HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	12 October 2021 4 November 2021
Title:	Medium Term Financial Strategy Update and Savings Programme to 2023 Savings Proposals
Report From:	Chief Finance Officer and Director of Corporate Operations

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Section A: Purpose of this Report

1. The purpose of this report is to consider the overall financial strategy for dealing with the budget gap to 2023/24 in light of the various options available to the County Council and to present the high level outcomes from the public consultation exercise on balancing the budget.

2. As part of that overall consideration, this report details savings proposals that have been submitted by Executive Members in meeting their initial savings targets as part of the Savings Programme to 2023 (SP2023).

3. The report examines the medium term financial prospects for the County Council to 2025/26 and takes the opportunity to update Cabinet on the financial monitoring position for 2021/22.

Section B: Recommendation(s)

It is recommended that Cabinet:

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

5. Confirms the current planning assumption that council tax and the social care precept will increase by the maximum permissible without a referendum, in line with government policy, will continue.

6. Approves the recommended approach to dealing with the anticipated £80m budget deficit, as set out in paragraphs 185 to 187.

7. Approves, subject to further consultation and executive decision making where necessary, the savings proposals in Appendix 3; after taking due regard of the consultation feedback and Equality Impact Assessments.

8. Approves further service specific consultations, where necessary, on the savings proposals set out in Appendix 3, prior to final decisions being made by Executive Members.

9. Restates and reinforces the requirement that should any savings proposal be rejected that alternative options to the same value will need to be developed by the appropriate department.

10. Notes the requirement for further essential health and safety and maintenance works within the older persons residential portfolio and the initial plan to prioritise a programme of full asset management plan surveys at a cost of £120,000 to be funded from the AHC cost of change reserve.

11. Notes the revised Commercial Strategy at Appendix 10 which includes an analysis of the Council’s income generation.

12. **Recommends to County Council that:**

    a) The mid-year report on treasury management activity at Appendix 2 be approved.

    b) The savings proposals in Appendix 3 be approved, subject to further consultation and executive decision making where necessary.

    c) Recurring funding of £7m is approved from 2022/23 to provide additional resources for the overall Highways Maintenance budget, with the flexibility for the Director of Economy, Transport and Environment to allocate this between Operation Resilience and the reactive maintenance budget as required.

    d) Investment of £1.7m in 2021/22, £2.4m in 2022/23 and £3.2m per year from 2023/24 onwards in Children’s Intensive Workers be approved, to be met from existing corporate growth funding allocations for Children Looked After.

    e) Capital investment of up to £22m is added to the capital programme in respect of younger adults extra care and the Woodcot Lodge discharge to assess facility to be funded by prudential borrowing with repayments accounted for within the proposed saving.

    f) Capital investment of £786,000 is added to the capital programme in respect of improvement works to the Formal Meeting Chamber, to be funded from cost of change reserves.

RECOMMENDATIONS TO COUNCIL

Council is recommended to approve:

a) The mid-year report on treasury management activity at Appendix 2.

b) The savings proposals in Appendix 3, subject to further consultation and executive decision making where necessary.

c) Recurring funding of £7m from 2022/23 to provide additional resources for the overall Highways Maintenance budget, with the flexibility for the Director of Economy, Transport and Environment to allocate this between Operation Resilience and the reactive maintenance budget as required.

d) Investment of £1.7m in 2021/22, £2.4m in 2022/23 and £3.2m per year from 2023/24 onwards in Children's Intensive Workers, to be met from existing corporate growth funding allocations for Children Looked After

g) The addition of capital investment of up to £22m to the capital programme in respect of younger adults extra care and the Woodcot Lodge discharge to assess facility to be funded by prudential borrowing with repayments accounted for within the proposed saving**.**

h) The addition of capital investment of £786,000 to the capital programme in respect of improvement works to the Formal Meeting Chamber, to be funded from cost of change reserves.

Section C: Executive Summary

13. In recent years it has become customary to present the Medium Term Financial Strategy (MTFS) for approval in the autumn alongside the strategic plan to deliver the savings required for the following two year cycle. The main focus of this report is therefore the plan up to 2023/24 and approval of the detailed savings proposals that will be pursued as part of the Savings Programme to 2023 (SP2023).

14. Further information in respect of the budget setting process for 2022/23 will be provided in December, which will support the setting of the precept in February 2022.

15. Given the scope and complexity of this report, key issues have been highlighted within the Executive Summary and track the structure of the report itself.

