HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	9 February 2021 25 February 2021
Title:	Revenue Budget and Precept 2021/22
Report From:	Deputy Chief Executive and Director of Corporate Resources

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Section A: Purpose of this Report

1. The purpose of this report is to set out the County Council's proposals for the revenue budget and precept for 2021/22. It also provides an update on the financial position for 2020/21 including the impact of Covid-19, both in the current financial year and beyond.

Section B: Recommendation(s)

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

2. Notes the current position in respect of the financial resilience monitoring for the current financial year.

3. Approves that £1.2m of existing corporate funding in 2022/23 is brought forward to 2021/22 to support resourcing within the Transformation Practice focussing additional resources necessary in support of Transformation to 2021.

4. Approves the Revised Budget for 2020/21 contained in Appendix 1.

5. Approves the updated cash limits for departments for 2021/22 as set out in Appendix 4.

6. Delegates authority to the Deputy Chief Executive and Director of Corporate Resources, following consultation with the Leader and the Chief Executive to

make changes to the budget following Cabinet to take account of new issues, changes to figures notified by District Councils or any late changes in the final Local Government Finance Settlement.

7. Recommends to County Council that:

a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 8) be taken into account when the Council determines the budget and precept for 2021/22.

b) The Revised Budget for 2020/21 set out in Appendix 1 be approved.

c) The Revenue Budget for 2021/22 (as set out in Appendix 5 and Appendix 6) be approved.

d) Funding for one-off revenue priorities totalling £11.6m as set out in paragraphs 113 to 128 be approved.

e) The re-alignment of grant budgets as set out in paragraphs 135 to 141 be approved.

f) The **council tax requirement** for the County Council for the year beginning 1 April 2021, be £707,046,869.

g) The County Council's band D council tax for the year beginning 1 April 2021 be £1,350.45, an increase of 4.99%, of which 3% is specifically for adults' social care.

h) The County Council's council tax for the year beginning 1 April 2021 for properties in each tax band be:

	£
Band A	900.30
Band B	1,050.35
Band C	1,200.40
Band D	1,350.45
Band E	1,650.55
Band F	1,950.65
Band G	2,250.75
Band H	2,700.90

i) Precepts be issued totalling £707,046,869 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

Basingstoke and Deane	66,627.60
East Hampshire	51,407.07
Eastleigh	47,774.37
Fareham	43,804.50
Gosport	27,182.90
Hart	41,055.21
Havant	41,448.02
New Forest	71,538.70
Rushmoor	32,060.06
Test Valley	49,855.00
Winchester	50,810.47

j) The Capital & Investment Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 9 be approved.

k) The Treasury Management Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 10 be approved.

l) An increase to the allocation targeting higher yields from £235m to £250m (as set out in the Treasury Management Strategy in Appendix 10) partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market be approved.

m) Authority is delegated to the Deputy Chief Executive and Director of Corporate Resources to manage the County Council’s investments and borrowing according to the Treasury Management Strategy Statement as appropriate.

RECOMMENDATIONS TO COUNCIL

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

County Council is recommended to approve:

a) The Treasurer’s report under Section 25 of the Local Government Act 2003 (Appendix 8) and take this into account when determining the budget and precept for 2021/22.

b) The Revised Budget for 2020/21 set out in Appendix 1.

c) The Revenue Budget for 2021/22 (as set out in Appendix 5 and Appendix 6).

d) Funding for one-off revenue totalling £11.6m as set out in paragraphs 113 to 128.

e) The re-alignment of grant budgets as set out in paragraphs 135 to 141.

f) That the **council tax requirement** for the County Council for the year beginning 1 April 2021, be £707,046,869.

g) That the County Council's band D council tax for the year beginning 1 April 2021 be £1,350.45, an increase of 4.99%, of which 3% is specifically for adults' social care.

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k) The Treasury Management Strategy for 2021/22 (and the remainder of 2020/21) as set out in Appendix 10.

l) An increase to the allocation targeting higher yields from £235m to £250m (as set out in the Treasury Management Strategy in Appendix 10) partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market.

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

Section C: Executive Summary

8. The purpose of this report is to set out the County Council's proposals for the revenue budget and precept for 2021/22. It also provides an update on the financial position for 2020/21.

9. The current year has clearly been dominated by the impact of Covid-19. Whilst in some areas (such as the initial costs and losses arising from the first lockdown) information has become clearer throughout the year, there are still some elements such as council tax base and collection fund deficits which up to now have been based on high level estimates.

10. Following the receipt of information from District Councils, we now predict total gross costs and losses in 2020/21 will reach nearly £176m. The recent announcements by the Government in the Spending Review and the provisional Local Government Finance Settlement means that we now predict the majority of the £176m will be met by government funding schemes,

together with around £31m of budgeted market underwriting costs and consequential savings as a result of the Covid pandemic (for example travel costs). This leaves a net deficit of £3.8m to be covered by the financial response package.

11. The medium term impact of Covid-19 has also been revised as a result of the latest information and government announcements and it is predicted that unfunded costs and losses will reduce from £210.7m to £88.3m due to additional government funding and revised forecasts, notably in relation to council tax and business rates. This significantly reduces the level of the financial response package that the County Council needs to provide and indicates that the Government has been responding to the forecasts that have been submitted to them. For clarity, the outlook therefore appears to be 'less negative' albeit it is important to note that we are still in financially negative territory to the tune of over £88m.

12. However, we remain extremely concerned at the continuing need to underwrite over £88m of costs and losses due to the financial consequences of Covid-19 from County Council resources and we must continue to impress upon the Government the need to make further provision to cover those costs. We must also be alert to the ongoing financial uncertainty and therefore the potential for the financial consequences to worsen further, particularly for council tax and business rate income where it is thought that the full financial consequences are yet to be felt.

13. Business as usual financial performance in the current year remains strong. Indications are that all departments will be able to manage the large-scale investment required to deliver their planned transformation activity and meet service pressures through the use of cost of change and other reserves, along with appropriate corporate funding.

14. The pressures within social care are well known but in 2020/21 Adult's Health and Care are likely to contribute around £12.9m on a one-off basis to cost of change reserves as a result of early delivery of savings and the impact of Covid on some activity levels, alongside a short term change in NHS funding supporting early discharges from hospital. Outside of this, the cumulative impact of numerous savings programmes, coupled with a relentless business as usual agenda and rising demand and expectations from service users, mean that pressures are being felt in all departments.

15. Savings targets for 2021/22 were approved as part of the Medium Term Financial Strategy (MTFS) in 2018 and detailed savings proposals have been developed through the Transformation to 2021 (Tt2021) Programme which were agreed by Cabinet and County Council during October and November 2019. The impact of the agreed savings has been reflected in the detailed budgets approved by Executive Members and presented in this report.

16. During January individual Executive Members have been considering their revenue budget proposals with the Leader and Cabinet and Select Committees who provide overview and scrutiny. This report consolidates these proposals

together with other items that make up the total revenue budget for the County Council in order to recommend a budget, precept and council tax to the meeting of full County Council on 25 February 2021.

17. On 25 November 2020 a further one year Spending Review was announced by the Government for 2021/22 which has provided additional resources to local government. Whilst the settlement was positive in terms of the continuation of temporary funding and the allocation of additional funding for social care growth and to cover the financial impact of Covid-19, in line with extensive lobbying, it is only for one year at this stage. The Spending Review also set out core council tax of 2% and a further 3% to fund growth in adult social care costs, in recognition of the demographic pressures local authorities are facing.

18. The provisional Local Government Finance Settlement was announced on 17 December 2020 and confirmed the grant figures and council tax thresholds for 2021/22 in line with the Spending Review.

19. In line with the MTFS, this report recommends that council tax is increased by 4.99% in 2021/22, of which 3% is specifically for adults' social care, reflecting government policy. This will generate around £35m additional income and it is likely that Hampshire will remain one of the lowest county level council tax in the country, certainly remaining well within the lowest quartile.

20. This report also considers a number of investment priorities. The key additions are shown in the following table and more detail is set out in paragraphs 113 to 128:

	£M
Increased investment in Operation Resilience	3.0
Funding for major highways project development	1.5
Children's Services Managing Placements Programme (MPP) and other pressures	5.0
IT Growth Pressures	2.1
Total	**11.6**

21. In addition, it is proposed to re-align grant budgets from 2021/22 that will re-instate on an ongoing basis the £8,000 devolved grant budget for each Elected Member, create a one-off funding pot of over £1.2m for County Council climate change initiatives and will over time generate substantial savings as part of the Savings Programme 2023 (SP23). More details are provided in paragraphs 135 to 141.

22. It should be noted that the figures in this report in respect of government grant levels and figures notified to the County Council by District Councils are provisional at this stage and will be subject to change. Revised figures will

therefore be presented to full County Council and this report seeks delegated authority for the Deputy Chief Executive and Director of Corporate Resources in consultation with the Leader and Chief Executive to make these changes as appropriate.

