HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	14 July 2020 16 July 2020
Title:	2019/20 – End of Year Financial Report
Report From:	Deputy Chief Executive and Director of Corporate Resources

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1. Recommendations

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

1.1 Approves the outturn position set out in Section 3.

1.2 Approves the increase of service capital programme cash limits for 2020/21 to reflect the carry forward of capital programme schemes and shares of capital

1.3 Approves the transfer of the balance of the net corporate savings of just over £11.9m to the Budget Bridging Reserve (BBR).

1.4 **Recommends to County Council that**:

a) The report on the County Council's treasury management activities and prudential indicators set out in Appendix 2 be approved.

RECOMMENDATIONS TO COUNTY COUNCIL

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

County Council is recommended to approve:

a) The report on the County Council's treasury management activities and prudential indicators set out in Appendix 2.

2. Executive Summary

2.1 This report provides a summary of the 2019/20 final accounts. The draft statement of accounts was submitted for audit early in June 2020 and will be reported to the Audit Committee in July, in conjunction with the External Audit report on the accounts.

2.2 Net service cash-limited expenditure was £7.2m lower than expected against an overall gross budget of approaching £2.0bn, a variance of less than 0.4%. This position, which is after substantial transformation costs have been met in year, reflects the County Council's continuing successful financial strategy and the application of strong financial management, This provides funding that can then be used to meet the future costs of change, to cash flow the necessarily slower delivery of some savings or to offset other service pressures, for example within social care.

2.3 The position for each of the departments is summarised in the table below:

	Variance (Under) / Over Budget £'000
Adults' Health and Care	0
Children's Services - Non Schools	0
Economy, Transport and Environment	(1.8)
Policy and Resources	(5.4)
Total Departmental Expenditure	**(7.2)**

2.4 The position for Adults' Health and Care reflects sustained management activity during the year to control spend in the face of well publicised care pressures. In addition, the use of substantial non-recurrent funding including the Cost of Change Reserve to offset significant service pressures that have crystallised in the year.

2.5 As a response to greater emerging service pressures revised funding for growth due to complexity and demography for Adults' Health and Care was provided for as part of the Medium Term Financial Strategy (MTFS) and the Department also developed a cost recovery plan.

2.6 The breakeven position in Children's Services equally reflects the pro-active management of the services. The application of strong management focus to limit pressures in the Children Looked After (CLA) budget as far as possible alongside the early delivery of resources, use of cost of change reserves and agreed targeted corporate support has resulted in a balanced position despite the considerable pressures.

2.7 The final outturn position for Economy, Transport and Environment (ETE) shows planned savings against the budget of just over £1.8m due to delivery of savings primarily in Highways Traffic and Transport of which approaching £0.6m relates to the winter maintenance budget as a consequence of the relatively mild and dry weather. The savings on the winter maintenance budget will be carried forward to be spent in 2020/21 as part of an ongoing programme of maintenance work. As set out in the Revenue Budget and Precept 2020/21 Report approved by County Council in February 2020 this will be supplemented from corporate contingencies to ensure that a minimum allocation of £2.0m is available.

2.8 Policy and Resources achieved a saving against budget of just over £5.4m, mainly due to ongoing efficiency savings, additional income and the early delivery of aspects of the Tt2021 Programme, notably the addition of three London Boroughs to the Corporate Shared Services Partnership in December 2019.

2.9 The net savings within ETE and Policy and Resources have been set aside for use by the respective services to meet restructuring and investment costs associated with the Tt2021 Programme and beyond, in accordance with the current financial management policy and the MTFS. These net savings do not represent a deterioration of service delivery but do represent careful stewardship.

2.10 In addition, within ETE it is specifically proposed to again reinvest available funding associated with the winter maintenance budget in highways maintenance to provide additional one-off resources to supplement existing maintenance programmes.

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

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

2.13 Savings on non-cash limited budgets total just over £11.9m and were achieved largely as a result of the ongoing trend of a very prudent approach to capital financing costs and the continuing use of 'internal borrowing' to fund capital expenditure rather than taking out long term loans at this point, additional grant income and unused contingencies. Contingencies were in the main set aside in recognition of the increased risk in the budget due to ongoing pressures within demand led services, such as waste disposal and to cover potential inflationary pressures.

2.14 This report recommends that these corporate savings are added to the Budget Bridging Reserve (BBR), in preparation for any future draw required beyond 2020 as set out in the MTFS which was approved by the County Council in November 2019.

2.15 In addition, in view of the impact of the Covid-19 crisis on the County Council's financial position it is even more important that we continue to make contributions to reserves as in the short term, in the absence of any further commitments from the Government, the County Council will need to look towards existing reserves to meet the unfunded costs.

2.16 More information about the potential impact of the Covid-19 pandemic on the financial position of the County Council and the response that will be needed are set out in the MTFS Update report presented elsewhere on this Agenda.

2.17 The report contains a small section on reserves and balances highlighting that in line with the MTFS, the level of reserves has fallen as planned draws have been made in 2019/20 to fund transformation and cash flow safe delivery of Tt2019 savings over an extended time frame.

2.18 The report also recommends approval of:

- The annual report on the operation of the treasury management strategy and the County Council's end of year prudential indicators, for subsequent approval by the County Council.
- A revised capital financing plan for 2020/21.

3. 2019/20 Revenue Outturn

Service Cash Limits

3.1 The table below summarises the net outturn position for each department compared to the final cash limit for the year. The figures exclude schools spending but include cost of change drawn during 2019/20:

	Variance (Under) / Over Budget £'000
Adults' Health and Care	0
Children's Services - Non Schools	0
Economy, Transport and Environment	(1.8)
Policy and Resources	(5.4)
Total Departmental Expenditure	**(7.2)**

3.2 The monitoring position as at the end of November (Month 8) was presented to Cabinet in February and indicated that all departments were anticipating that they would be able to manage the large-scale investment required to deliver their planned transformation activity and to meet service pressures through the use of cost of change and other reserves, along with agreed corporate funding.

3.3 Strong financial management has remained a key focus throughout the year to ensure that all departments stay within their cash limits, that no new revenue pressures are created and that they deliver the savings programmes that have been approved. Enhanced financial resilience monitoring, which looks not only at the regular financial reporting but also at potential pressures in the system and the early achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.

3.4 This focus has ensured that at the end of the year the final position is in line with expectations and that departments have, where safe and practical to do so, delivered savings. These savings have been proportionate given the scale of the Council's finances, and have not been to the detriment of services, but they will provide invaluable funding that can then be used to meet the costs of change and to cash flow the delivery of savings or offset service pressures.

3.5 Key issues across each of the departments are highlighted in the paragraphs below. Whilst pressures within social care services remain the highest risk and most volatile area of the County Council's budget the impact of successive savings programmes along with other service pressures means that all departments continue to face considerable and developing financial pressures and the financial consequences of the Covid-19 pandemic will exacerbate this.

Adults' Health and Care

3.6 Adults' Health and Care have successfully contained growing care pressures, arising through demography and complexity changes in clients and delivered a breakeven position in 2019/20. However, this is after the utilisation of a substantial proportion of available non-recurrent funds including the Cost of Change Reserve to offset significant service pressures that have crystallised in the year.

3.7 Whilst the net position on the Adult Social Care service budget is balanced there are some key variances. The main recurrent pressures in 2019/20 relate to the provision of care, both purchased and provided in house with pressures of £11.6m and £0.6m respectively, although it should be noted that the latter is a significant improvement on the previous year when the outturn was £2.9m.

3.8 The pressure on purchased care is primarily within the Older Adults service area and has been driven by sustained increases in care volumes and average price increases since the latter half of 2018/19 with the full year effect of those increases becoming apparent in 2019/20. This has largely arisen from the need to support greater throughput of clients out of hospital and the general increase in complexity of clients.

3.9 In response the Department has utilised much of their Cost of Change Reserve to offset these pressures in 2019/20. The Department started the year with a balance of £38.6m in cost of change and have used more than £35.7m to offset planned late delivery of Tt2019 and in year transformation costs, with the remainder being used to offset the recurrent service pressures outlined above.

3.10 As we entered 2020 there was a stabilising of the position with limited further increases overall, and indeed some reductions, but the impact of the Covid-19 pandemic was felt towards the end of the financial year and will have a fundamental effect in 2020/21.

3.11 The 2019/20 outturn has also been reliant on the availability of both the Winter Pressure Grant of £4.8m and the third year of the additional Integrated Better Care Fund (IBCF) allocation which totalled £6.8m. Both of these amounts have been utilised in accordance with the purpose upon which they were given, namely additional social care activity to alleviate pressures on the NHS.

