Universal Services Directorate and further SP25 savings proposals. Climate change impact assessments for individual services and projects will be undertaken as part of the approval to spend process, and for individual savings proposals if appropriate as part of the implementation process. There are no further climate change impacts as part of this report, and therefore the two climate change decision-making tools are not considered relevant to this decision report.

**Appendices:**

- SP25 Phase 2 Officer Savings proposals
- Budget Summary 2024/25 – Universal Services
- Budget Summary 2025/26 – Universal Services
- SP25 Phase 2 Equality Impact Assessments

**REQUIRED CORPORATE AND LEGAL INFORMATION:**

**Links to the Strategic Plan**

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

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u>	<u>Date</u>
Savings Programme to 2025 – Revenue Savings Proposals (Executive Lead Member for Universal Services) <a href="http://democracy.hants.gov.uk/documents/s111603/Report.pdf">http://democracy.hants.gov.uk/documents/s111603/Report.pdf</a>	18 September 2023
Medium Term Financial Strategy Update and Savings Programme to 2025 Savings Proposals <a href="https://democracy.hants.gov.uk/mgAi.aspx?ID=63758#mgDocuments">https://democracy.hants.gov.uk/mgAi.aspx?ID=63758#mgDocuments</a>	Cabinet – 10 October 2023 / County Council – 9 November 2023
Medium Term Financial Strategy Update and Savings Programme to 2025 Savings Proposals <a href="https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=163&amp;MId=11427">https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=163&amp;MId=11427</a>	Cabinet – 15 November 2024 / County Council – 28 November 2024
Budget Setting and Provisional Cash Limits 2025/26 <a href="https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&amp;MId=11442">https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&amp;MId=11442</a>	Cabinet – 10 December 2024
<b>Direct links to specific legislation or Government Directives</b>	
<u>Title</u>	<u>Date</u>
<b>Section 100 D - Local Government Act 1972 - background documents</b>	
<p><b>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.)</b></p>	
<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 2025/26 does not contain any proposals for major service changes which may have an equalities impact. Proposals for budget and services changes which are part of the Phase One Savings Programme to 2025 Programme were considered in detail as part of the approval process undertaken in September, October and November 2023 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 3 to 7 of the October 2023 Cabinet report linked below:

<https://democracy.hants.gov.uk/mgAi.aspx?ID=62985#mgDocuments>

Updated EIAs for the Phase One proposals subject to the Stage 2 consultation following the conclusion of that consultation were considered in detail as part of the October 2024 Cabinet report and can be found in the Appendices to that report linked below:

<https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MIId=12626>

For the Phase 2 proposals, 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 4).



## Universal Services – Proposed Savings Options (Subject to consultation where appropriate)

Ref.	Service Area and Description of Proposal	Impact of Proposal	2025/26 £'000	2026/27 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
USD01	<b>Highways Commissioning</b> – removal of the remaining County Council-funded discretionary capital highways maintenance budget.	Over time, and unless there is a sustained increase in government funding for the maintenance of local roads, the further reduction in planned maintenance spend could result in the Hampshire network becoming less resilient to the impacts of winter weather, climate change and increasing traffic volumes.	4,323	4,323	4,323	0
USD02	<b>Highways &amp; Traffic</b> – various service reduction, operational efficiency and income measures, including reductions to non-statutory publicity activity and increased fees and charges.	Potential negative impact on service users.	681	697	697	5
USD03	<b>Passenger Transport Operations</b> – various operational efficiency and income measures, including changes to public transport information and increased fees and charges.	Potential negative impact on service users.	121	121	121	0

Appendix 1

Ref.	Service Area and Description of Proposal	Impact of Proposal	2025/26 £'000	2026/27 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
USD04	<b>Property Services</b> – service reduction, operational efficiency and income measures, including further streamlining of feasibility activity.	A reduction in capacity to support HCC feasibility studies will be mitigated by targeting projects with a high probability of progression and working more efficiently.	1,275	1,275	1,275	0
USD05	<b>Transformation &amp; Business Services</b> – various service reduction and operational efficiency measures.	Reduced capacity to deliver business support and continuous improvement projects across the directorate, necessitating targeted prioritised support and project management.	437	875	875	16
USD06	<b>Facilities Management</b> – various service reduction and operational efficiency measures reflecting office accommodation rationalisation and hybrid working arrangements.	Limited impact on colleagues or services due to the change in ways of working since the pandemic with significantly reduced office-based working.	131	181	181	0.7
USD07	<b>Castle Catering</b> – ensuring the service is operating on a cost recovery basis by implementing measures to increase income and make cost efficiencies.	Largely neutral impact but could have a small, negative impact on internal users in relation to price increases.	55	104	104	0