23. The County Council's Reserves Strategy, which is set out in Appendix 7, is now well rehearsed and continues to be one of the key factors that underpins our ability not only to provide funding for transformation of services, but also to give the time for the changes to be successfully planned, developed and safely implemented. Our prudent forward planning and level of reserves have been a key factor in being able to develop a Covid-19 financial response package.

24. In addition, this report includes both the County Councils Capital and Investment Strategy and the Treasury Management Strategy (TMS) for 2021/22 (and the remainder of 2020/21), set out in Appendix 9 and Appendix 10 respectively.

25. The Capital and Investment Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The TMS supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and investments, and the associated risks.

26. Longer term, the County Council is still in the position of having no confident visibility of its financial prospects beyond the 2021/22 financial year, which clearly makes any accurate financial planning difficult to achieve. Whilst there are some signs that the key messages on funding requirements are getting through, local government as a sector will continue to push the Government for a programme of multi-year rolling settlements that avoid the inevitable uncertainty that we face at the end of every Spending Review period.

27. The Treasurer's report under Section 25 of the Local Government Act 2003, which has to be taken into account when the Council determines the budget and precept for 2021/22, is set out in Appendix 8 and also considers the future financial resilience of the County Council in this context and in light of the current and ongoing impact of Covid-19.

28. Beyond 2021/22 we have consistently said that we face an additional year on year annual pressure of at least £40m, as a result of inflation and demand growth, and in the absence of a multi-year settlement which addresses that pressure it continues to be difficult to make any changes to these forecasts. Therefore, the requirement to deliver a 2023 Savings Programme by 1 April 2023 to bridge the forecast deficit of £80m remains.

29. In addition, it has been previously highlighted that if we are to remain financially sustainable beyond 2021/22 there needs to be a significant change in the way in which growth in adults' and children's social care is funded, since it is not possible to sustain that growth in demand and cost indefinitely.

Section D: Contextual Information

30. The financial landscape for this and future years has been dominated by the impact of Covid-19. Whilst the County Council already faced medium term financial challenges, the additional burden of Covid-19 threatened to speed up the impending financial 'cliff edge'.

31. With this in mind, the strategy that the County Council adopted was to deal with the impact of Covid-19 as a separate one-off event in order to leave the County Council in the same position it would otherwise have been to tackle the next savings programme after Transformation to 2021 (Tt2021). In essence, as a minimum this meant leaving sufficient funding within the Budget Bridging Reserve (BBR) to fund the interim year of the next savings programme.

32. This was consistent with the current financial strategy that the County Council operates, which works on the basis of a two year cycle of delivering departmental savings targets to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the BBR and with any early delivery of resources retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.

33. The County Council's strategy placed it in a very strong position to produce a 'steady state' budget for 2020/21 and safely implement the next phase of changes through the Tt2021 Programme to deliver further savings totalling £80m.

34. The Tt2021 Programme is progressing to plan (as revised in response to the delays as a consequence of the Covid-19 pandemic) but as we have repeatedly stressed bridging a further gap of £80m is extremely difficult and was always going take longer to achieve in order to avoid service disruption. The anticipated later delivery of some elements of the programme has been factored into our medium term planning to ensure that enough one-off funding exists both corporately and within departments to meet any potential gap over the period.

35. Taking longer to safely deliver service changes rather than being driven to deliver within the two year financial target requires the careful use of reserves as part of our overall financial strategy and further emphasises the value of our Reserves Strategy. Furthermore, as reported in November, the impact of Covid-19 has meant that around £38.4m of the Transformation to 2019 (Tt2019) and Tt2021 Programmes have slipped, which will require further cash flow support, as part of the financial response package.

36. On 25 November 2020 a further one year Spending Review was announced by the Government for 2021/22 which has provided additional resources to local government. Whilst the settlement was positive in terms of the continuation of temporary funding and the allocation of additional funding for social care growth and to cover the financial impact of Covid-19, in line with extensive lobbying, it

is only for one year at this stage. The Spending Review also set out core council tax of 2% and the continuation of a further 3% to fund growth in adults' social care costs.

37. The provisional Local Government Finance Settlement was announced on 17 December 2020 and more detail about the provisional settlement is set out in Section H of this report.

38. The final grant settlement for 2021/22 is not due out until this report has been dispatched, however it is not anticipated that there will be any major changes to the figures that were released in December 2020.

39. In November 2020 Cabinet received a budget update report that set provisional cash limit guidelines for departments, taking into account inflation, savings and base changes. This report confirms the cash limits that will be applied to departments next year and the individual reports approved by Executive Members during January all show that the proposed budgets are within the cash limit guidelines that have been approved.

40. Beyond 2021/22 we have consistently said that we face an additional year on year annual pressure of at least £40m, as a result of inflation and demand growth, and in the absence of a multi-year settlement which addresses that pressure it continues to be difficult to make any changes to these forecasts. Therefore, the requirement to deliver a 2023 Savings Programme by 1 April 2023 to bridge the forecast deficit of £80m remains.

Section E: Covid Update

41. Throughout the year, updates have been provided to Cabinet and County Council on the impact of Covid-19 on our current and medium term financial position.

42. As the year has progressed, certain elements of this monitoring have become clearer, and ongoing government announcements have helped to reduce the overall impact on the County Council's bottom line. Some aspects however have been impossible to predict, in particular the impact on Business Rates (BR) income, the council tax base and the council tax collection fund deficit.

43. Based on the limited information received from Districts and the forecasts of other county councils a very high level estimate of 5% income losses in the current year and a 3% reduction in the council tax base from 2021/22 were built into the anticipated losses from very early on in the process. It is only in December that initial figures have been received from the District Councils (many of which have also come with a health warning given the difficulties of producing forecasts in such unprecedented times).

44. These figures show that losses on council tax in the current year are significantly lower than originally predicted and have been offset to some extent from gains made in previous years (2019/20). Similarly, the predicted decrease in the council tax base as a consequence of greater levels of council tax

support has not materialised, and in fact a small increase is predicted next year (albeit at much lower levels than would normally be expected).

45. In addition, announcements of further government funding have also helped to reduce the overall impact, and this is reflected in the updated tables shown below:

	September Return	December Return	Change
	£'000	**£'000**	**£'000**
Response and Recovery Costs	81,121	103,387	22,266
Lost Savings – 2020/21 only	10,421	10,421	0
Council Tax Losses – 2020/21 only	32,200	7,500	(24,700)
Business Rate Losses – 2020/21 only	2,400	2,400	0
Lost Sales Fees and Charges Income	14,164	14,197	33
Commercial / Other Income	11,129	11,267	138
Total Costs and Losses	**151,435**	**149,172**	**(2,263)**
Add Back:			
Market Underwriting Costs	26,184	26,554	370
Gross Costs and Losses for 2020/21	**177,619**	**175,726**	**(1,893)**

46. The increase in response and recovery costs relates to the spend associated with new government grants, namely Infection Control (Tranche 2 - £15.6m), Contain Outbreak Management Fund (first tranche - £11.1m) and CEV Response (for the November lockdown - £760,000). This has been offset by reductions in the anticipated costs of Home to School Transport (based on actual data) and social worker costs directly associated with the pandemic response.

47. The net position is shown overleaf and partly reflects the fact that the Government previously announced that it will fund 75% of collection fund losses arising from the pandemic in 2020/21. However, more recent clarification (mid-January) on what is eligible for this grant funding indicates that the criteria are limited, and this adds further complexity into what is already a very difficult year for billing authorities in terms of producing reliable forecasts.

48. Given this position and in the absence of detailed information from billing authorities on the likely level of grant claims for losses incurred in the current financial year, the table overleaf assumes that we will only receive 50% of the 75% grant funding towards the gross losses for council tax and business rates shown above:

	September Return	December Return	Change
	£'000	**£'000**	**£'000**
Gross Costs and Losses	**177,619**	**175,726**	**(1,893)**
Service Specific Funding (CCG's & Gov.)	(7,808)	(10,568)	(2,760)
Covid-19 Grant Allocations	(70,395)	(70,395)	0
Test and Trace, Infection Control and Emergency Assistance Grants	(24,174)	(51,704)	(27,530)
Income Reimbursement	(2,500)	(4,995)	(2,495)
Council Tax Grant (50% of 75%)		(2,813)	(2,813)
Business Rate Support (50% of 75%)		(900)	(900)
Forecast Savings	(6,860)	(4,037)	2,823
Market Underwriting (Budgeted)	(26,184)	(26,554)	(370)
Total Savings and Funding	**(137,921)**	**(171,966)**	**(34,045)**
Net Unfunded Costs and Losses	**39,698**	**3,760**	**(35,938)**

49. The additional grants of £27.5m offset the increased expenditure for these items outlined above and the income reimbursement scheme is based on the latest return submitted in December. The reduced savings are a result of the removal of £3m of assumed savings in highways maintenance works which are now not expected to be delivered due to the pressure on the network following several bouts of severe weather over the winter.

50. The table shows that in overall terms, the forecast position for 2020/21 is now only a deficit of £3.8m, accepting that some of the figures around council tax and business rates may still change significantly prior to County Council. Given the difficulties experienced over this year, the latest position shows that the Government appears to have responded to the requests from local government to meet the costs and losses associated with Covid-19 in full.