3.12 Public Health ended the year with a balanced position, after a draw from the ring-fenced reserve of approaching £2.1m. This has been achieved through planned work to deliver efficiencies and innovation within existing services to meet the reduction in grant of over £8.0m over the last four years. This programme of work, including holding vacancies in the Public Health team and making reductions in contractual and non-contractual spend, continues into 2020/21 to drive out the remaining savings so as to align the recurrent expenditure with the level of grant by the end of 2020/21. The 2019/20 closing balance of the Public Health Reserve is just under £5.5m and it is planned to further utilise this reserve over the short term to provide investment for the further initiatives already highlighted and to provide similar support for the delivery of Tt2021 savings prior to the savings being achieved.

Children's Services

3.13 The outturn for 2019/20 on the non-schools' budget is a balanced position following the additional corporate support provided to Children's Services. There has been significant focus on Children Looked After (CLA) numbers and costs over recent years and trends for average costs, numbers and the mix of placement type have been tracked. Based on this analysis and tracking, additional corporate support has been agreed to address the pressures arising from this growth.

3.14 The Department have applied strong focus to these pressures and the breakeven position reflects the pro-active management of the services together with early delivery of savings, the use of the departmental reserves and agreed corporate support. However, these pressures continue to be areas of some concern in Children's Services and for the County Council as a whole, particularly in light of the potential impact of the Covid-19 pandemic, as a consequence of the prolonged lock down period and the impact on family settings, and will be closely monitored throughout the coming year.

3.15 Other challenges faced by the Department relate to the short supply of qualified social workers and the costs associated with the provision of school transport, mainly relating to those with special educational needs.

3.16 The cost of agency workers continues to be an issue and previous corporate support has been agreed in order to increase the number of social workers which will lead to a reduced caseload for teams and free up capacity to deliver reductions in CLA numbers. A further outcome of this is to ensure that we retain our social workers and avoid the additional use of agency staff, albeit they continue to be used to maintain capacity in the service. Various recruitment avenues and alternative pathways to social work careers are being promoted. Connect2Hampshire, which is looking to address the resource issues over the longer term, should also improve the quality of those agency social workers we do use.

3.17 Swanwick Lodge, our in-house secure unit, is in a period of financial recovery following a major refurbishment. The ability to recruit and retain suitable staff has delayed the opening of beds which impacts that recovery. This is currently under review. There are also pressures on the legal budget relating to external legal costs for counsel and expert witnesses relating to care proceedings going to court, funding for which has been allocated within the MTFS.

Economy, Transport and Environment (ETE)

3.18 ETE continues to maintain a relentless focus on core service delivery around Highways, Waste Management, Transport, Economic Development and statutory planning services. The first two of these being major universal demand led services. To date the Department has been able to make contributions to its Cost of Change Reserve to cash flow planned later delivery of savings and to provide for the necessary enabling investment to deliver transformation. This has been an effective strategy to date although the increased requirement for investment in assets and resources to generate the next phase of savings will place further pressure on the Department.

3.19 Given the significant challenges of the Tt2021 savings programme the Department has adopted a cautious approach to 'business as usual' budgets including a prudent approach to vacancy management and the final outturn position shows a planned in year saving against the budget of more than £1.8m (1.6%). This is due to a combination of holding vacant posts, tightly controlling non-pay budgets and increased income and recharges, offset by increases in agency staff (linked to the higher income and recharges), planned one-off investments and exceptional project development costs not rechargeable to capital.

3.20 Included within this result is an amount approaching £0.6m within the winter maintenance budget which will be carried forward to be spent in 2020/21 as part of an ongoing programme of maintenance work. As set out in the Revenue Budget and Precept 2020/21 Report approved by County Council in February 2020 this will be supplemented from corporate contingencies to ensure that a minimum allocation of £2.0m is available to provide greater certainty over reactive maintenance funding.

3.21 ETE continues to maintain a relentless focus on core service delivery around Highways, Waste Management, Transport, Economic Development and statutory planning services. The first two of these being major universal demand led services. To date the Department has been able to make contributions to its Cost of Change Reserve to cash flow planned later delivery of savings and to provide for the necessary enabling investment to deliver transformation. This has been an effective strategy to date although the increased requirement for investment in assets and resources to generate the next phase of savings will place further pressure on the Department.

3.22 The impact of the Covid-19 crisis in 2019/20 was not material in financial terms, however, a more significant impact is anticipated in 2020/21 with pressures including the costs associated with safely and securely stopping work on transport improvement schemes, reduced income from parking and licences, and additional costs to maintain safe distancing at Household Waste Recycling Centres on their reopening, albeit these pressures may be offset to some extent by initial lower waste disposal costs.

Policy and Resources

3.23 Policy and Resources achieved a saving against the budget of more than £5.4m, after substantial transformation costs have been met in year, mainly due to ongoing efficiency savings, additional income and the early delivery of aspects of the Tt2021 Programme, notably the addition of three London Boroughs to the Corporate Shared Services Partnership in December 2019.

3.24 The successful implementation of the Tt2021 Programme and the resulting early delivery of savings will be crucial as successive budget reductions mean there is less scope to generate savings across the services and high levels of investment and resources are required over a longer time period to generate further savings, as is the case with other departments.

3.25 The 2019/20 outturn position includes a pressure of approximately £350,000 due to the impact of Covid-19 and the nationwide lockdown, relating to the investment in e-Books within the Library Service and reduced income for example from our country parks. Clearly there will be a significantly higher impact in 2020/21.

3.26 Policy and Resources also includes a range of trading units which rely on income to fully recover the costs that they incur. HC3S is one of these trading units, providing catering services to HCC establishments, in particular the provision of school meals. Since June 2019 there has been a significant downturn in the take up of school meals, coupled with increasing food and staffing costs. Predictions were that a deficit of around £1.0m could be expected by the end of the financial year.

3.27 Actions were being put in place to mitigate the level of the deficit, however, HC3S has been particularly impacted by the Covid-19 pandemic, with the additional pressure due to lost income from school meals calculated at more than £0.9m in 2019/20 alone. The deficit in 2019/20 has been covered by trading unit reserves at this point and the extensive plan which was put in place to ensure that the service returns to a break even position in the future, and was already showing promising results until the pandemic took effect, will be revisited as recovery begins.

3.28 Overall Position

3.29 Detailed explanations for the outturn position for all departmental budgets are provided in Appendix 1.

3.30 The departmental savings will be set aside to meet the future cost of change in line with the current financial policy which incentivises good stewardship.

3.31 In addition, within ETE the remaining resources associated with the 2019/20 winter maintenance budget (approaching £0.6m) will be set aside to provide additional one-off resources in 2020/21 as part an ongoing programme of highways maintenance. As set out in the Revenue Budget and Precept 2020/21 Report approved by County Council in February 2020 this will be supplemented from corporate contingencies to ensure that a minimum allocation of £2.0m is available.

Schools Budget

3.32 The financial pressures facing schools are well documented and in 2019/20 there was a net pressure of £9.0m against the school budget (including a £10.5m pressure on the High Needs Block) which has been offset by a charge to the Dedicated School Grant (DSG) reserve, as allowed by the Department for Education (DfE).

3.33 This year, the charge will increase the deficit on the DSG reserve to a total of approaching £22.8m which will be funded from future years DSG funding. A DSG Deficit Recovery Plan was produced last year, at the request of the DfE, and the local authority continues to develop this and implement strategies to reduce the pressure on the High Needs Block.

Other Budgets

3.34 The outturn for other items contained within in the budget is shown in the following table:

	Variance (Under) / Over Budget £m
Capital Financing / Interest on Balances	(0.6)
Contingencies	(14.2)
Increase in Doubtful Debt Provision	3.3
Specific Grants	(0.4)
Total	**(11.9)**

3.35 The main reasons for these variances are set out in the paragraphs below.

Capital Financing and Interest on Balances (£0.6m Saving)

3.36 These savings reflect the ongoing trend of a very prudent approach to capital financing costs and interest on balances and the continuing use of 'internal borrowing' to fund capital expenditure rather than taking out long term loans at this point.

Contingencies (£14.2m Saving)

3.37 The level of contingencies held as part of the 2019/20 budget reflected the well documented pressures and risk around demand and costs. Through strong management, applied to manage demand and supress the additional costs, savings against these contingency amounts were realised.

3.38 Contingencies which were not required in the year related to waste management, inflation / risk provisions (in particular for energy and business rates) and a central provision for carbon allowances.

Doubtful Debt Provision (£3.3m Increase)

3.39 The County Council's policy is to make a provision against a proportion of debts that could prove to be irrecoverable. The provision is assessed on the basis of the age profile of outstanding debts and partly on the probability of specific larger debts being irrecoverable. There is no annual budgeted amount because the provision varies significantly from year to year. Part of the increase relates to the potential for greater bad debts as a result of the Covid-19 pandemic and organisations and individuals reduced ability to pay.