Appendix 1

Ref.	Service Area and Description of Proposal	Impact of Proposal	2025/26 £'000	2026/27 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
USD08	<b>Countryside, Outdoor Centres &amp; Archives</b> – various operational efficiency and income measures including introducing new income streams and reviewing operational models, with potential changes to asset holdings and management.	Reduced capacity to deliver services. Potential negative impact on service users.	423	628	673	7
USD09	<b>Rural Estate</b> - various operational efficiency and income measures.	Potential negative impact on service users.	0	100	100	0
USD10	<b>Waste &amp; Environmental Services (Statutory Services)</b> – various service reduction and operational efficiency measures including cessation of waste prevention activity.	Largely neutral impact on service users in respect of efficiency measures. Negative impact anticipated if the waste prevention programme is ceased, and service users are engaged less.	190	269	269	1.6
USD11	<b>Waste &amp; Environmental Services (Traded Services)</b> – various service reduction, operational efficiency and income measures.	Potential negative impact on capacity. Negative impact on traded service partners.	107	127	127	1

Appendix 1

Ref.	Service Area and Description of Proposal	Impact of Proposal	2025/26 £'000	2026/27 £'000	Full Year Impact £'000	Estimated Staffing Impact FTE
	<b>SUB-TOTAL</b>		<b>7,743</b>	<b>8,700</b>	<b>8,745</b>	<b>31.3</b>
USD12	<b>MARS savings</b> – service efficiencies arising from specific posts identified through the Mutually Agreed Resignation Scheme (MARS).	Reduced capacity to deliver services. Potential negative impact on service users.	447	447	447	6.9
	<b>TOTAL</b>		<b>8,190</b>	<b>9,147</b>	<b>9,192</b>	<b>38.2</b>

Note: Full year impact is from 2027/28 onwards

## Budget Summary 2024/25 – Universal Services

Service Activity	Adjusted Original Budget 2024/25 <sup>(1)</sup> £'000	Revised Budget 2024/25 £'000
Highways Maintenance <sup>(2)</sup>	32,005	29,049
Street Lighting	9,268	9,125
Winter Maintenance	6,880	6,881
Traffic Management and Road Safety <sup>(3)</sup>	2,618	3,661
Capital Works Implementation	531	554
Concessionary Fares	12,288	12,288
Passenger Transport <sup>(4)</sup>	4,732	11,040
<b>Highways, Engineering &amp; Transport</b>	<b>68,322</b>	<b>72,598</b>
Waste Disposal <sup>(5)</sup>	58,368	60,217
Environment	528	634
Development Management, Minerals and Waste Policy	256	262
Asbestos	130	91
Scientific Services	263	687
Trading Standards	1,814	1,836
<b>Waste &amp; Environmental Services</b>	<b>61,359</b>	<b>63,727</b>
Countryside Services	3,599	4,090
Outdoor Centres	394	578
Rural Estates (County Farms)	(305)	(189)
Sir Harold Hillier Gardens (room hire)	64	64
Registration	(947)	(1,130)
Archives	771	880
<b>Recreation, Information &amp; Business Services</b>	<b>3,576</b>	<b>4,293</b>
Business Services	1,319	1,802
Enterprise	805	879
Improvement	1,404	1,073