51. Turning to the medium term position, this has been updated to reflect the latest demand pressures, together with the announcements of new government funding.

	2020/21	2021/22	2022/23	2023/24	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Current Year Deficit	3,760				3,760
Slipped Tt2019 and Tt2021 Savings		22,714	4,688	596	27,998
Departmental Pressures		38,703	28,498	15,000	82,201
Business Rates		2,385			2,385
Lost Investment Income		2,500	1,500		4,000
Covid Grant - Tranche 5		(23,979)			(23,979)
Council Tax Support Grant		(8,060)			(8,060)
Updated Total Gap	**3,760**	**34,263**	**34,686**	**15,596**	**88,305**

52. The table shows that the net unfunded costs and losses are now expected to be £88.3m. This is a movement of £122.4m compared to the position reported in November and can be explained by the following changes, which have been split between those relating to additional government funding and those where revised forecasts have been prepared based on the latest information:

	Gov. Grant £M	Revised Forecast £M
Council tax and business rate losses are significantly lower than anticipated and the Government will meet 75% of current year eligible losses	3.6	24.7
There has been no reduction in the council tax base (originally expected to create losses over 3 years)		42.0
Reduced costs and additional sales fees and charges reimbursement	2.5	2.6
Increased specific grant funding (Bus services and cultural support grant)	2.8	
Reduced demand costs within adults' social care		8.0
SEN recurring pressure built into base budget		5.1
Additional Government grant for 2021/22	32.1	
Other Net Changes		(1.0)
Total	**41.0**	**81.4**

53. Whilst this overall position has changed significantly with the outlook now being less negative, it is important to note that we are still in financially negative territory to the tune of £88.3m. Therefore, this does still require the County Council to put in place a response package of over £88m in order to meet the

one-off impact of Covid-19 over the medium term. This does reduce our capacity to respond to any further financial shocks, but it does at least mean that the County Council's financial sustainability is much more assured than reported in November 2020.

54. However, the improvement in the council tax position has raised fears that there may be a lag in this area due to the support that has been put in place by the Government for businesses and individuals alike. It is possible therefore that this position (along with that for Business Rates) could decline as we move through 2021/22 and government support comes to an end. It is not possible to predict this at this stage, but it will be kept under review and could lead to an increase in the Covid figures as the next financial year progresses.

Section F: Business as Usual Financial Monitoring

55. The financial landscape in the year is obviously complicated by Covid-19. However, even after excluding this (as the impact will be managed through a separate financial response package) complexity remains due to a range of one-off impacts arising from transformation activity, previously planned late delivery of savings, use of cost of change and corporate cash flow support.

56. The business as usual (i.e. excluding Covid-19) forecast position for 2020/21 as at the end of November (Month 8) indicates that all departments will be able to manage the large scale investment required to deliver their planned transformation activity and meet service pressures through the use of cost of change (and other) reserves along with currently agreed corporate funding.

57. Key issues across each of the departments are highlighted in the paragraphs below and whilst pressures within social care departments are well documented, the impact of successive savings programmes along with other service pressures means that all departments are facing financial pressures.

Adults' Health and Care

58. The latest forecast is a net under spend of £12.9m, which is dependent on securing Tt2019 cash savings of £47.8m and Tt2021 early savings of more than £6.7m. This position is mainly the result of changes in activity levels for older person's services throughout the year due to Covid-19 and the impact of NHS funding supporting early discharges from hospital. At the end of the year £12.9m will be transferred to the Cost of Change reserve, bringing the reserve balance to £15.7m by the end of 2020/21. This sum will be utilised within the following years to help fund planned delays in savings and one-off project costs.

59. It should be noted that the Department continues to benefit in 2020/21 from the additional recurring funds announced in 2019/20 from the Improved Better Care Fund (IBCF), that now includes Winter Pressures, of £11.5m. Ordinarily however, these funds and the additional corporate support would still be insufficient to match the underlying pressure. For 2020/21 whilst this pressure

has been reduced negotiations are continuing with Clinical Commissioning Groups (CCGs) to see what extra support may be required and whether there are other joint initiatives that can be pursued for the remainder of the year to minimise pressure on the health and care system, which could see additional funds flow into the County Council.

60. The impact Covid-19 has had on transformation savings delivery for both Tt2019 and Tt2021 has been significant within Adults' Health and Care. This is primarily due to resources being redirected toward responding to the pandemic. In addition, the ability to affect care package prices and volumes into the long term, to which most of the planned saving relate, has been severely impacted by the need to support the NHS to discharge patients from hospital freeing sufficient acute capacity to cope with the demands of the pandemic.

61. The longer term position for the Department is likely to present greater challenges than have been forecast previously and this is, in the main, an indirect consequence of Covid-19. Whilst the current year position on care packages has been managed, this is largely due to additional financial support from the NHS in respect of discharges and reduced demand for Residential and Nursing care.

62. The budget for Public Health originally planned use of £0.7m of the Public Health reserve. The expected outturn forecast for 2020/21 is a saving of £0.7m against this position and it is for this reason that the planned draw from the Public Health reserve is no longer required.

63. A significant proportion of the forecast saving reported is due to the impact of Covid-19 on the volume of contracted services delivered. Where applicable it has been agreed to pay reduced contracted amounts to providers that recognises there has been a reduction in their service level whilst providing them with adequate support to meet a proportion of their costs to keep them financially viable during the pandemic.

64. After not drawing the £0.7m previously intended from the reserve in year and the expected saving of £0.7m, the latest forecast is that the reserve balance at year end will be more than £6.1m

Children's Services

65. The expected outturn for 2020/21 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.

66. Children's Services are facing a range of further pressures as follows.

- With regards to the pressure on staffing budgets in Children's Social Care the service continues to develop social workers through the Graduate Employment Trainee Scheme (GETS), although there is still a significant reliance on agency staff. This is being well managed in collaboration with Connect2Hampshire but plans to reduce agency numbers has been impacted by the Covid-19 pandemic.
- Home to School Transport (HtST) reflects a balanced budget in this financial year based on the activity levels since September 2020. Whilst no additional growth funding is required for 2020/21, pressures have been forecast in future years in relation to activity growth, mainly within Special Educational Needs (SEN), including unfunded post 19 growth. Whilst this is being monitored and is under regular review, the analysis has been further complicated by the pandemic which means further refinement is still required.
- Every new Education, Health and Care Plan (EHCP) has to be informed by advice from an Educational Psychologist and the increase in EHCPs has resulted in a need to direct staff towards providing this statutory advice. Consequently, there has been a decline in income from sold services to schools and the use of agency staff in order to address the increased volumes has exacerbated this pressure.
- Swanwick Lodge, our in-house secure unit, continues with its period of financial recovery following the refurbishment as planned, albeit with Covid-19 impacts. This remains under close review.

67. Proposals for additional support are set out in Section I to enable the Department to manage these issues in the year to come.

Corporate Services

68. Since 2010, Corporate Services have been required to deal with increasing work pressures at a time when staffing resources and other budgets are reducing significantly. Furthermore, as savings become harder and more complex to deliver (linked for example to IT system changes) the cost and timeframes to deliver savings increase, placing additional strain on the resources available to deliver business as usual.

69. The forecast position for 2020/21 is that savings will still allow a contribution to cost of change balances even after substantial transformation costs have been met in year. Early delivery of savings in the current year will help as part of the overall strategy for delivering savings in the longer term, but the continued need for additional resources against a backdrop of reducing budgets should not be underestimated.

70. This puts the Department in a strong position for next financial year to deliver good quality services to other departments within the County Council and to the many partner organisations who receive our services. In addition, Corporate Services teams will begin planning their savings programme for 2023 and continue to provide critical support to other departments during the delivery of

their own transformation programmes. It will be important for the Department to manage this further pressure to service delivery.

71. In particular, the Transformation Practice is supporting the large and complex Tt2019 and Tt2021 Programmes across Children's Services and Adults' Health and Care, both of which required significant resources to make the necessary progress, requiring additional resources to be brought forward from future years funding. Both departments have seen significant delays due to the Covid-19 pandemic and one-off corporate funding has also been provided to support the additional resources employed on the Programmes.

72. Given the complex nature of the Programmes coupled with delays, it is considered essential that a full complement of resources is in place throughout the year and it is therefore recommended that corporate funding of £1.2m approved in previous years be brought forward from 2022/23 to keep the team in place.

Culture, Communities and Business Services (CCBS)

73. CCBS delivers a wide range of services and business as usual activities have been affected by resources being diverted to deal with the Covid-19 response and recovery and the Department has been mindful of the need to avoid non-essential spending in the light of the County Council's overall financial position resulting from the pandemic response.

74. It is anticipated that in 2020/21 the Department will be able to contribute to cost of change balances, even after substantial transformation costs have been met in year, in line with the County Council's financial strategy, to be used to support the delivery of future savings programmes or offset service pressures. It is also proposed to use this funding to meet the anticipated deficit in the Repairs and Maintenance budget for next year as outlined in the last financial update report.