Specific Grants (£0.4m Saving)

3.40 This relates to the grant payment of £0.4m to Hampshire County Council which represents a surplus of Business Rates Levy income, that the Secretary of State has decided to return to local authorities. This reflects increased growth in business rates income which has generated a surplus in the business rate levy account.

Allocation of Net Saving

3.41 The net saving totals £11.9m and it is recommended that this amount is added to the Budget Bridging Reserve (BBR), in preparation for any future draw required beyond 2020 as set out in the MTFS which was approved by the County Council in November 2019.

3.42 In addition, in view of the impact of the Covid-19 crisis on the County Council's financial position it is even more important that we continue to make contributions to reserves as in the short term, in the absence of any further commitments from the Government, the County Council will need to look towards existing reserves to meet the unfunded costs.

4. General Balances and Earmarked Reserves

4.1 The County Council's reserves strategy, which is set out in the MTFS, is now well rehearsed and continues to be one of the key factors that underpin our financial resilience and ability to provide funding for the transformation of services and give the time for changes to be properly planned, developed and safely implemented.

4.2 We have made no secret of the fact that this deliberate strategy was expected to see reserves continue to increase during the period of tight financial control by the Government, although it was always recognised that the eventual planned use of the reserves would mean that a tipping point would come and we would expect to see reserves start to decline as they are put to the use in the way intended as part of the wider MTFS.

4.3 At the end of the 2019/20 financial year the total reserves held by the County Council together with the general fund balance stand at just over £643.1m a decrease of more than £26.3m on the previous year. The following table summarises by purpose the total level of reserves and balances that the County Council holds and compares this to the position reported at the end of 2018/19:

	Balance 31/03/2019 £'000	Balance 31/03/2020 £'000	% of Total %
General Fund Balance	21,398	22,298	3.5
HCC Earmarked Reserves			
Fully Committed to Existing Programmes	170,157	184,546	28.7
Departmental / Trading Reserves	128,113	92,217	14.3
Risk Reserves	38,817	45,913	7.1
Corporate Reserves	104,225	111,093	17.3
HCC Earmarked Reserves	441,312	433,769	67.4
Non HCC Earmarked Reserves	31,525	20,436	3.2
Total Revenue Reserves & Balances	**494,235**	**476,503**	**74.1**
Total Capital Reserves & Balances	**175,228**	**166,637**	**25.9**
Total Reserves and Balances	**669,463**	**643,140**	**100.0**

4.4 General Balances at the 31 March 2020 stand at £22.4m, following the planned contribution in 2019/20, which is broadly in line with the current policy of carrying a general balance that is approximately 2.5% of the County Council’s Budget Requirement (currently a sum of circa £20m).

4.5 In addition to the general balance, the County Council maintains earmarked reserves for specific purposes and to a large extent the majority of these are committed either to existing revenue or capital programmes or to mitigate risks that the County Council faces through self insurance or funding changes by government.

4.6 In overall terms the total value of earmarked revenue reserves has decreased largely due to the planned use of departmental Cost of Change reserves in line with the MTFS. This reflects the continued strategy of achieving savings early and then using those savings to fund the next phase of savings delivery and to allow delivery of the more complex savings to be achieved safely over a longer time period.

4.7 Other earmarked reserves have increased due to the timing of receipt of funds in advance of their planned use for an intended purpose, in particular in funding the Capital Programme.

4.8 Corporate Reserves relate to those reserves which whilst set aside for a specific purpose could be used to limit the impact of savings in services, which is exactly what for example the BBR does on a short term basis giving the County Council the time and capacity to properly and safely implement savings programmes.

4.9 The net impact of the changes in the revenue account during 2019/20 mean that the BBR will stand at just over £78.5m, which is in line with the financial strategy of supporting the revenue spend position as savings are developed and delivered on a two year cycle; or longer where appropriate. Provision is being made for a draw in 2020/21 in order to give the County Council the time and capacity to implement the Tt2021 Programme and to cash flow the safe delivery of change.

4.10 In addition, in view of the impact of the Covid-19 crisis on the County Council's financial position it is even more important that we continue to make contributions to reserves as in the short term, in the absence of any further commitments from the Government, the County Council will need to look towards existing reserves to meet the unfunded costs. This is considered in more detail in the update to the MTFS Update report presented elsewhere on the Agenda.

4.11 Non HCC reserves include schools' balances, over which the County Council has no direct control, and which have decreased and are expected to decrease further in the medium term, and reserves held for the Enterprise M3 Local Enterprise Partnership (EM3 LEP).

4.12 In addition, a further £166.6m is held within capital reserves and balances, although of this sum almost £25.8m relates to the EM3 LEP which is included in the annual accounts, as the County Council is the Accountable Body. These reserves hold capital grants that have been received in advance of the matched spending being incurred. They are not available for revenue purposes.

5. Treasury Management and Prudential Indicators

5.1 The County Council's treasury management policy requires an annual report to the Cabinet on the exercise of the treasury management function, details of which are set out in Appendix 2. Under the Treasury Management Code of Practice, the end of year report has to be submitted to the County Council.

5.2 The Prudential Code for Capital Finance in Local Authorities requires that the County Council reports its actual performance against the Prudential Indicators that were set in its Treasury Management Strategy. Appendix 2 summarises the relevant indicators for the 2019/20 outturn which are in accordance with the figures approved by the County Council.

6. Capital Spending and Financing 2019/20

6.1 From the 2019/20 Capital Programme, schemes to the value of £217.4m were committed during the year, leaving £157.2m to be carried forward to 2020/21. The approval of Cabinet is required for proposals to carry forward schemes to the value of £127.9m, which are largely committed against named projects. This sum excludes £27.4m of Children's Services and £1.9m of Policy and Resources schemes for which approval to carry forward to 2020/21 has previously been given during 2019/20.

6.2 During 2019/20 capital expenditure of £190.0m was incurred, which can all be financed within available resources. This includes prudential borrowing of just over £42.8m. There will also be a further repayment of prudential borrowing from capital receipts and other funding sources of approaching £10.5m. Further details of the outturn position for capital are provided in Appendix 3.

7. Assurance Statement

7.1 The code of Practice on Local Authority Accounting in the UK requires the County Council to publish, together with its Statement of Accounts, an annual governance statement signed by the Leader and Chief Executive. As part of this process, the Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control operating in the County Council as a whole. The Chief Internal Auditor's Annual Report and Opinion is approved by the Audit Committee.

7.2 The Chief Internal Auditor has concluded that:

"In my opinion, Hampshire County Council's framework of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

8. Pension Fund

8.1 The separate accounts for the Hampshire Pension Fund will also be incorporated in the County Council's Statement of Accounts. The accounts for 2019/20 record that the value of the fund's assets reduced from £7.2bn to £6.9bn during the year. The Chief Internal Auditor has provided a separate assurance opinion for the Pension Fund and has concluded that:

"In my opinion, based on internal audit work completed 'Substantial Assurance' can be placed on Hampshire County Council (Pension Services) framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

8.2 For the Local Government Pension Scheme (LGPS) administered by Hampshire County Council, the latest actuarial valuation, as at 31 March 2019, showed it to be 98.9% funded – a significant increase from the position three years prior of 81%. The impact of the Covid-19 pandemic on investment markets has affected the value of the Fund to 31 March 2020. The Fund's investment return for 2019/20 was -2.8% per annum, less than the actuary's target return for the Fund of +4.3% per annum. However the Fund still has the remaining three years of the actuarial period to achieve the target return, and beyond this has agreed a 16 year recovery period in its Funding Strategy Statement should this be necessary to make good an increase in the funding deficit at the next actuarial valuation.

9. Statutory Statement of Accounts

9.1 Usually, the Accounts and Audit Regulations 2015 require local authorities to publish their draft accounts by 31 May, with the audited accounts required to be published by 31 July.

9.2 Due to the disruption caused by Coronavirus, the Government issued legislation (The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020) which gives local authorities more time to prepare their accounts for 2019/20. This year, the draft accounts have to be published by 31 August, with the audited accounts due by 30 November, although authorities are encouraged to publish accounts earlier if possible. The change in publication dates is expected to be temporary, with the deadlines likely to revert to the usual dates for the 2020/21 accounts.

9.3 Given the efficient accounting processes established in previous years and the swift implementation of home working for finance staff during March, Hampshire County Council's draft accounts were published in early June, well before this year's new deadline In consultation with the external auditor, a target date of 31 July 2020 has been set for completing the audit and publishing the final audited accounts. This will ensure this important aspect of corporate governance is concluded within the normal timescale and ensure that maximum focus is on the current and future requirements of the County Council.