Section D – Contextual Information

16. The Covid-19 pandemic has transformed the environment in which local authorities operate, with wide ranging repercussions for service provision and the financial resources required to deliver services. The current forecast deficit position of £69m to the end of 2023/24 is approximately in line with the Council's reasonable best case scenario as of last July, reflecting the significant additional support forthcoming from government over the past year and supressed demand for social care services during 2020/21 due to the impacts of the national lockdown measures. However, there remain significant ongoing spending commitments associated with the pandemic and considerable uncertainty surrounding latent impacts on demand-led services now lockdown measures have been lifted, particularly in Children's Social Care.

17. In response to these pressures, the Council decided to levy the maximum permitted increase in the Adult Social Care (ASC) Precept in 2021/22 (3%), raising an additional £21m on an ongoing basis. The Government has not confirmed whether any further ASC Precept will be available to local authorities from 2022/23. The MTFS is predicated on the assumption that the Council will raise a further £29m of recurrent income from the ASC Precept over the next two years and this remains a key risk in the MTFS.

Section E - Budget Update

18. The Government announced in September that the 2021 Spending Review will set revenue and capital budgets for Government departments for a three year period (2022/23 to 2024/25) with a planned announcement on 27 October 2021. Until then, the Council is still in the position of having no visibility of its financial prospects beyond the current one-year spending review to March 2022. This has necessitated a further savings requirement for SP2023 of £80m in order that the Council can continue to operate within its current funding envelope. However, it should be noted that the Council's net budget is expected to increase by £80.8m between 2021/22 and 2023/24 after accounting for the savings requirement of £80m. The £80m savings will thus be achieved by containing inflationary and demand uplifts to affordable levels rather than reducing overall spending on services. Meeting this target on top of the £560m that has been removed from the budget to 2021/22 clearly represents a significant financial challenge.

19. The key risks in the MTFS forecasts include:
    - Changes to grant allocations or funding re-distribution not provided for within funding forecasts
    - Further increases in the ASC precept are not permitted beyond 2021/22
    - Growth in adults' and children's social care demand, ongoing pandemic-related spending and income losses are even greater than forecast

- Upcoming social care funding reforms result in reductions to income from client contributions which are not fully compensated by additional government funding for the care system
- Pay and price inflation exceed the provisions contained in the forecast, also impacting the Council's Capital Programme.

20. The Government announced its proposed reforms around adult social care in September, which includes a cap of care costs of £86,000 for individuals in receipt of care. This along with other measures will be funded by a 1.25% increase in National Insurance with a large part of the £12bn additional revenue being directed towards the NHS.

21. Whilst funding will be provided to local authorities to help meet the extra burden created by the by the cost cap, this does not address the long term growth pressures in social care costs, which the government states will continue to be met from general council tax, the adult social care precept and efficiencies. Whilst this does present a major challenge to the County Council, it does suggest that the adult social care precept will continue in some form.

Section F - 2021/22 Financial Monitoring

22. The latest in-year forecasts for all services predict pressures of £46.8m, of which £36.6m is attributable to Covid-related factors. In Adults' Health and Care, pressures of £16.1m are anticipated, primarily due to the cost of care packages required to support clients transferring from CCG-funded Covid beds into social care. Additionally, there has been a delay in delivering planned savings to reduce the cost of care packages. However, the Department expect that they can balance the bottom line across the MTFS period to 2024/25, with previously approved growth funding, without the need for additional resources.

23. In Children's Services, the Council continues to see significant growth in numbers of Children Looked After (CLA) and in average placement costs. The Department expects to face a cumulative unfunded pressure of £3.7m by 2024/25, after fully utilising its Cost of Change reserves in 2022/23. This is principally due to increasing demand for Home to School Transport, currently expected to reach £5.7m per year by 2024/25.

24. In mid September, the Home Office issued new guidance on funding arrangements for both support within Bridging Hotels and the support of longer-term resettlement for families evacuating from Afghanistan. The intention of this programme is that there would be no financial burden on local authorities and detailed analysis of the offer and local costs is in progress. As individuals resettled into Hampshire will have leave to remain, it is worth noting that all statutory duties of a County Council will apply as they would for any Hampshire citizen resident.

Section G – Transformation to 2019 and 2021 Programmes

25. Members will be aware that both the Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) Programmes had a longer delivery tail for some elements of the Programme. Combined savings of £45m still remain to be delivered, with delays totalling £25m being attributable to the impacts of Covid-19. Whilst sufficient resources have been set aside to cover this delayed implementation, the need to commence the successor programme will require twin-tracked delivery of change programmes, presenting a significant challenge for services.