Economy, Transport and Environment (ETE)

75. The Department's long-standing approach of minimising non-essential spend, seeking to develop a broader client base for sold services and adopting a prudent approach to vacancy management has a heightened importance against the backdrop of the Council's current financial position and the increased delay in delivering the Department's Tt2021 savings from the Waste budget which will need cash flow funding from Cost of Change. This approach has therefore continued to feature strongly in the Department's overall financial management.

76. The majority of the Department's Tt2019 savings have been fully delivered with the balance of two programmes, Waste and Parking, still to be completed. The outstanding balance of £0.9m of the Parking saving is now expected to be achieved in 2021/22 with aspects of the programme having been delayed due to the pandemic. The balance on the Tt2019 Waste saving of almost £1.8m is

also expected to be fully achieved by 2021/22 following decisions taken by the Executive Member for Economy, Transport and Environment in October 2020. The cash flow impact of these timing shortfalls has been met from the Department's Cost of Change Reserve.

77. Despite the challenges of the Covid-19 response and recovery the Department has made progress in delivering the Tt2021 target of more than £11.7m with early achievement of over £1.0m now expected in 2020/21.

78. It is anticipated that at the end of the year the Department will be able to contribute to cost of change balances in line with the County Council's financial strategy to be used to support the delivery of future savings programmes or offset service pressures.

Schools

79. The financial pressures facing schools have been highlighted for some time, driven in part by an increasing requirement for pupils with SEN, which exceeds the available funding and is mirrored nationally. Pressures have mainly arisen due to significant increases in the number of pupils with additional needs and as a result of the extension of support to young people with high needs up to the age of 25. There are also increases in the amount of funding required due to increasing complexity of need, resulting in a pressure on the top-up budgets for mainstream schools, resourced provisions and Post 16 colleges. There is also significant pressure due to more pupils requiring placements in independent and non-maintained schools.

80. In 2020/21 the current forecast is for a further over spend of £13.6m, as reported to School's Forum in December, with the majority relating to the high needs pressure of £14.9m. The over spend will be added to the Dedicated Schools Grant (DSG) deficit reserve at the end of the year, increasing the cumulative deficit to £36.4m.

81. Whilst this sum sits as a 'negative reserve' on the County Council's balance sheet, it in effect represents an overdraft for schools which they (and the Government) need to address over the longer term.

82. The next section outlines the expected general outturn position for the current year in more detail.

Section G: Revised Budget 2020/21

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

84. Appendix 1 provides a summary of the original budget that was set for 2020/21 together with adjustments that have been made during the year. The proposed Revised Budget for 2020/21 is then set out for information. The variance between the adjusted and revised budget gives an indication of any one-off resources which may be available at the end of the year and could be used to fund one-off investment or provide additional contributions to the BBR, although for this year all available funding has been diverted to the Covid-19 response package.

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

Adjusted Budget 2020/21

86. **Departmental Spending** – Budgeted departmental spending has increased by more than £104.2m and the reasons for this are highlighted in the following table:

	£M
Net increase in grants	58.7
Use of cost of change reserves	19.9
2020/21 Pay Award	8.9
In Year Adults' social care draw from central contingency	4.0
In Year Children's Service's draw from central contingency	1.7
Approved Winter Maintenance Funding	2.0
Approved funding for Major Schemes Development	2.2
In Year Corporate Service's draw from Corporate Policy and Invest to Save Reserve	0.7
Approved funding for Strategic Land Development and School Feasibility	5.7
Other Net Changes	0.4
Total	**104.2**

87. The increases in budgeted departmental spending are mainly because of increased government grants, the allocation of approved funding (for example from contingencies) or the one-off use of cost of change reserves. The true value of recurring increases is much smaller and relates to the allocation of funding from contingencies to Children's Services and funding for the pay award, but these reflect transfers rather than new unanticipated spend.

88. The paragraphs below outline changes to the other items that make up the overall revenue account.

89. **Capital Financing Costs** – The decrease reflects the latest estimates and 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. In addition, a profit of about £2.9m was generated on the Transport for London bond sale and this has been credited to the investment income budget.

90. Separately, Covid-19 has adversely affected investment income (£3.5m) and this will be addressed through the financial response package. Depending on the end of year position, there may be an option to add to the Investment Risk Reserve in line with the agreed strategy of seeking to reach 2.5% of the total amount invested.

91. **Revenue Contributions to Capital Outlay (RCCO)** – The increase in RCCO reflects changes made to the Capital Programme and its financing during the year but this is entirely offset by other funding changes in budgets or to earmarked reserves so that there is no bottom line impact in 2020/21.

92. **Contingencies** – The increase in contingencies is the result of building resources to provide for the financial response package to Covid-19 and reflects £70.4m of government emergency funding received to date. This will be utilised in line with the strategy of dealing with the Covid-19 pandemic as a one-off extraordinary event.

93. **Dedicated Schools Grant (DSG) and Specific Grants** – The increase in DSG reflects amendments that have been made to the final grant during the year. The increase in specific grants is mainly due to the receipt of a wide range of government funding in relation to Covid-19, including the Adult Social Care Infection Control Fund, the Test and Trace Service Support Grant, the School Catch Up Grant, the Covid Winter Grant Scheme and compensation for lost Sales Fees and Charges.

94. **Levies** – The increase reflects the full transfer of Inshore Fisheries from what was the Policy and Resources cash limited budget to be held corporately, adopting a consistent approach to the treatment of all levies.

95. **Coroners** – The increase largely reflects known changes in cost apportionment reported previously and changes to the structure of the service across the wider coronial area already provided for.

96. All of these changes have had no overall impact on the bottom line of the revenue account as they mainly represent transfers between different areas of the budget or represent matching changes to expenditure and income as is the case with specific grants.

Revised Budget 2020/21

97. The fourth column of figures shown in Appendix 1 outlines the proposals for the revised revenue budget for the County Council for 2020/21. At this stage, the revised budget for departments matches the adjusted cash limits that they have

been given for the year and therefore no variances are shown for the end of the year.

98. As set out in Section E it is anticipated that there will be early delivery of savings in the majority of departmental budgets by the end of the year. However, in line with current policy this can be transferred to departmental earmarked reserves to be used to fund the cost of change in future years and will therefore have no impact on the bottom line position of the revenue account.

99. For all departments the forecast position has been presented as break even against the revised cash limits reflecting this policy and the fact that departments are managing their bottom line positions to contain spending pressures and are using cost of change in the year as required.

100. At this time of year we normally review other budgets to assess whether any savings can be released, for example from contingencies. This year due to the impact of the Covid-19 pandemic we have already critically reviewed all budgets in order to develop a financial response package. In addition, due to the high level of financial uncertainty across all aspects of the County Councils areas of operation, it is not possible to release any further funding. Therefore, the revised budget matches the adjusted budget.

Section H: Local Government Finance Settlement

101. The Spending Review announcement took place on 25 November 2020 and the key elements were as follows:

- For salaries set by the Government (such as teachers and police) there will be a public sector pay freeze in 2021/22. The exceptions are for those earning less than £24,000 (who will receive a minimum £250 increase) and the NHS. The Government does not set pay for most council staff.
- Councils with social care responsibilities will be allowed to increase council tax by up to 5% in 2021/22 without holding a referendum. This consists of 2% for main council tax and 3% for the adult social care precept.
- The business rates multiplier will be frozen in 2021/22 (with local authorities fully compensated for the lost income). Further Covid-19 business rates reliefs may be announced in the new year.
- The Government expects to provide local authorities with over £3bn more to help with Covid-19 pressures in 2021/22. It comprises:
    - £1.55bn to help with expenditure pressures.
    - £670m additional funding for council tax support schemes (which reduce council tax bills for households on low incomes).
    - £762m (estimate) to compensate local authorities for 75% of council tax and business rates losses resulting from 2020/21.

  - Extending the Covid-19 sales, fees and charges reimbursement scheme for three months until the end of June 2021.

- An additional £300m for adults' and children's social care and continuation of the existing £1bn annual grant put into social care previously will be maintained, along with £2.1bn provided through the IBCF (pooled with the NHS). Proposals for reforming adults' social care will be brought forward next year.

- The New Homes Bonus scheme will continue for a further year, with no new legacy payments. Reforms to the New Homes Bonus will be consulted on shortly, with a view to implementing changes in 2022/23.

- The Chancellor also announced how the Government would deliver the next stages of its infrastructure investment plans to drive the UK's recovery with £100bn of capital spending next year and a £4bn Levelling Up Fund.

102. The provisional Local Government Finance Settlement was announced on 17 December. This set out in more detail the funding allocations for 2021/22 as follows:

- The business rates multiplier will be frozen in 2021/22 (rather than increase by CPI inflation), so business rates bills will not increase – County Council allocation £6.3m.

- Funding to help meet Covid-19 pressures in 2021/22, comprising the following for Hampshire County Council:

  - £24.0m to help with expenditure pressures.