9.4 It was not until near the end of 2019/20 that coronavirus began to cause severe disruption, so most of the financial impact will be shown in a year's time in the accounts for 2020/21, rather than those for 2019/20.

CORPORATE OR LEGAL INFORMATION:

Links to the Strategic Plan

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

Section 100 D - Local Government Act 1972 - background documents

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

Document	Date
Revenue Budget and Precept 2020/21 and Capital Programme 2020/21 – 2022/23 https://democracy.hants.gov.uk/ieIssueDetails.aspx?IId=25254&PlanId=0&Opt=3#AI24895	Cabinet – 3 February 2020 County Council – 13 February 2020
Medium Term Financial Strategy Update and Transformation to 2021 Savings Proposals http://democracy.hants.gov.uk/ieIssueDetails.aspx?IId=22267&PlanId=0&Opt=3#AI22852	Cabinet - 15 October 2019 and County Council – 7 November 2019

IMPACT ASSESSMENTS:

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 under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely impacted by the proposals in this report.

Adults' Health and Care Department – Revenue Expenditure 2019/20

Major variations in cash limited expenditure – No variance against the adjusted cash limit.

Main variations

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Director	(44)	(2.58)	The savings mainly relate to staffing budgets due to delayed recruitment to vacancies within the management team.
Strategic Commissioning & Business Support	(1,726)	(10.0)	The savings are mainly due to reduced spend on non-care contracts and staff budgets due to the difficulties in recruiting to vacant posts. A significant proportion of the favourable variance has arisen from elements of the non-recurrent work programme slipping into 2020/21 rather than being a genuine saving.
Transformation	149	2.3	The pressure is mainly due to the additional cost of IT kit above what had been budgeted for.
Older People and Physical Disabilities	12,817	8.6	There were significant pressures on residential, nursing and homecare budgets due to higher client numbers and above budgeted average weekly costs. This is an underlying pressure for which a cost recovery plan has been implemented to resolve the position in future years. In this year the pressure has been offset through the use of the cost of change and reduced usage of the REACT contract.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Younger Adults	1,731	1.3	There were pressures on home care and supported living budgets due to the increasing use and cost of supported living arrangements above what was budgeted for. The pressures have been partially offset by savings in residential care due to lower than anticipated inflationary price increases being lower.
HCC Care	719	1.7	The main area of pressure is within the Older Persons in-house homes due to the use of agency staff to cover the vacant posts whilst permanent recruitment is undertaken. This pressure has been partially offset by increased income when compared to the budget. This pressure is a significant reduction from the position in previous years.
Safeguarding, Quality & Governance	(592)	(15.2)	The savings mainly relate to staff budgets due to the difficulty in recruiting to vacant posts and also additional income in relation to deputyship fees.
Contingencies	(13,054)	(78.9)	The savings relate to one off funding that was available to offset the bottom line position including the winter pressures grant and the Department's Cost of Change Reserve.
Public Health	0	0.0	-
Total	**0**	**0.0**	

Children's Services Department – Revenue Expenditure 2019/20

Major variations in cash limited expenditure – No variance against the adjusted cash limit.

Main variations

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Early Years free entitlements	(2,665)	(3.4)	There has been reduction in spend on the free entitlements for two year olds and three and four year olds (universal and extended entitlement for eligible working parents) due to fewer children accessing the entitlements across the year and as a result of £1.9m lagged funding relating to 2018/19 being accounted for in 2019/20.
Growth Fund	(1,793)	(31.9)	The position includes savings for infant class size funding, new / re-organising schools and growing schools, due to fewer schools being eligible for funding than budgeted.
High Needs top up funding	10,336	21.8	The pressure experienced in Hampshire is reflected in many other authorities and relates predominantly to demand led budgets funding pupils with high levels of additional need, where there are increasing numbers of pupils with Education, Health and Care plans (EHCPs); and the result of extending this support for young people up to the age of 25. The includes mainstream schools, special schools, post-16 provisions and education centres. There is also a continuation of the pressure on the service for discretionary and direct payments.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Independent and Non-maintained Special Schools	5,389	27.0	The pressure is due to a 15% increase in the number of pupils placed in out of county provision (from 410 pupils in March 2019, to 472 pupils in March 2020), as well as an increase in the average cost.
Central Schools Services	(1,015)	(9.0)	There is a saving of £510,000 on the premature retirement and redundancy budget funded by maintained schools, which is due to a reduction in activity this year and some staff finding suitable alternative posts through voluntary means. There are further smaller savings on historic commitments, statutory and regulatory services and fees to independent schools for pupils without Special Educational Needs (SEN).
Various other (net)	(1,244)	(0.2)	Various smaller budget savings across the department.
Carry Forward of Dedicated Schools Grant (DSC) Deficit	(9,008)	(1.1)	The total 2019/20 pressure of more than £9.0m has been offset by a charge to the DSG reserve, as allowed by the Department for Education (DfE). This year, the charge will increase the deficit on the DSG reserve to a total of approaching £22.8m which will be funded from future years DSG funding. A DSG Deficit Recovery Plan was produced last year, at the request of the DfE, and the local authority continues to develop this and implement strategies to reduce the pressure on the High Needs Block.
Sub-Total Schools Budget	**0**	**0.0**	

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Children Looked After (including CLA placements, SGOs, adoption and leaving care)	(1,846)	(1.9)	The underlying saving has mainly arisen on Non-County Placements (NCPs) and Independent Fostering Placements (IFPs) with reduced activity and average costs less than budgeted offset by a higher than forecast number of placements within in house fostering. In addition, there is a one-off saving due to backdated health income which relates to previous financial years. This has been closely monitored throughout the year, and as a result additional corporate funding of £18.1m has been given to offset what would otherwise have been a significant pressure. There are significant savings attached to this area as part of the Transformation to 2019 (Tt2019) Programme.
Legal costs	710	77.7	Pressure on external legal fees relating to costs such as counsels (barristers) and expert witnesses have increased with the number of care proceedings going to court.
Swanwick Lodge	723	148.8	Lower income at Swanwick Lodge Secure Unit resulting from a refurbishment programme and issues recruiting to vacant residential care worker posts which restricts the number of beds that can be opened. A recovery plan is in place to increase the income generated along with a recruitment strategy to ensure the unit can be appropriately staffed. Use of agency staff has also added to this pressure.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Safeguarding & Young People's Services	4,657	17.5	The pressure mainly results from the use of social work agency staff. Whilst recruitment through the Graduate Employment Trainee Scheme (GETS) continues, reliance on agency staff to cover for the short supply of qualified social workers and to balance the experience within frontline teams is required. Corporate support has been agreed to increase the numbers of social workers, leading to a reduced caseload for teams and thereby increasing retention of social workers and reducing the need for agency staff. This investment commenced in 2017/18.
Skills & Participation	655	60.7	Activity in the Skills, Training and Engagement Programme (STEP) funded by the European Social Fund (ESF) has been significantly below the first year's profiles in the new contracts that started in April 2019, which has caused a pressure due to the payment-by-results funding mechanism. Costs associated with the supported internship programmes were higher than budgeted and further means of maximising funding for these learners, including Access to Work funds from the DWP, is being explored.
Inclusion Services (Special Educational Needs, Educational Psychology and Services for young children inclusion)	835	15.4	This pressure is mainly due to the cost of agency Educational Psychologists (EP) and a significant decrease in income as EP resources were diverted on a risk assessed basis, away from income generating work towards statutory work; supporting clearing the backlog in SEN assessments. The SEN pressure is mainly from mediation costs and external EHCP writing service

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Family Support Services	(465)	(4.5)	The saving mainly relates to respite and support for disabled children. There has been reduced spend on equipment and adaptions this year and a change in funding whereby adaptations over £5,000 are being funded via the capital budget. In addition, there has been a saving short breaks due to underutilisation of care support in the community and the short breaks exceptions fund, compared to the budget. This is part of the current short breaks consultation for achieving Transformation to 2021 (Tt2021) savings.
Net Early Achievement of T2021 Savings	(4,188)	(100.0)	Planned early achievement of savings used to offset the department's other pressures and contribute towards of change items. The early achievement is in relation to the Tt2021 Programme and £8.1m of additional funding for social care from central government allocated to Children's Services.
Various other (net)	(1,081)	(1.9)	Various smaller budget savings across the Department.
Sub-Total Non-Schools Budget	**0**	**0.0**	
Total	**0**	**0.0**	

Economy, Transport & Environment Department – Revenue Expenditure 2019/20

Major variations in cash limited expenditure – Under Budget by £1.8m (1.6%) against the adjusted cash limit.