## Appendix 2

Contact Centre Team	304	-
Departmental and Corporate Support	2,080	2,034
Facilities Management	4,805	4,830
The Great Hall	11	-
Property Services	4,937	4,300
Repairs & Maintenance	10,291	10,271
Feasibility	1,035	935
Corporate Estate	(174)	(182)
Sites for Gypsies and Travellers	46	46
Development Account and Other Miscellaneous	(376)	(426)
<b>Property, Business Development &amp; Transformation</b>	<b>26,487</b>	<b>25,562</b>
Net Contribution To / (From) Cost of Change	201	<b>(2,590)</b>
<b>Net Cash Limited Expenditure</b>	<b>159,945</b>	<b>163,590</b>
Hampshire Transport Management	(24)	(24)
River Hamble	(56)	(56)
<b>Universal Services Trading Units</b>	<b>(90)</b>	<b>(80)</b>
<b>Coroners</b>	<b>4,099</b>	<b>4,288</b>

(1) The original budget for 2024/25 has been restated to reflect that Hampshire Printing Services and PrintSmart are now included within the Corporate Resources Directorate. Hampshire Transport Management is still shown as a Universal Services trading unit in the revised budget, but has been brought back into the Universal Services cash limit for the 2025/26 forward budget.

(2) Reduction primarily relates to a £3m transfer to capital budgets.

(3) Increase relates to £1.078m temporary Cost of Change funding to cover implementation costs and cashflow delayed SP23 savings for Enhanced Traffic Management Enforcement.

(4) Revised budget includes £6.040m BSIP+ grant funding.

(5) Revised budget includes £2.175m temporary Cost of Change funding to cash-flow delayed Tt2021 savings.

## Budget Summary 2025/26 – Universal Services

<b>Service Activity</b>	<b>Adjusted Original Budget 2024/25<sup>(1)</sup> £'000</b>	<b>Proposed Budget 2025/26 £'000</b>
Highways Maintenance <sup>(2)</sup>	32,005	31,750
Street Lighting	9,268	8,622
Winter Maintenance	6,880	6,032
Traffic Management and Road Safety	2,618	1,312
Capital Works Implementation	531	547
Concessionary Fares	12,288	12,426
Passenger Transport	4,732	4,116
Hampshire Transport Management <sup>(1)</sup>	(24)	(2,426)
<b>Highways, Engineering &amp; Transport</b>	<b>68,298</b>	<b>62,379</b>
Waste Disposal	58,368	61,370
Environment	528	677
Development Management, Minerals and Waste Policy	256	230
Asbestos	130	23
Scientific Services	263	40
Trading Standards	1,814	1,692
<b>Waste &amp; Environmental Services</b>	<b>61,359</b>	<b>64,032</b>
Countryside Services	3,599	3,399
Outdoor Centres	394	77
Rural Estates (County Farms)	(305)	(316)
Sir Harold Hillier Gardens (room hire)	64	-
Registration	(947)	(1,518)
Archives	771	860
<b>Recreation, Information &amp; Business Services</b>	<b>3,576</b>	<b>2,502</b>
Business Support <sup>(2)</sup>	1,319	2,243

## Appendix 3

Enterprise	805	498
Improvement	1,404	992
Contact Centre Team	304	-
Departmental and Corporate Support <sup>(2)</sup>	2,080	2,858
Facilities Management	4,805	4,622
The Great Hall	11	-
Property Services <sup>(2)</sup>	4,937	3,021
Repairs & Maintenance	10,291	11,123
Feasibility	1,035	435
Corporate Estate	(174)	(71)
Sites for Gypsies and Travellers	46	47
Development Account and Other Miscellaneous	(376)	(582)
<b>Property, Business Development &amp; Transformation</b>	<b>26,487</b>	<b>25,186</b>
Net Contribution To / (From) Cost of Change	201	412
<b>Net Cash Limited Expenditure</b>	<b>159,921</b>	<b>154,511</b>
River Hamble	(56)	(29)
<b>Universal Services Trading Units<sup>(1)</sup></b>	<b>(56)</b>	<b>(29)</b>
<b>Coroners</b>	<b>4,099</b>	<b>4,306</b>

<sup>(1)</sup> The original budget for 2024/25 has been restated to reflect that Hampshire Transport Management, previously a Universal Services trading unit, has been brought back into the Universal Services cash limit; and that Hampshire Printing Services and PrintSmart are now included within the Corporate Resources Directorate.

<sup>(2)</sup> To simplify the budgets, internal recharging from Departmental and Corporate Support to Highways Maintenance and from Business Support to Property Services has been removed. This is a budget movement between service areas only and has not affected the overall cash limit for Universal Services.