  - £8.1m additional funding for council tax support schemes (which reduce council tax bills for households on low incomes).

- An additional £1.2m for social care, bringing the total to almost £26.2m. This is less than we were originally anticipating as most of the funding has been given to areas with low council tax bases.

- £3.9m from the New Homes Bonus scheme.

103. At this stage, the 2021/22 pay award has yet to be agreed and the budget originally contained a 3% provision held within contingencies to cover the April 2021 pay award, including a factor to deal with any changes arising from the National Living Wage (NLW).

104. Following the Government's announced intention to implement a public sector pay freeze in 2021/22 this has been revisited. The Government does not set pay for most council staff but in previous years such a government announcement has resulted in similar outcomes for local authority pay bargaining. Given that it has been stated that those earning less than £24,000 will receive a minimum £250 increase, the provision held has been reduced to 1%, releasing £6m which has been applied as set out in Section I. This 1% provision will be held in contingencies until any pay award is agreed.

Council Tax

105. The provisional Settlement also reaffirmed the maximum permissible increases to council tax without the need for a referendum – namely 2% for main council tax and 3% for the adult social care precept.

106. In 2016/17 the Government implemented a clear shift in council tax policy following five years of freezing council tax, which was initially supported by the allocation of Council Tax Freeze Grant. The Government ended this support and have presumed that local authorities would increase their council tax by the maximum they are allowed each year since that point - that assumption is affirmed by the way it is built into the calculation of Core Spending Power.

107. The MTFS approved by the County Council in November 2019, and updated subsequently, assumes that council tax will increase by the maximum permissible without a referendum in line with government policy. This will mean a council tax increase of 4.99%, of which 3% will contribute towards the increased costs of adults' social care, as recommended in this report, in line with the Government's policy and as set out in the County Council's MTFS.

108. This additional 1% for adult social care will generate in the region of £7m which will be allocated against adult social care growth, for which we need to provide £13.5m per annum based on current forecasts. In total, the adult's social care precept will generate around £21m in additional revenue against total increased costs of £29.4m arising from growth and inflation.

109. Past financial updates to Cabinet and County Council have highlighted the need to make savings every two years to offset the costs of growth and inflation and the Chief Financial Officer has indicated that this is not a sustainable position and that new resources to help fund these costs are needed if we are to remain financially sustainable. The additional 1% council tax flexibility will help in this regard and the full 4.99% increase is therefore being recommended and is assumed within the content of this report.

110. This proposed increase will see the council tax for a Band D property increase by £64.17 per annum (approximately £1.23 per week) to £1,350.45.

111. This will generate around £35m of additional income but it is anticipated that Hampshire will continue to have one of the lowest levels of council tax in 2021/22 of any county across the country and with this position continues to maintain strong performance both within its financial management and service provision. The average council tax across all counties in 2020/21 was more than £1,361, more than £75 higher than Hampshire's level in that year. If the County Council set its council tax at this average amount, it would receive around £40m a year more income than current levels.

112. Total income from council tax in 2021/22 is expected to be more than £707m and represents 85.3% of the total funding of the County Council's net budget. This compares to 73.6%% which was the position for 2011/12.

Section I: Unavoidable Revenue Pressures and Investment Priorities

113. The November financial update report highlighted a number of items that were either unavoidable revenue pressures or potential areas of investment that needed to be considered as part of budget setting for 2021/22. Very often it has been possible to meet these items from money released from contingencies in the latter part of the financial year. However, given the impact of Covid-19 on the County Council's finances it was not possible to fund them in this way and it was decided to postpone consideration of the unavoidable pressures and the future investment priorities (over which there is some choice) until after the provisional Settlement was announced.

114. The announcements in the Settlement, together with other changes in the budget position, means that there is now greater scope to fund these items, details of which are provided in the following paragraphs:

115. **Children's Services Pressures and Initiatives** – The November report outlined a number of pressures across Children's Services in HtST, Educational Psychology and social worker agency costs, together with an invest to save initiative around managing social care placements. Following the Spending Review announcement it was anticipated that Hampshire could receive around £5m of the £300m social care grant provided nationally. This would have provided the opportunity to passport these funds to Children's Services in order for them to address all of the spending pressures and give sufficient resources to fund the Modernising Placement Programme (MPP), more details of which are outlined in Appendix 2.

116. The Appendix highlights that whilst the programme is expected to generate savings in the medium term, building successfully on the foundations laid in both the Tt2019 and Tt2021 Programmes, there is the risk that if these were less than expected, the County Council could be left with an increased cost as it is not possible to revert back to the previous arrangements once the changes had been made. Sensitivity analysis suggests that the programme would break even if 60% of the expected additional foster carers were recruited. Whilst there is a financial risk it is felt that the overall potential benefits of the programme outweigh this.

117. As highlighted above, the distribution methodology for the social care grant was changed such that funding was heavily weighted towards low council tax base areas. As a result, Hampshire received only £1.2m of new funding. Despite this position it is considered that the strategy of enabling Children's Services to manage their pressures and take forward the MPP initiative, without the need to seek corporate support throughout the year would be a positive change in the approach to the financial management of the Department.

118. It is therefore proposed that the £1.2m social care grant together with £3.8m of the released pay award provision from next year is allocated to Children's Services on an ongoing basis.

119. **IT Pressures** – As in previous years it is necessary to increase the forward budget for the IT service to take account of several factors associated with the IT infrastructure and the provision of equipment. A total of up to £2.1m per annum is required to meet amongst other things, the future refresh of the new equipment provided to staff and Councillors to facilitate homeworking during Covid-19, increased resilience against cyber-attacks, renewals of vital software at an increased cost above inflation and growth in IT capacity in areas such as disk space and wireless networks. It is proposed to use £1.2m of the released pay award provision for next year (as mentioned above) together with £0.9m of existing contingency provisions to fund this expenditure on an ongoing basis.

120. **Coroner's Service** – There continues to be pressure within the Coroner's Service in the current year, partly driven by the impact of Covid-19, on the number of cases and delays in progressing inquests during the first lockdown. However, longer term there are further pressures associated with an increase in activity generally, the change in cost apportionment reported previously and changes to the structure of the service across the wider coronial area. Following a more detailed review of the pressures and predicted levels of activity it is anticipated that the increased costs can all be met from the additional funding that was previously set aside to cover the change in cost apportionment methodology.

121. **Corporate Estate Repairs and Maintenance** – The November report identified that there is a funding gap of £1.13m for the very highest priority critical works that need to be carried out in 2021/22 along with a longer term funding gap for other essential works in later years. Culture, Communities and Business Services (CCBS) have been looking at their current year monitoring and, on the assumption that Covid-19 costs and losses are met from government grant, they predict that they will have sufficient savings available to meet the costs in 2021/22.

122. Looking ahead, the changes to the funding of repairs and maintenance across the adults' services estate will hopefully free up some existing annual funding but it is still likely that additional resources will be required to meet essential liabilities in future years, and if possible further allocations for planned repairs to continue the previous programme would help to maintain assets to the appropriate standards. This will be considered as part of the next update of the MTFS.

123. **Strategic Land Programme** – An annual amount is usually provided to continue activity on this Programme. Following a review of the key sites that need to be taken forward and taking into account money that was previously committed to funding the forward programme for Manydown, it is expected that the key sites can be progressed from existing resources at this stage. Longer term, due to the nature of the programme an alternative funding solution will be put in place reflecting the multi-year profile of the programme and the need to flex resources as required to respond to market conditions or opportunistic approaches linked to specific sites.

124. **Operation Resilience** – In the current financial year an additional £3m was provided to this programme on a one-off basis to increase planned works and provide extra flexibility to transfer funding to the reactive maintenance programme in the face of rising demand. It was hoped that a multi-year settlement would have provided the opportunity to consider the increased funding on a longer term basis, but in the face of a single year settlement it is proposed to agree a further £3m for 2021/22 to be funded from the allocation for the New Homes Bonus which was previously expected to finish after the current year. It is also proposed to extend into 2021/22 the flexibility to transfer up to £3m of funds to reactive maintenance during the year if required.

125. **Major Schemes Development** – A recent feature of capital investment priorities has been to provide feasibility funding for highways schemes in particular so that detailed planning and design can be carried out for priority schemes that are then 'oven ready' to be submitted should there be a call for bids by the Government or Local Enterprise Partnerships (LEPs).

126. This methodology has proved very successful in the past at attracting major investment into the county (such as the Stubbington Bypass, Whitehill Bordon Green Grid Green Loop and A30 corridor improvements in Basingstoke) and protects the Council's own capital resources. Funding of around £169m has been secured since 2018/19, highlighting the excellent return on investment that is created. In the past a sum of around £1.5m has been approved on an annual basis, although any activity would clearly need to be contained within whatever figure might be able to be provided.

127. There is £3.9m of New Homes Bonus funding for next year, £3m of which is proposed to be allocated to Operation Resilience, a further £0.4m is required to meet past prudential borrowing commitments, leaving £0.5m spare for next year. It is therefore proposed to allocate on a one-off basis, this £0.5m together with the balance of the released pay award provision of £1m in 2021/22 to enable further major scheme development to take place.