Main variations

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Economic Development and Research & Intelligence	(114)	(10.8)	The end of year position reflects savings as a result of delays in planned expenditure, which will now take place in 2020/21.
Waste, Planning & Environment	(260)	(0.5)	The outturn includes £201,000 savings against the Waste budget, achieved from waste prevention measures. The balance predominantly relates to additional income generation from the Specialist Environmental Services teams.
Early Delivery of Tt2021 savings and General Departmental	(289)	(8.0)	In view of the current financial situation for Local Government (excluding the impact of Covid-19), the Department continues to take every opportunity to make savings in 'business as usual' work where possible. The identification of opportunities for the early delivery of Tt2021 activity has resulted in savings of £0.1m being achieved in 2019/20. In addition, further targeted staff and non-pay savings of £191,000 were achieved.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Highways, Traffic & Transport	(1,162)	(2.0)	In Highways the mild winter weather resulted in savings against the winter maintenance budget, although the storm events towards the end of the financial year created significant additional costs, reducing the overall saving to £0.6m. The saving will be reinvested in highways maintenance in 2020/21 in accordance with established principles, providing additional one-off resources to supplement existing planned maintenance programmes. Higher than forecast staff recharges to capital schemes reflecting the significant scale of the current capital programme for the Department, staff vacancies, and increased income offset by one-off investment to be made to improve the Highways Lab and work to refresh the Integrated Transport for North Hampshire Transport Model study (net saving £1.2m). The budget for other revenue maintenance work continues to be under pressure, exacerbated by the recent storm events which led to additional drainage costs and costs on the maintenance of safety defects resulting from flooding. The outturn reflects a pressure of £1.2m. In Transport a combination of fewer Concessionary Fares journeys, and increased staff recharges to revenue and capital schemes has resulted in a net saving of £0.6m against these budgets.
Total	**(1,825)**	**(1.6)**	

<u>Appendix 1</u>

Policy and Resources Department – Revenue Expenditure 2019/20

Revenue Expenditure 2019/20

Major variations in cash limited expenditure – Under budget by £5.403 (4.7%) against the adjusted cash limit.

Main variations

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Corporate Services	(3,818)	(6.4)	Corporate Services continues to implement a strategy of strong budgetary control, managing expenditure and gaining economies of scale through expanded joint working and generating income, for example for legal, internal audit, and other services. In particular the addition of three London Boroughs to the Corporate Shared Services Partnership, commencing in December 2019 as part of the planned Tt2021 contribution, added significantly to the one-off addition to the early achievement of Tt2021 savings to contribute to the cost of change reserve to be used for future investment in further transformation work.
Non Departmental Policy and Resources	(821)	(4.0)	The saving largely reflects lower costs or additional income in a number of budget areas. This includes lower disposal costs as these are subject to variation from year to year as the inventory of sites being disposed of changes, one-off adjustments, lower grants to local organisations and grants to voluntary organisations as agreed projects will be progressed in subsequent years and the saving will be carried forward to match the expenditure as it is incurred.

Service Area	Variance (Under) / Over Budget £'000	%	Reason for Variation
Culture, Community and Business Services	(764)	(2.2)	Savings in Community and Regulatory Services (including the Library Service, Registration and Trading Standards) £0.5m, resulting from vacancy management and income, together with net savings of £0.8m across Culture and Heritage, Property and Facilities and Transformation and Business services, resulted in 'business as usual' savings of more than £1.3m across the Department. In view of the current financial situation for Local Government (excluding the impact of Covid-19), the Department is taking every opportunity to make savings in business as usual work where possible. The position also includes £0.6m one-off savings within the grants budget relating to historic unallocated balances. In addition, the Department secured £0.6m of early Tt2021 savings which, together with the 'business as usual' savings enabled one-off investment of £1.7m during the year, leaving a net saving of circa £0.8m. Given the nature of the services provided Covid-19, and the subsequent national lockdown, has had a significant financial impact. The reduction in the expected saving against the budget has been calculated at more than £0.3m due to increased costs, such as the investment in eBooks for the Library Service, and reduced income at the Country Parks and Great Hall in March. The impact will be greater still in the 2020/21 financial year.
Total	**(5,403)**	**(4.7)**	

Treasury Management Outturn Report 2019/20

1. Summary

1.1. The County Council adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2017. These recommendations include approving a Treasury Management Strategy (TMS) before the start of the year and a semi-annual and annual treasury outturn report.

1.2. This report fulfils the County Council's legal obligation to have regard to the CIPFA Code and provides an update on the performance of the treasury management function during 2019/20.

1.3. The County Council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2020. The County Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the County Council's treasury management strategy.

1.4. Treasury management in the context of this report is defined as:

"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.5. This annual report sets out the performance of the treasury management function during 2019/20, to include the effects of the decisions taken and the transactions executed in the past year.

1.6. Overall responsibility for treasury management remains with the County Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the County Council's treasury management objectives.

1.7. All treasury activity has complied with the County Council's TMS and Investment Strategy for 2019/20, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the County Council's treasury advisers, Arlingclose. The County Council has also complied with all of the prudential indicators set in its TMS.

1.8. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The County Council's Capital and Investment Strategy, complying with CIPFA's requirement, was approved by full Council on 13 February 2020.

2. External Context

2.1. The following sections outline the key economic themes currently in the UK against which investment and borrowing decisions were made in 2019/20.

Economic commentary

2.2. The UK's exit from the European Union was one of the main drivers of sentiment on the UK economy for the majority of 2019/20, before focus then shifted to the nation's response to the global Coronavirus pandemic in the latter part of the year.

2.3. Prior to the pandemic, labour market data remained positive as the employment rate reached a record high of 76.6% in the three months to March 2020, unemployment was 3.9%, and annual pay growth was positive in real terms.

2.4. As the early effects of the pandemic and the government measures to reduce transmission began to be felt, the headline rate of UK Consumer Price Inflation fell to 1.5% year on year in March 2020 (and further still to 0.8% in April 2020), below the Bank of England's target of 2%. Gross Domestic Product (GDP) growth in Quarter 1 of 2020 is also estimated to have reduced by 2.0% alongside falls in financial markets not seen since the Global Financial Crisis, triggered by a flight to quality into sovereign debt and other perceived 'safe' assets.

2.5. In response to the spread of the virus, the UK government enforced lockdowns, central banks and governments around the world cut interest rates, and massive stimulus packages were introduced in an attempt to reduce the negative economic impact on domestic and global growth.

2.6. The Bank of England, which had previously held policy rates at 0.75% through 2019/20, moved in March 2020 to cut rates to 0.25% and then swiftly brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced measures to help businesses and households impacted by a series of social restrictions.

Financial Markets

2.7. Financial markets sold off sharply towards the end of the financial year as the impact of the pandemic worsened. After starting positively in 2020, the FTSE 100 fell over 30%, with stock markets in other countries seeing similar drops. In March, sterling touched its lowest level against the dollar since 1985.

2.8. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark fell from 0.75% in April 2019 to 0.26% on 31 March 2020 and there were similar falls in 10-year and 20-year gilts over the same period, dropping from 1.00% to 0.40% and 1.47% to 0.76% respectively.

Credit Review

2.9. Prior to the Coronavirus crisis, both the Fitch and Standard & Poor's rating agencies affirmed the UK's AA sovereign rating and revised the outlook from negative to stable

2.10. However, Fitch then downgraded the UK sovereign rating to AA- in March 2020 and revised the outlook on the majority of banks on the Arlingclose counterparty list to negative and in some cases also amended the long-term rating (upwards in the case of Canadian and German banks and downwards for Australian banks).

2.11. While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the recommended maximum duration for unsecured investments with all these banks was cut to 35 days in mid-March 2020.

2.12. In December 2019, the Bank of England announced its latest stress test results for the main seven UK banking groups. All seven passed on both a Common Equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would still remain twice the level it was before the 2008 financial crisis, suggesting the banks are in a much stronger position than in 2008.

2.13. After remaining flat in January and February, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March but remained above their initial 2020 levels.

3. Local Context

3.1. At 31 March 2020, the County Council's underlying need to borrow for capital purposes was £783.5m as measured by the Capital Financing Requirement (CFR), while usable reserves and working capital (which are the underlying resources available for investment) amounted to £870.4m. These factors are summarised in Table 1 below:

Table 1: Balance Sheet Summary

	Balance 31/03/2019 £m	Movement £m	Balance 31/03/2020 £m
CFR	780.91	2.57	783.48
Less: Other debt liabilities*	(156.99)	7.56	(149.43)
Borrowing CFR	**623.92**	**10.13**	**634.05**
External Borrowing	(314.02)	6.78	(307.24)
Internal Borrowing	**309.90**	**16.91**	**326.81**
Less: Usable Reserves	(669.46)	26.32	(643.14)
Less: Working Capital	(209.48)	(17.80)	(227.28)
Net Investments	**(569.04)**	**(25.43)**	**(543.61)**

* PFI liabilities that form part of the County Council's debt.