Section H – Medium Term Covid-19 Impact

26. Additional spending pressures and delays to planned savings due to Covid-19 amounting to £103m are forecast across the MTFS period; a reduction of £1.1m on the predicted position reported in the summer. £32m unringfenced Covid tranche funding is available to contribute towards meeting these pressures, leaving a deficit of £71m to be funded by the County Council. Resources have been allocated to fully fund these pressures within the MTFS, following a review of non-specific grants, corporate cash flow provisions and contingencies in 2020/21.

Section I – '*Serving Hampshire – Balancing the Budget*' Consultation – Feedback

27. The County Council undertook an open public consultation called *Serving Hampshire – Balancing the Budget* which ran for six weeks from 7 June to the 18 July 2021. The public consultation sought residents' and stakeholders' views on options for managing the anticipated budget shortfall. Agreement that the County Council should continue with its financial strategy now stands at 45%, with the data suggesting that respondents are concerned about the implications of further service changes and charges. Respondents increasingly felt that the solution lies with central government, with 87% agreeing that the council should lobby for additional funding to deliver social care services. Generating additional income remains the most preferred approach to meeting the budget shortfall, with 70% of respondents ranking this option among their top three.

28. As the consultation feedback confirms, a number of different approaches are likely to still be needed to meet the scale of the financial challenge. Consequently, the County Council will seek to:

- **Continue with its financial strategy**, which includes:
    - **targeting resources** on the most vulnerable adults and children; and

    - **using reserves carefully** to help meet one-off demand pressures.

- **Maximise income generation** opportunities.
- **Lobby central government** for legislative change to enable charging for some services.
- **Minimise reductions and changes to local services** wherever possible, including by raising council tax by 3.99%.
- Consider further the opportunities for **changing local government arrangements** in Hampshire.
- Consider further the opportunities around **devolution of financial powers** in response to the Government's County Deal and levelling up agenda.

29. Over the Summer, stage 2 consultations have taken place with respect to Tt2021 Public Health savings. The Council received feedback from Public Health England and healthcare professionals around some of the savings proposals and discussions also took place with Public Health England about the nature of the changes and the rationale that sits behind them. In light of these discussions, whilst the County Council is currently reviewing the results of the stage 2 consultation which will be reported in due course, it is clear that further re-badging of spend to facilitate savings in Public Health is not possible. This leaves a shortfall of £3.672m against the Tt2021 savings target and in addition, it will not be possible to achieve the further £4.4m savings anticipated as part of the SP2023 Programme whilst delivering mandated Public Health outcomes. This leaves a £8.072m savings gap within Adults' Health and Care which is proposed to be met through a reduction in allocated growth funding, reflecting the lower levels of demand seen across 2020/21 and 2021/22 to date.

30. Following the consultation over the summer, initial proposals around Household Waste Recycling Centres (HWRCs) and School Crossing Patrols were reviewed in light of the results and other wider issues. As a result of this review and the availability of funding due to lower growth volumes during Covid-19, neither of these proposals will form part of the SP2023 Programme. Recurring growth funding from 2020/21 of £1.9m together with anticipated waste growth savings of £900,000 due to a range of factors will be used to achieve the overall savings target.

Section J – Impact Assessments

31. In keeping with good practice, the County Council has completed Equality Impact Assessments (EIAs) for all proposed service changes linked to its SP23 Programme. This information has been used to complete a cumulative assessment to identify groups likely to experience multiple disadvantages as a result of policy / service changes. The cumulative EIA in Appendix 9 identifies that 59% of EIAs could have at least one possible negative impact with age,

disability and poverty being the characteristics most likely to be impacted negatively. This is not unexpected as 75% of the County Council's budget and savings target relates to Adults', Public Health and Children's Services, which by their nature are targeted at Hampshire's older population, vulnerable and disabled children and adults and those who may need support due to living in deprived communities.

32. Therefore, it is expected that changes to these services will, to some extent and in various ways, impact certain protected groups. Where areas of multiple disadvantages have been identified, mitigation actions are in place and work is ongoing to understand the extent to which these are likely to reduce or remove negative impacts on specific cohorts. Further, more detailed assessments will be carried out for those proposals where there are stage 2 consultations.