128. The importance of this allocation and the additional funding provided towards Operation Resilience is outlined in the Highways Status Update provided at Appendix 3.

129. The items detailed above address all of the pressures and initiatives that were outlined in the last financial update report presented to Cabinet and County Council. As part of the development of the final budget proposals there are two further areas of investment priority to consider.

130. **Climate Change** – The corporate Climate Change Team was allocated £600,000 from the Investing in Hampshire Fund which provided funding for the team for two years (2019 - 2021). A further £2m operational budget allocation was also made to support delivery of climate change actions based on the targets to reduce emissions and improve resilience across Hampshire as a place.

131. This demonstrates a clear commitment by the Council to this work and the high priority given to the agenda, despite the significant financial impact of the Covid-19 pandemic on the County Council and the ongoing savings programmes required to maintain overall financial sustainability in the context of reduced government funding and growing cost and demand pressures in adults' and children's social care services.

132. To date the £2m operational budget has been used to fund a number of key projects targeting the priority areas for actions as identified in the Strategy as follows:

- Work by the Carbon Trust to establish the baseline emissions for the County area, develop the two 'climate change impact assessment' decision tools, and to establish the Strategic Framework and accompanying carbon estimates.
- Four climate change Community projects launched in July 2020.
- The first year of the purchasing of a Corporate "green" electricity through the "Renewable Energy Guarantee of Origin" certificate (REGO).
- A pilot scheme for residential on-street electric vehicle charge-points.
- A commission with the New Economics Foundation to develop a Green Recovery framework and roadmap for Hampshire on a whole County basis.

133. Given the scale of the programmes identified in the Council's Climate Change Strategy, the climate change budget will continue to be prioritised to support preparatory and feasibility work to ensure that the Council is ready to take advantage of opportunities to secure government funding or to bid for other external funding that arises as the Government focusses on measures to deliver the UK's Climate Change commitments and targets. The budget will also continue to be used to fund demonstration / pilot projects that will help kick start activity within Hampshire promoting those that focus on proof of concept and scalability. It is recognised that the scale of resources needed to deliver the necessary large countywide programmes in areas like renewable energy, reducing transport or domestic property emissions will require significant external resources, and cannot be delivered through the County Council's budget alone.

134. That said, the County Council is keen to make resources available wherever it can even under the most difficult of circumstances and the item below outlines an opportunity to re-align existing grant funding to this priority area over the next two years to support the work the County Council needs to undertake as an organisation regarding its own Climate Change agenda.

135. **Community and Members Devolved Grant Budgets** – Members will be aware that the devolved grants budgets are due to decrease to £5,000 per member from 2021/22 in line with the savings that were approved by full Council as part of the Transformation to 2017 Programme. Since that decision was made reserve funding has been allocated on an annual basis, at the

request of Members, to keep the grant to £8,000 per member. That reserve funding is due to come to an end following County Council elections in May 2021. It should be stressed therefore that this is a longstanding formal Council decision that has yet to be put into effect, if for understandable reasons.

136. In addition, CCBS have been reviewing their own grant funding streams as part of the planning for the Savings Programme 2023 (SP23) and they have been looking at the types of awards that have traditionally been made. One of the grant streams is the Community Grants Fund, which totals £862,000 per annum, which has a very general criteria based on projects that provide a community benefit. Within Corporate Services, the Leader of the Council has a further grant stream totalling £217,000 per annum that is also directed towards one-off projects that provide some sort of community benefit.

137. Across all three of these areas there is a high degree of overlap and it is felt there is benefit in re-arranging these grants to maximise their effectiveness at the same time as creating savings for the SP23 Programme. A further issue to factor into this position is the fact that within the Policy and Resources Other budget, small savings in inflation allocations and other items have been accruing in recent years following the decision not to apply a savings target to this area from 2017/18 onwards. This has created an unallocated budget provision of £187,000 in 2021/22 that can be taken into account in re-aligning the grant streams.

138. An important factor to consider in looking at these grants streams is the local impact they have. Whilst there are criteria for the Community Grants, the decisions are either taken by Officers or the Executive Member based on the information submitted by the applicant. The application could be anywhere from within Hampshire and the local members are not always aware of these. There is also quite a significant overlap between the Leader's grants and the Community Grants as both have wide criteria that are generally aimed at creating community benefit.

139. Past representations through Policy and Resources Scrutiny Committee in particular have requested that the proposed reduction to the members devolved grants budget should not be implemented. This is at least in part because not only do the grants provide a community benefit, but they are better targeted based on the local members' knowledge of the area and the groups that operate within it. Arguably this local context means that the community benefit is more easily identified, has a more evident local democratic mandate and the allocation of devolved budgets to individual members mean that by default, there is a more even allocation of funding across the County. It would also not be appropriate to continue to off-set the 2017 decision to reduce this budget with a continued series of year-on-year decisions.

140. Taking all of these factors into account, together with the over-riding need to generate savings for the SP23 Programme, the re-alignment is based on the following proposals:

- The Community Grants funding of £862,000 be transferred from 2021/22 onwards to the Leader's grant pot with the exception of £32,000 that will be separately targeted towards a small number of community associations within particularly deprived areas and an established call against this fund.

- £234,000 of this amount be transferred to Members devolved budgets to re-instate on a permanent basis the grant level to £8,000 per member (thereby revoking the 2017 decision).

- Increase the Leader's grant budget to £400,000 per annum and amend the criteria to better include the current Community Grants stream.

- Retain £600,000 of funding for 2021/22 and 2022/23 and create a one-off fund of £1.2m targeted specifically at climate change initiatives which will make a difference to the County Council's organisational climate change agenda being overseen through CCBS.

- From 2023/24 onwards the £600,000 savings will be counted against CCBS's SP23 Programme.

141. This package of proposals achieves a number of objectives and better targets the limited funding we have going forward whilst at the same time contributing to the SP23 savings and the key County Council priority of climate change.

Section J: Service Cash Limits 2021/22

142. In November Cabinet considered a budget update report which set provisional cash limit guidelines for departments for 2021/22.

143. Appendix 4 sets out the cash limits agreed in November and provides information on adjustments that have been made subsequently, which are the result of changes to grants within the local government finance regime and an additional contribution from revenue reserves to fund capital expenditure.

144. Overall cash limits have increased by £31.8m, the majority of which reflects an increase in DSG and, in a similar way to the changes for 2020/21, this has not had a bottom line impact on the revenue budget for 2021/22 as it is the result of a change in a grant.

Section K: Savings Proposals

145. The County Council continues to implement the Tt2021 Programme (alongside the final stages of Tt2019) to deliver £80m of savings, which will bring the cumulative total to £560m since 2010. Given the size of the task, the lead in time required and the transformational nature of some of the proposals, the detailed savings to meet this target were approved by Executive Members and then by Cabinet and County Council in October and November 2019.

146. It is recognised that each successive transformation and savings programme is becoming harder to deliver and the challenges associated with the Tt2021 Programme have been made clear. Delivery was planned to extend beyond two years and provision has been made to ensure one-off funding is available both corporately and within departments to enable the Programme to be safely delivered. Taking time to safely deliver service changes, rather than being driven to deliver within the two year financial target, requires the careful use of reserves as part of our overall financial strategy to allow the time to deliver and to provide resources to invest in the transformation of services. This further emphasises the value of our Reserves Strategy.

147. Due to the Covid-19 pandemic the original assumption that departments were asked to work to was a six month delay in the delivery of the Programmes, albeit it was expected that it may take longer to re-capture lost momentum across the more complex areas of adults' and children's social care.

148. Following the initial Covid-19 response period, departments have been requested to re-commence delivery of their savings programmes wherever possible, but again recognising that the social care services were dealing with recovery activity and increased demand as a result of the pandemic which may further impact their ability to fully re-commence the delivery of savings. More recent escalation of the virus and the further national lockdown will also continue to have an impact.

149. Formal reporting activity across the Programmes was suspended during this 'pause' but the last report to Cabinet in November 2020 set out the results of a re-baselining exercise undertaken by departments for their Tt2019 and Tt2021 Programmes to facilitate a resumption of monitoring and reporting as part of the overall financial reporting process. This exercise indicated that increased cash flow support of £38.4m is required and this is included in the position set out in Section E to be met from the response package.

150. Rigorous monitoring of the delivery of the programme will continue during 2021/22, to ensure that departments are able to stay within the cash limited budget as set out in this report.

151. The early action taken by the County Council in developing and implementing the savings programme for 2021/22 means that the Authority is in a strong position for setting a balanced budget in 2021/22 and the full impact of the agreed savings has been reflected in the detailed budgets approved by Executive Members and presented in this report.

Section L: Service Budgets 2021/22

152. As explained in Section J, departments have been set cash limit guidelines for 2021/22 which include allowances for inflation, pressures and other agreed changes.