3.2. The CFR increased by £2.6m during 2019/20, as a result of the County Council's Capital Programme, and other debt liabilities reduced by £7.6m in accordance with the PFI repayment models. External borrowing reduced by £6.8m during 2019/20 as a result of repayment of £9.1m Public Works Loan Board (PWLB) borrowing and other fixed term borrowing of £0.1m, partly offset by a change in the short-term balances held on behalf of other organisations, which vary from year to year.

3.3. At the end of the 2019/20 financial year the total reserves held by the County Council together with the general fund balance stand at just over £643.1m a decrease of more than £26.3m on the previous year. The decrease in reserves is largely due to the planned use of departmental Cost of Change reserves, reflecting the continued strategy of achieving savings early and then using those savings to fund the next phase of savings delivery and to allow delivery of the more complex savings to be achieved safely over a longer time period..

3.4. The County Council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31 March 2020 and change during the year is shown in Table 2 below:

Table 2: Treasury Management Summary

	31/03/19 Balance £m	**Movement £m**	**31/03/20 Balance £m**	**31/03/20 Rate %**
Long-term borrowing	(271.3)	10.1	(262.1)	4.7
Short-term borrowing	(9.1)	(0.9)	(10.0)	4.1
Total Borrowing	**(280.4)**	**9.2**	**(271.2)**	**4.6**
Long-term investments	342.3	(68.0)	274.3	3.7
Short-term investments	184.0	(56.5)	105.5	1.0
Cash and cash equivalents	56.2	145.5	201.7	0.4
Total Investments	**582.5**	**(1.0)**	**581.5**	**2.1**
Net Investments	**302.1**	**8.2**	**310.3**	

Note: The figures in the table above are from the balance sheet in the County Council's Statement of Accounts, adjusted to exclude operational cash, accrued interest, short term balances held on behalf of others and other accounting adjustments.

3.5. The increase in net investments of £8.2m shown in Table 2 above reflects the combination of repayment of PWLB borrowing of £9.2m and a small reduction in investment balances of £1.0m. The repayment of borrowing is in line with the County Council's policy on internal borrowing.

4. Borrowing Update

4.1. On 9 October 2019, the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but the margin of 180 basis points (bp) above gilt yields appears expensive relative to other options. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders

4.2. The Chancellor's March 2020 Budget Statement included significant changes to PWLB policy and launched a wide-ranging consultation on the PWLB's future direction. This was in part as a response to what HM Treasury describes as a minority of councils using cheap PWLB finance to buy significant amounts of commercial property for rental income, reducing the availability of PWLB finance for core local authority activities.

4.3. Announcements included a reduction in the margin on new Housing Revenue Account (HRA) loans to 0.80% above equivalent gilt yields (which would not directly affect the Council as it is not a Housing Authority), and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

4.4. The consultation closes on 31 July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22, and the County Council intends to respond to the consultation.

5. Borrowing Activity

5.1. At 31 March 2020 the County Council held £271.2m of loans, a decrease of £9.2m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end treasury management borrowing position and year on year change is shown in Table 3 below; which excludes borrowing taken out on behalf of others:

Table 3: Borrowing Position

	31/03/18 Balance £m	Movement £m	31/03/19 Balance £m	31/03/19 Rate %	31/03/19 WAM* Years
Public Works Loan Board	(235.6)	9.1	(226.5)	4.7	11.2
Banks (LOBO)	(20.0)		(20.0)	4.8	13.3
Banks (fixed term)	(24.8)	0.1	(24.7)	3.7	17.1
Total Borrowing	**(280.4)**	**9.2**	**(271.2)**	**4.6**	**11.2**

* Weighted Average Maturity
Note: the figures in the table above are from the balance sheet in the County Council's Statement of Accounts but adjusted to exclude short term balances held on behalf of others, and accrued interest.

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

5.3. Short-term interest rates have remained much lower than long-term rates and the County Council has therefore considered it to be more cost effective in the near term to use internal resources than to use additional borrowing.

5.4. With the assistance of Arlingclose, the benefits of this internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years, when long-term borrowing costs may be higher.

5.5. As a result, no new borrowing was undertaken and £9.1m of existing PWLB loans were allowed to mature without replacement. This strategy enabled the County Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

5.6. The County Council continues to hold £20m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. None of the LOBO loan options were exercised by the lender in the year.

6. Treasury Investment Activity

6.1. The County Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. During 2019/20 the Council's investment balances have ranged between £547m and £677m due to timing differences between income and expenditure. The year-end investment position and the year on year change are shown in Table 4 overleaf:

Table 4: Investment Position (Treasury Investments)

Investments	**31/03/19 Balance £m**	**Movement £m**	**31/03/20 Balance £m**	**31/03/20 Rate %**	**31/03/20 WAM* Years**
Short term Investments					
- Banks and Building Societies:					
- Unsecured	30.4	(4.1)	26.3	0.68	0.00
- Secured	15.0		15.0	0.81	0.25
- Money Market Funds	55.3	120.0	175.3	0.38	0.00
- Local Authorities	124.5	(44.0)	80.5	1.01	0.27
- Registered Provider	5.0	(5.0)			
- Cash Plus Funds	10.0		10.0	1.37	0.01
	240.2	**(32.7)**	**307.1**	**0.63**	**0.08**
Long term Investments					
- Banks and Building Societies:					
- Secured	73.3	(40.1)	33.2	0.99	2.36
- Local Authorities	78.0	(38.0)	40.0	1.47	1.91
	151.3	**(78.1)**	**73.2**	**1.25**	**2.11**
Long term Investments – high yielding strategy					
- Local Authorities					
- Fixed deposits	20.0	0.2	20.2	3.97	13.93
- Fixed bonds	10.0		10.0	3.78	13.77
- Pooled Funds					
- Pooled property**	67.0	10.0	77.0	4.08	N/A
- Pooled equity**	52.0		52.0	5.89	N/A
- Pooled multi-asset**	42.0		42.0	4.52	N/A
	191.0	**10.2**	**201.2**	**4.61**	**13.88**
Total Investments	**582.5**	**(1.0)**	**581.5**	**2.08**	**1.46**

* Weighted Average Maturity

** The rates provided for pooled fund investments are reflective of the average of the most recent dividend return as at 31 March 2020.

Note: the figures in the table above are from the balance sheet in the County Council's Statement of Accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

6.2. Both the CIPFA Code and the government guidance require the County Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The County Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults alongside managing the risk of receiving unsuitably low investment income.

6.3. Security of capital has remained the County Council's main investment objective. This has been maintained by following the County Council's counterparty policy as set out in the Treasury Management Strategy Statement.

6.4. Counterparty credit quality has been assessed and monitored with reference to credit ratings, for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

6.5. The County Council also makes use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.

6.6. The UK Bank Rate was cut from 0.75% to 0.25% and then 0.10% in March 2020 due to the effects of the Coronavirus pandemic on the economy. Rates had been historically low even prior to these cuts, impacting the Council's ability to generate income on cash investments.

6.7. Against this backdrop the County Council has sought to optimise returns commensurate with the objectives of security and liquidity, achieving a rate of return of 0.97% on internally managed funds at 31 March 2020 whilst also maintaining sufficient liquidity through the use of call accounts and money market funds.

6.8. The progression of credit risk and return metrics for the County Council's investments managed in-house (excluding external pooled funds) are shown in the extracts from Arlingclose's investment benchmarking in Table 5 below which compares the data for the quarter ended 31 March 2020 with the same period from the previous year:

Table 5: Investment Benchmarking (excluding pooled funds)

	Credit Rating	Bail-in Exposure	WAM** (days)	Rate of Return
31/03/2019	AA	21%	758	1.35%
31/03/2020	AA	50%	551	0.97%
Similar Local Authorities	AA-	41%	644	0.92%
All Local Authorities	AA-	56%	20	0.64%

6.9. Table 5 shows the average credit rating of the portfolio remained at a high level of AA at 31 March 2020. This was alongside increased liquidity in part to fund the prepayment of three year's Pension Fund contributions on 1 April 2020. This increased liquidity meant higher bail-in exposure as a greater proportion of the Council's funds were invested in money market funds, which invest in instruments that are liable to bank bail-in, but which are highly diversified therefore reducing this risk.

6.10. Interest rates on shorter duration investments are often lower and, coupled with the impact of the two Bank Rate cuts in March, meant average investment returns at 31 March 2020 were lower than at the same time the previous year. These returns were however greater than other Local Authorities covered by Arlingclose's benchmarking and the County Council's internal investment portfolio also compared favourably to the benchmark in terms of the average credit rating. Bail-in exposure was higher than for other similar Local Authorities and the weighted average maturity period was shorter, both of which were as a result of holding cash to make the large advance pension contributions payment on 1 April 2020.