153. Appendix 5 provides a summary for each department of the main services under their control and shows the original budget for 2020/21, the revised budget for 2020/21 and the proposed budget for 2021/22. All departments are proposing budgets that are within their cash limits.

154. It is worth re-iterating at this stage that significant savings targets have been set since the period of austerity began. These have been applied on a straight line basis in accordance with the County Council's financial strategy as it maintains a strong corporate approach and discipline to delivering the required savings. There has always been a strong distinction made between savings targets and growth allocations which are made in recognition of growing demand and service pressures on a revenue or capital basis, for example social care, highways maintenance and waste disposal, and the County Council's gross expenditure is now more than £2.1bn.

Section M: 2021/22 Overall Budget Proposals

155. Whilst service budgets make up the clear majority of the total budget there are several other items that need to be taken into account before the overall budget and council tax can be set for the year.

156. Appendix 6 sets out a summary of the overall revenue account starting with the cash limited expenditure for departments discussed above. The following paragraphs outline the other items that make up the overall revenue account and provide explanations for any significant variances compared to the 2020/21 budget.

157. **Interest on Balances and Capital Financing Costs** – The increase of approaching £7.4m in capital financing costs primarily reflects the consequences of previous decisions in relation to the amount charged to the revenue budget for the repayment of debt, known as Minimum Revenue Provision (MRP).

158. Prior to 2015/16 the County Council calculated MRP for supported borrowing on a 4% reducing balance basis. It was agreed by Cabinet in December 2015 that the calculation of MRP from 2015/16 onwards would change to a 50 year straight line basis. Had the County Council been applying the new policy of a 50 year straight line calculation starting in 2008 it would have made £67m less in MRP payments by 31 March 2016. Therefore, starting in 2016/17 the County Council paused making MRP payments on supported borrowing until it realigned the total amount of MRP payments with the new policy. This realignment will be fully achieved during 2021/22 and so payments will resume, which was already factored into the MTFS.

159. **Revenue Contributions to Capital Outlay (RCCO)** – Each year, revenue contributions are made to help fund the Capital Programme. The decrease of just over £0.5m is due to planned changes in contributions which are offset by amounts in other sections of the revenue account and therefore this has no impact on the overall budget.

160. **Contingencies** – The budget for contingencies has increased by almost £55.3m compared to the 2020/21 original budget. This mainly reflects resources identified to provide the response package to manage the financial impact of Covid-19 (including specific government funding) and to cash flow delivery of the Tt2021 Programme.

161. Existing contingency provisions in respect of key risk items, notably inflationary pressures (including the 2021/22 pay award which has yet to be agreed), elements of the Covid-19 financial response package and further cash flow funding for the Tt2021 Programme, have been retained in the base budget. These provisions represent the recommendation by the Deputy Chief Executive and Director of Corporate Resources, as the Authority's Chief Financial Officer (CFO) of a prudent approach to budgeting given the potential pressures the County Council faces. In addition to these contingencies, the County Council has access to sufficient reserves as part of an on-going strategy for the management of the County Council's financial resources over the medium term.

162. **DSG** –The increase in the DSG reflects the increase in funding announced by the Government in the Spending Review, the detail of which was clarified in the subsequent schools' revenue funding settlement in December 2020.

163. **Specific Grants** – This income budget has been updated following grant notifications for 2021/22 and the increase is largely due government funding specifically to help meet Covid-19 pressures in 2021/22.

164. **Levies** – The increase reflects the full transfer of Inshore Fisheries from what was the Policy and Resources cash limited budget to be held corporately, adopting a consistent approach to the treatment of all levies.

165. **Coroners** – The increase largely reflects known changes in cost apportionment reported previously and changes to the structure of the service across the wider coronial area already provided for.

166. **Business Units** – The net trading position of business units has been updated, and the current estimate is a net trading surplus, in particular reflecting the good progress made with the financial recovery plan to reduce food and management costs and improve productivity in HC3S (the County Council's catering service). It is always difficult to predict at this stage future income generation but any gains or losses at the end of the year will be managed through the earmarked reserves that the trading units hold.

167. **Earmarked Reserves** – Changes to earmarked reserves mainly reflect changes to other budgets elsewhere in the revenue account.

168. The comprehensive Reserves Strategy was presented to Council as part of the MTFS in November 2019 and is set out in Appendix 7, updated to include the figures at the end of March 2020.

169. The County Council holds reserves for many different reasons, but not all of these are available for general usage. Schools' balances are for schools' exclusive use and other reserves such as the Insurance Reserve are set aside as part of the Council's overall risk management strategy or are already planned to be used as is the case with the BBR which helps the County Council to smooth the impact of budget deficits, allowing a planned approach to the delivery of savings.

170. The Reserves Strategy highlights the point that the majority of reserves are set aside for specific purposes and are not available in general terms to support the revenue budget or for other purposes. In reality just over 17% of reserves, as at the end of 2019/20, are truly available to be used to support revenue spending and to help fund the cost of the change programmes across the County Council. In addition, the BBR which comprises the majority of these 'Available Reserves', standing at £78.5m at the end of 2019/20, is in reality largely committed to cash flow the safe delivery of the County Council's transformation programmes and to balance the budget in the period to 2023/24.

171. It should also be highlighted that the strength of our reserves has been critical in developing the Covid-19 financial response package.

172. **Use of General Balances** – The 2020/21 original budget assumed a net contribution to general balances of £0.9m and this prudent annual amount has currently been continued for 2021/22 in order to maintain general balances at circa 2.5% of the County Council's net budget requirement; in line with the CFO's recommended level.

173. Appendix 8 represents the CFO's view of the overall budget and the adequacy of reserves which must be reported on as part of the main budget proposals in accordance with Section 25 of the Local Government Act 2003. In particular, it considers risks within the budget and in the MTFS going forward, referencing the financial resilience of the Authority against the backdrop of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Financial Resilience Index, and places this in the context of the recommended contingencies and balances set out in this report.

174. The Appendix also references the Financial Management Code that was published by CIPFA in October 2019. The Code has 17 Financial Management Standards, which authorities must be fully compliant with by 2021/22, albeit CIPFA are reviewing this requirement in light of the impact of Covid-19.

175. A high level review of our performance against each of the Standards has been carried out by the CFO and not unexpectedly we are compliant in most areas. There were three areas highlighted in last year's Section 25 report where improvements could be considered. One of these is in the process of being implemented and will therefore ensure compliance during 2021/22, and another cannot realistically be implemented until we have a multi-year settlement and can engage with stakeholders at that point about our longer term financial planning.

176. The final item concerned the monitoring by the Corporate Management Team of the elements of the Council's balance sheet which pose a significant risk to its financial sustainability. When the draft standards were consulted on Hampshire did not feel that this standard made sense, given that those particular risks were adequately covered off through other routes. Whilst the standard remained in the final version, a review of the more detailed guidance has been carried out and we are comfortable that we comply with this standard.

Section N: Budget and Council Tax Requirement 2021/22

177. The report recommends that council tax is increased by 4.99% in 2021/22, in line with the MTFS and with government policy which presumes that local authorities will raise up their council tax by the maximum they are allowed.

178. In addition to the recommended increase for council tax, there are other changes within the council tax calculation that have an impact on the budget. The council tax base represents the estimated number of houses eligible to pay council tax and the latest forecasts provided by the Districts, which take into account expected growth and any adjustments for the impact of their Council Tax Reduction Schemes, result in additional income of £3.4m over and above that assumed previously, albeit that these forecasts may change before the budget is finally set.

179. The County Council is also notified by Hampshire Districts, of the estimated level of collection fund surpluses or deficits that need to be taken into account in setting the council tax each year. In addition to the figures for council tax, Districts are required to provide estimates of their surplus or deficit on the business rates collection fund, following the introduction of Business Rates Retention in April 2013.

180. For 2020/21 the council tax and business rate collection funds have been hugely impacted by the Covid-19 pandemic. The current forecasts are included in the updated Covid position set out in Section E and partly reflect the fact that the Government previously announced that it will fund 75% of collection fund losses arising from the pandemic in 2020/21. However, more recent clarification (mid-January) on what is eligible for this grant funding indicates that the criteria are limited and this adds further complexity into what is already a very difficult year for billing authorities in terms of producing reliable forecasts.

181. Given this position and in the absence of definite collection fund figures and detailed information from billing authorities on the likely level of grant claims for losses incurred in the current financial year, the Covid gap of £88.3m assumes that we will only receive 50% of the 75% grant funding towards the gross losses for council tax and business rates that will flow through the collection fund.

182. The current predictions are very uncertain and could still be subject to change after this report has been dispatched. However, any impact due to the

pandemic in 2020/21 will be managed through the Covid-19 financial response package in line with the agreed strategy.

183. Similarly, Districts have yet to provide estimates of what business rate income they expect to receive for 2021/22 based on their experience during the current financial year, which is particularly challenging given the impact of the Covid-19 pandemic. Given these estimates have yet to be finalised and, in light of continuing experience about the risk and volatility surrounding this income, alongside the impact of the pandemic, at this stage the high level estimates as set out in Section E have been built into the budget position, but it is very likely they will change. We will await confirmation of final figures and any adjustment will be reported at County Council.