6.11. As the County Council has relatively stable cash balances, the allocation to investments targeting higher yielding investments was increased to £235m as part of the Treasury Management Strategy Statement for 2019/20, with the aim of increasing the level of income contributed to the revenue budget without impacting liquidity.

6.12. £201m of this amount has now been invested, and the high yielding strategy overall generated an average income return of 4.61%, contributing to an average return for the investment portfolio in aggregate of 2.08% at 31 March 2020. By comparison, the average income return at 31 March 2020 for all other investments was 0.75%. This would equate to £9.3m of income from the high yielding strategy and £2.9m from all other investments based on the snapshot of investments at 31 March 2020.

6.13. As part of the high yielding strategy, the County Council has £171m of core balances invested in externally managed pooled property, equity and multi-asset funds, which allow diversification into asset classes other than cash without the need to own and manage the underlying investments. The County Council also invests a further £10m into an externally managed cash plus pooled fund, which forms part of its short-term cash portfolio

6.14. Pooled fund investments in property, equities and bonds are likely to be more volatile than cash in the short-term but generate regular revenue income whilst also providing diversification and the potential for enhanced returns over the longer term.

6.15. The impact of the Coronavirus pandemic on financial markets at the end of the financial year meant that the Council's investments in these pooled funds suffered a £22.4m fall in capital value (12.84%) over the year to 31 March 2020, meaning these investments are now worth £18.8m less than the Council originally invested. This will only result in the Council losing money if the assets are sold before they have regained their value and the Council has always planned to hold these investments for at least the medium term, accepting that capital values would move both up and down in the short term. Under International Financial Reporting Standard (IFRS) 9 the Council must in the meantime defer these fair value losses to the Pooled Fund Adjustment Account, which is available until at least 2023/24.

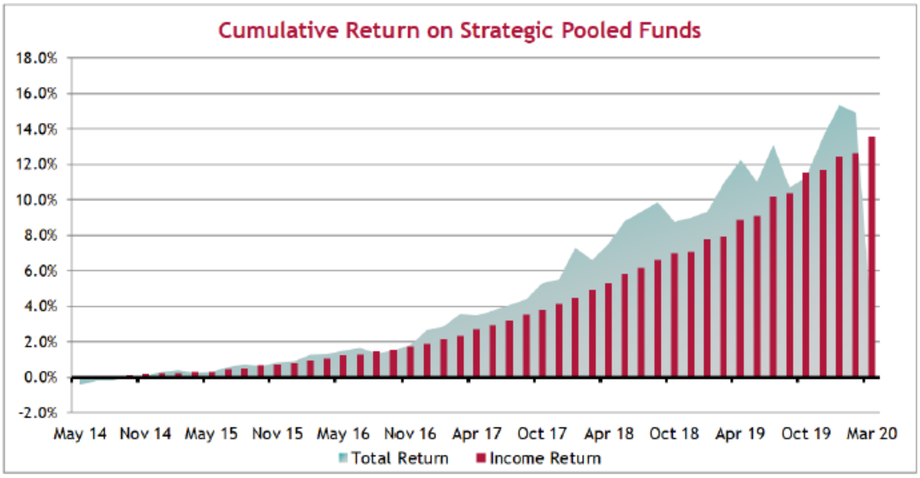
6.16. The fall in the capital value of the County Council's pooled funds during 2019/20 reflects the wider market reaction to the Coronavirus pandemic, with large falls in equity prices and corporate bond markets, and property markets also affected. Market volatility, as measured by the VIX index, was historically high as investors reacted to the unprecedented situation and attempted to forecast the likely impact on economies, businesses, and individuals. The unrealised capital losses (the 'drawdown' referred to by fund managers) in equity income funds owned by the County Council were especially large at -19.6% and -33.2% respectively.

6.17. Although capital values fell, the pooled funds delivered strong positive income returns during 2019/20, contributing £8.1m income (a return of 4.65%pa) to the revenue budget to support the provision of services by the County Council, significantly more than could have been achieved through cash investments, and in line with the Council's agreed objective of targeting income of 4% per annum from the high yielding strategy.

6.18. The total return in 2019/20, allowing for the fall in capital value but offset in part by the income generated, was a loss of £14.3m (8.19% pa).

6.19. The cumulative total return from the County Council's investments in pooled equity, property and multi-asset funds since purchase is shown in the graph below. This highlights that the County Council has benefited from the strong and steady income returns over time.

6.20. The volatility experienced due to the pandemic has been significant, but this period has not completely eroded the total cumulative positive returns made over the time that these investment have been held by the County Council, and although the pooled funds are reporting a negative capital return of 12.84% for the year to 31 March 2020, the cumulative total return from these investments since purchase is positive at 2.7% (made up of a 10.94% capital loss and a 13.65% income return).



6.21. Strategic pooled fund investments are made as long-term investments using core balances that are not required for current day-to-day liquidity. Investments are made based on advice from Arlingclose and in the knowledge that capital values will move both up and down in the short term but with confidence that over longer periods total returns will exceed cash interest returns.

6.22. These investments have no defined maturity date but are available for withdrawal after a notice period and their performance and continued suitability in meeting the County Council's investment objectives is monitored regularly and discussed with Arlingclose.

6.23. Given the exceptional impact of the Coronavirus crisis on financial markets, the investments in pooled funds have been reviewed with Arlingclose. Despite the current fall in capital values, Arlingclose's advice remains that these investments continue to be appropriate for the Council and will have a positive impact on the County Council's investment income

Financial Implications

6.24. The outturn for debt interest paid in 2019/20 was £13.4m against a budgeted £13.7m on an average debt portfolio of £275.8.

6.25. The outturn for investment income received in 2018/19 was £13.4m on an average investment portfolio of £617m, giving a yield of 2.17%. By comparison, investment income received in 2018/19 was £12.9m on an average portfolio of £618m with a yield of 2.09%.

7. Non-Treasury Investments

7.1. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Ministry for Housing, Communities and Local Government's (MCHLG) Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

7.2. This could include loans made to Hampshire based businesses or the direct purchase of land or property and such loans and investments will be subject to the County Council's normal approval process for revenue and capital expenditure and need not comply with the TMS.

7.3. The County Council's existing non-treasury investments are listed in Table 6 below:

Table 6: Non-Treasury Investments

	31/03/20 Asset Value £m	31/03/20 Rate %
Loans to Hampshire based business	9.5	4.00
Joint Venture Recruitment Agency	0.2	5.00
Total	**9.7**	**4.02**

8. Compliance Report

8.1. The County Council confirms compliance of all treasury management activities undertaken during 2019/20 with the CIPFA Code of Practice and the County Council's approved TMS.

8.2. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 7 overleaf:

Table 7: Debt Limits

	2019/20 Maximum £m	31/03/20 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied
Borrowing	280	271	700	740	✓
Other long term liabilities	157	149	150	190	✓
Total Debt	**437**	**421**	**850**	**930**	✓

9. Treasury Management Indicators

9.1. The County Council measures and manages its exposures to treasury management risks using the following indicators.

Interest Rate Exposures

9.2. The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates:

Table 8 – Interest Rate Exposures

Sums subject to variable interest rates	31/03/20 Actual £m	Impact of + / - 1% Interest Rate Change
Investment	338	+ / -£3.4m
Borrowing	23	+ / -£0.2m

9.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing

9.4. This indicator is set to control the County Council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement:

Table 9 – Maturity Structure of Borrowing

	31/03/20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	5%	50%	0%	✓
12 months and within 24 months	3%	50%	0%	✓
24 months and within 5 years	10%	50%	0%	✓
5 years and within 10 years	19%	75%	0%	✓
10 years and within 20 years	53%	75%	0%	✓
20 years and within 30 years	10%	75%	0%	✓
30 years and above	0%	100%	0%	✓

9.5. The County Council holds £20m of LOBO loans where the lender has the option to propose an increase in the interest rate as set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. If not repaid before maturity, these loans have an average maturity date of 14 years (minimum 7 years; maximum 25 years)

Principal Sums Invested for Periods Longer than a Year

9.6. The purpose of this indicator is to control the County Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end were:

Table 10 – Principal Sums Invested for Periods Longer than 364 days

	2019/20 £m	2020/21 £m	2021/22 £m
Actual principal invested beyond year end	374	246	211
Limit on principal invested beyond year end	410	330	330
Complied	✓	✓	✓

9.7. The table includes investments in strategic pooled funds of £171m as although these can usually be redeemed at short notice, the County Council intends to hold these investments for at least the medium-term

Other

9.8. CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.

Capital Spending and Financing 2019/20

1 Introduction

1.1 This Appendix reports that:

- Capital schemes costing £217.4m were started during 2019/20 from the approved capital programme for the year of £374.6m.
- This left £127.8m for named projects not started by 31 March 2020 which will be carried forward to 2020/21, subject to Cabinet's approval.
- Capital payments of £190.0m were incurred in 2019/20 and this can be financed within available resources.
- It is proposed that, under the Prudential Code for Capital Finance, new prudential borrowing of £29.4 is used in 2019/20 to fund previously approved schemes.
- Repayments of prudential borrowing from capital receipts and other sources total £10.5m in 2019/20.
- £25.0m of resources will be drawn down from the capital reserve in 2019/20 for use in funding payments incurred in 2019/20.
- Capital receipts of £10.9m were achieved from the sale of assets in 2019/20.