184. With the impact of the pandemic being managed as a one-off event through the use of the financial response package, taking account of all the budget changes outlined in this and previous sections of this report, the County Council can set a balanced 2021/22 budget as follows:

	£M
Tax Base Growth	3.4
Contribution to BBR	3.4
Balanced Budget	**0.0**

185. The table shows that in 2021/22, because of the changes, the County Council can make a contribution to the BBR to build the sum available for future years in line with the MTFS.

186. Local authorities are required to report a formal council tax requirement as part of the budget setting process and the recommendations to Council in this report show that the Council Tax Requirement for the year is £707,046,869.

Section O: Capital and Investment Strategy

187. Following consultation in 2017, CIPFA published new versions of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Treasury Management Code of Practice. In England, the Ministry of Housing, Communities & Local Government (MHCLG) published its revised Investment Guidance which came into effect from April 2018.

188. The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council, covering capital expenditure and financing, treasury management and non-treasury investments. The MHCLG's guidance includes the requirement to produce an Investment Strategy. The County Council's Capital and Investment Strategy (Appendix 9) has been prepared for approval by full County Council.

189. The Treasury Management Strategy (TMS), as referenced below and set out in Appendix 10, supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and treasury investments, and the associated risks.

190. The Capital and Investment Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

191. The County Council has previously reported these matters in separate reports relating to the Revenue Budget, the Capital Programme and the MTFS. In line with the latest statutory guidance, these inter-related issues are now brought together in one Capital and Investment Strategy.

192. This Strategy covers:

- Governance arrangements for capital investment.
- Capital expenditure forecasts and financing.
- Prudential indicators relating to financial sustainability (see paragraphs 193 to 195).
- MRP for the repayment of debt.
- Treasury Management definition and governance arrangements.
- Investments for service purposes, linked to the County Council's Commercial Strategy.
- Knowledge and skills.
- CFO's conclusion on the affordability and risk associated with the Capital and Investment Strategy.
- Links to the statutory guidance and other information.

Prudential Indicators

193. The Prudential Code that applies to local authorities ensures that:

- Capital Programmes are affordable in revenue terms.
- External borrowing and other long-term liabilities are within prudent and sustainable levels.
- Treasury management decisions are taken in line with professional good practice.

194. Some of the limits have been altered to reflect the revised TMS and Capital and Investment Strategy although this does not expose the County Council to any greater levels of risk.

195. Appendix 9 also contains the Prudential Indicators required by the Code for the County Council which will now be submitted for approval by the full County Council in setting the budget for 2021/22.

Section P: Treasury Management Strategy for 2021/22

196. The CIPFA Treasury Management in the Public Services: Code of Practice 2017 (the CIPFA Code) requires authorities to determine their Treasury Management Strategy Statement (TMSS) before the start of each financial year.

197. The County Council's TMS (including the Annual Investment Strategy) for 2021/22; and the remainder of 2020/21 is set out in Appendix 10 for approval and fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

198. The TMS has been reviewed in light of current and forecast economic indicators and it remains broadly unchanged from last year, albeit that it is now complemented by the Capital and Investment Strategy (Appendix 9), which is explained in Section O.

Investments Targeting Higher Returns

199. Given the stability of the County Council's cash balances there was the opportunity during 2016/17 to increase the allocation for investments targeting higher returns, allowing further diversification, increasing the overall rate of return and the income contributed to the revenue budget. In February 2019 It was approved that the allocation targeting higher yields increase to £235m from £200m and a further increase to £250m is recommended for next year partly to reflect the investments taken out on behalf of Thames Basin Heath and to provide extra flexibility given the added risk of negative interest rates at the short term end of the market.

200. The County Council's higher yielding investment strategy continues to perform well and figures reported as at the end of Month 9 (December) are outlined in the table below:

	Amount Invested £M	Rate 30/12/2020 %
Fixed Deposits	21.5	4.31
Pooled Property Funds	75.0	3.51
Pooled Equity Funds	50.0	4.46
Pooled Multi-Asset Funds	48.0	3.69
Higher Yielding Investments	**194.5**	**3.89**

201. There continues to be national debate about local authorities investing directly in commercial property, brought into sharp focus by the Covid-19 pandemic and both CIPFA and the MHCLG have previously expressed concerns about the potential risks, which resulted in the revision of guidance.

202. The County Council utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. Pooled funds are managed by external specialist investment managers who are best placed to select the particular investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building. This generates high returns without the need to prudentially borrow, without the risk of owning individual properties and with the security of a much larger and diverse portfolio than could be achieved by the County Council on its own, even with our scale of investments.

203. For the County Council our strategy towards external investments was clearly set out in the MTFS and in the TMS and our current approach is still considered to be appropriate and prudent and continues to deliver good returns.

204. Higher yields can be accessed through long-term cash investments (although this is currently less the case as yields have declined) and investments in assets other than cash, such as pooled property, equities and bonds. Non-cash pooled investments must be viewed as long-term investments in order that monies are not withdrawn in the event of a fall in capital values to avoid crystallising a capital loss. The table above shows that income yield has remained at a reasonable level despite the concern in the markets and the potential loss of income overall is already factored into our Covid costs and losses outlined in the earlier section.

205. When the County Council began to specifically target higher returns from a proportion of its investments, it also established an Investment Risk Reserve to mitigate the risk of an irrecoverable fall in the value of these investments. At the current time, given the medium to long term nature of the investments, it is unlikely that a capital loss would ever be realised, since the County Council would avoid selling investments that realised a capital loss.

206. Going forward however, changes to International Financial Reporting Standards means that capital gains and losses on investments need to be reflected in the revenue account on an annual basis. There is currently a statutory override in place for local authorities that exempts them from complying with this requirement for the next four years. However, given the greater future risk in this area it has been agreed that the County Council will continue to contribute towards the Investment Risk Reserve where possible to reach 2.5% of the total amount invested (in line with the recommendation of 2.5% for the general fund balance). The potential to make a further contribution will be reviewed at the end of the year.

Section Q: Consultation

207. A consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, Tt2021, to inform the overall approach to balancing the budget by 2021/22 and making the anticipated £80m additional savings required by April 2021.

208. The '*Serving Hampshire – Balancing the Budget*' Consultation that was carried out between 5 June and 17 July 2019 sought residents' and stakeholders' views on options for managing the anticipated budget shortfall.

209. The findings from the Consultation were provided to Executive Members and Directors during September 2019, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2019 on the MTFS and Tt2021 Savings Proposals. The results were also reported to Cabinet and County Council as part of the final decision making process and a summary is contained in Appendix 11.

210. Following the '*Serving Hampshire – Balancing the Budget'* Consultation a series of more detailed consultations have been undertaken, on some of the savings proposals included within the Tt2021 Programme. This second round of consultation helped to inform further detailed Executive decisions. Whilst technically all savings have been removed from the budget for 2021/22, where final consultations or further Executive Member decisions are still required, funding has been set aside within departmental cost of change reserves or corporate contingencies to continue to fund the service pending the results of the consultation and final Executive Member decision.

211. Specific statutory consultation was carried out with the business community on the budget proposals for 2021/22 and a summary of the key issues arising from this can also be found at Appendix 11 to this report.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

Links to previous Member decisions:	
Title	Date
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 / County Council – 7 November 2019
Medium Term Financial Strategy Update https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MId=6499&Ver=4	Cabinet – 14 July 2020 / County Council – 16 July 2020
Budget Setting and Provisional Cash Limits 2021/22 https://democracy.hants.gov.uk/documents/s60700/Nov%202020%20Financial%20Update%20Budget%20Setting%20-%20Cabinet%20FINAL.pdf	Cabinet – 24 November 2020 / County Council – 3 December 2020
Direct links to specific legislation or Government Directives	
Title	Date

Section 100 D - Local Government Act 1972 - background documents

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

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. **Equality Duty**

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation).
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it.
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. **Equalities Impact Assessment:**

The budget setting process for 2021/22 does not contain any new proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2021 Programme were considered in detail as part of the approval process carried out in Cabinet and County Council during October and November 2019 and full details of the Equalities Impact Assessments (EIAs) relating to those changes can be found in Appendices 5 to 8 in the October Cabinet report linked below:

http://democracy.hants.gov.uk/mgAi.aspx?ID=21194#mgDocuments

In some cases, further Stage 2 consultations were required, and this was reflected in the EIAs that were published at the time.

REVENUE BUDGET – LIST OF APPENDICES

1. Revised Budget 2020/21
2. Modernising Placements Programme
3. Highways Status Update
4. Final Cash Limit Calculation 2021/22
5. Proposed Departmental Service Budgets 2021/22
6. Proposed General Fund Revenue Budget 2021/22
7. Reserves Strategy
8. Section 25 Report from Chief Financial Officer
9. Capital and Investment Strategy 2021/22 to 2023/24
10. Treasury Management Strategy Statement 2021/22 to 2023/24
11. Consultation