2 Capital Programme for 2019/20

2.1 Table 1 below shows that 58.1% of the Capital Programme for 2019/20 was started in the year.

Table 1 - Capital Schemes Committed in 2019/20

	£'000	%
Approved value of the Capital Programme for 2019/20	374,613	100.0
Schemes committed in 2019/20	217,455	58.1
Balance of Cash Limit at 31 March 2020	**157,158**	**41.9**
Schemes for which approval to carry forward to 2020/21 is now requested	127,855	34.1
Schemes previously approved for carry forward	29,303	7.8
Total Cash Limit to be Carried Forward to 2020/21	**157,158**	**41.9**

2.2 An analysis by service of the figures in Table 1 is included in Annex 1.

3. Carry Forward of Schemes not Committed by 31 March 2020

3.1 The approval of Cabinet is required for proposals to carry forward schemes not started at 31 March 2020. The total value of such schemes is £127.9m. This excludes £27.4m of Children's Services schemes and £1.9m of Policy and Resources schemes for which approval to carry forward to 2020/21 has previously been given during 2019/20. These amounts are largely committed against named projects.

3.2 As Table 2 below shows, the value of the 2019/20 programme committed in the year, at £217.5m, is lower than the level achieved in 2018/19 of £253.2m. Steady progress is being made given the significant size of the overall Capital Programme.

Table 2 – Percentage of Capital Programme Committed

	2018/19 £m	**2019/20 £m**
Value of Projects		
- Committed	253.2	217.4
- Carried forward	122.3	157.2
Total Programme	**375.5**	**374.6**
Percentage Committed	67.4%	58.1%

3.3 Whilst the impact of the Covid-19 pandemic was not material in 2019/20 it is expected, not surprisingly, that in the coming financial year there will be a consequent increase in slippage compared to the originally planned programme.

3.4 Individually, most of the schemes and provisions to be carried forward are relatively small amounts. The larger schemes include:

- Adults with Disability – Accommodation Strategy (£7.4m) – A capital grants programme has been approved and is progressing.
- Extra care housing transformation (£3.1m) – The remaining projects within this programme are being considered.
- Relocation of Cornerstones Whiteley Primary (£12.3m).
- Improvements to Schools (£5.8m) and Children's Services contingency provision to cover future projects and pressures on the Capital Programme (£6.0m).
- Structural maintenance of roads and bridges – Future projects planned which are linked to the outcome of funding bids (£5.8m).
- Botley Bypass (£26.1m) – Project designs are progressing.

- Uplands Farm, Botley – Infrastructure and Utility works (£28.1m) – Plans are progressing.

4. Capital Expenditure and Financing 2019/20

4.1 Total expenditure actually incurred in 2019/20, arising from the Capital Programme for 2019/20 and earlier years, was £190.0m. This is £72.2m or 27.5% lower than the revised estimate for 2019/20. The timing of capital expenditure flows between financial years is often difficult to predict. The delays in committing a fair proportion of the Capital Programme for 2019/20, as shown in Table 2, will have reduced the level of payments in the year.

4.2 An analysis of the expenditure of £190.0m by service and type is included in Annex 2.

4.3 The proposed method of financing this expenditure is summarised in Table 3:

Table 3 – Capital Financing 2019/20

	Adjusted Revised Estimate £'000	**Actuals £'000**	**Variation £'000**
Prudential borrowing			
- for capital schemes	42,808	29,384	(13,434)
- repayments of specific schemes	(13,598)	(10,464)	3,134
Government capital grants	136,094	83,114	(52,980)
Contributions from developers and outside agencies	48,167	43,883	(4,284)
Capital receipts	1,092	10,943	9,851
Revenue contributions	8,307	11,586	(3,279)
Total Capital Resources	**168,017**	**161,648**	**(54,424)**
Transfers from / (to) reserves			
- Capital Reserve	39,377	24,968	(14,409)
- Revenue Reserve		(3,399)	(3,399)
Total funding for payments in 2019/20	**262,247**	**190,015**	**(72,232)**

4.4 In addition to this spend, during 2019/20, the Enterprise M3 Local Enterprise Partnership (EM3 LEP) invested £28.4m in Capital projects within the M3 corridor. This spend is included in the annual accounts, as the Council is the Accountable Body for the LEP.

5. Borrowing

5.1 Since 1 April 2004, local authorities have been permitted to borrow for capital purposes without specific approval from the Government, provided their actions meet the requirements of the Prudential Code for Capital Finance introduced by the Local Government Act 2003. This is known as 'prudential borrowing'. It does not attract any support from the Government towards the repayment and interest costs, which fall wholly on the County Council's own resources.

5.2 Cabinet agreed criteria for the use of prudential borrowing in November 2003, with revisions in February 2006. Since then, its use has been agreed for a number of capital schemes, primarily on an invest-to-save basis. It is proposed that a total of £29.4m is borrowed in 2019/20 for these schemes, in accordance with the approved criteria.

5.3 Prudential borrowing of £10.5m has been repaid in 2019/20 from the use of capital receipts, developer and other contributions.

5.4 The Prudential Code includes a number of indicators intended to illustrate whether local authorities are acting prudently. The County Council's latest position on these prudential indicators following the 2019/20 outturn is summarised in Appendix 2. It shows that the County Council continues to be in full compliance with the requirements of the Code.

6. Capital receipts

6.1 Capital receipts from the sale of land and property in 2019/20 were £10.9m in total. This has been used to fund capital expenditure in the year.

6.2 Services' proposed shares of capital receipts in 2019/20 are summarised in Annex 3. The County Council's policy allows services to retain 25% of capital receipts from the sale of their assets, with up to 100% for approved rationalisation schemes.

6.3 In line with this policy, services are entitled to £4.7m of the £10.9m received in 2019/20. Cabinet has previously approved the addition of the majority of this amount to services' capital programmes, leaving a total of £2.2m for which approval is now required for allocation to services, as set out in Annex 3.

Analysis of Capital Programme 2019/20 and Requests by Services to Carry Forward Capital Schemes to 2020/21

	(1) Approved Value of Programme	(2) Schemes Committed in 2019/20	(3) Schemes for Which Approval to Carry Forward is Requested	(4) Schemes Already Approved for Carry Forward	Total Cash Limit Carried Forward to 2020/21 (Columns 3+4)
	£'000	£'000	£'000	£'000	£'000
Adults' Services	25,980	14,482	11,498		11,498
Children's Services	125,832	66,621	31,845	27,366	59,211
Economy, Transport and Environment	135,215	100,515	34,700		34,700
Policy and Resources	87,586	35,837	49,812	1,937	51,749
Total	**374,613**	**217,455**	**127,855**	**29,303**	**157,158**
	100.0%	58.1%	34.1%	7.8%	42.0%

The amounts to be carried forward are largely committed against named projects

Summary of Capital Expenditure in 2019/20

Analysis by Service

	£'000	%
Adults' Services	18,560	9.8
Children's Services	60,825	32.0
Economy, Transport and Environment	76,130	40.1
Policy and Resources	34,500	18.1
	190,015	**100.0**

Analysis by Type of Expenditure

	£'000	%
Land	401	0.2
Construction work	131,363	69.1
Fees and salaries	24,655	13.0
Furniture, equipment and vehicles	9,213	4.9
Grants	14,383	7.6
Pooled Property Fund	10,000	5.2
	190,015	**100.0**

Analysis of Capital Receipts 2019/20

	Capital Receipts	Costs of Sales	Shares from in/out and Other Schemes		Share of Qualifying Receipts Now Due to Services
			Previously Added to Programme	Now Available to be Added to Programme	
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Adults' Services	1,571	0	1,571	0	0
Children's Services	1,581	1	297	500	72
Economy, Transport and Environment	0	0	0	0	0
Policy and Resources	7,791	76	665	1,610	0
	10,943	**77**	**2,533**	**2,110**	**72**

Total Now to be Added to Services' Programmes **2,182**