Section K – Savings Proposals

33. The savings proposals that have been recommended for submission to Cabinet and County Council by Executive Members are contained in Appendix 3 and reflect the feedback from the consultation and content of the EIAs where applicable. All departments are predicting full year savings equivalent to their savings target. Some proposals for Adults' Health and Care require a longer period to 2024/25 to be fully delivered. However, the planned early achievement of other proposals will provide sufficient funding to cash flow the later delivery of savings. Appendix 3 indicates the proposals could impact around 146 FTE roles across the County Council. This reduction will be managed in a sensitive and planned way to minimise redundancies through natural staff turnover and redeployment opportunities.

Section L - Savings Programme 2023

34. The County Council's well documented strategy for achieving savings has been continued for the SP2023 Programme. The straight line methodology has maintained a high level of discipline and sustainability in the budget underpinned by corporate funding of growth pressures and a robust Reserves Strategy. If the County Council decided not to continue to look for savings across the social care departments, the budget trajectory would mean that there would only be enough funding to fund social care services by 2026/27.

35. Past enabling investment in IT has provided a solid platform on which to build and the decision to allow Departments to retain all their early delivery of savings has created vital resources that can be used for investment, implementation costs and cash flow support, which has been a key factor in the success of our programmes.

Section M – 2022/23 Budget Setting

36. The Budget Setting process for next year will follow the usual format with a budget update in December setting cash limits and headlines from the Comprehensive Spending Review, leading to Budget and Council Tax setting in February 2022.

Section N – Economic Development and Revenue Investment Priorities

37. Three priority areas have been highlighted for inclusion in the budget. A £7m annual increase in highways maintenance, one off and recurring funding of £3.2m per annum to retain Intensive Workers in Children's Social Care and asset surveys within Adults' Health and Care to develop a longer term view of maintenance requirements in our residential and nursing homes.

Section O – Capital and Investment Strategy

38. The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Treasury Management Code of Practice require local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. In addition, the MHCLG's investment guidance includes the requirement to produce an Investment Strategy. For the County Council, these are combined into a single Capital and Investment Strategy.

39. A review of capital priorities was started in 2019 but was suspended due to Covid-19, whilst this work will now continue, in some areas of the Council, the potential investment requirements are very different and this will need to factored in to the review.

Section P – Capital Programme

40. The Capital Programme is updated annually and whilst revenue contributions to capital, together with Government allocations provide some opportunity for new investment, there are no other major sources of funding that are available to address the significant capital needs across the County Council.

41. Prudential borrowing does provide an option for funding additional capital development, but one which then results in costs that have to be funded each year from within the revenue budget or from generating additional ongoing income streams. This approach is used prudently as supported by a strong business case. This report makes two recommendations on this basis to invest in younger adults extra care accommodation and the purchase of Woodcot

Lodge to support discharge to assess services and provide greater operational flexibility going forwards.

42. An investment in improvements to the Formal Meeting Chamber is also recommended to address key issues relating to the condition and suitability of the facility for its intended future use. It is proposed that these works are funded from cost of change reserves that include previous underspends against the budget for Members Expenses.

Section Q – Commercial Strategy

43. The County Council's updated Commercial Strategy outlines a piece of work, commissioned by the Chief Executive, which provides greater visibility at a strategic level of the opportunities and barriers in all traded services provided to other organisations. The output from this work will help to identify priority areas for focus in the coming years, together with any actions or investment required to remove barriers to growth and to continue to grow traded services in a sensible and sustainable way.

Section R – Reserves Strategy

44. 2020/21 saw an exceptional £112m increase in the Council's earmarked reserves, largely due to the short-term suppression of service growth as a result of Covid. Whilst this provides the authority with some additional short-term flexibility, there remain considerable long term demand and spending pressures, exacerbated by the pandemic, as well as planned draws on both departmental and corporate reserves to cash flow the Tt2021 and SP2023 programmes. While the overall level of reserves currently exceeds £0.7bn, it is a stark fact that when expressed in terms of the number of days that usable reserves would sustain the authority for it would be around 14. This highlights once again that reserves offer no long term solution to the financial challenges we face.

Section S – Strategy Beyond 2023/24

45. The Government's announcement in September that the 2021 Spending Review will cover the next three years will be helpful for future financial planning. However, the record levels of national debt resulting from the Government's response to Covid-19 will necessitate fiscal restraint into the future, particularly for unprotected departments such as MHCLG. The anticipated financial outlook means we must continue to assume that we will face a budget deficit of at least £40m per annum after a 3.99% council tax rise.

46. The recent Government announcement on Health and Social Care does not address the cost of growth in this area and could actually add to the financial burden if the costs of implementing the changes exceed the allocations of funding we receive from Government.

47. At this stage therefore we are still in the position that unless something is done to address the growth in adults' and children's social care, we are not financially sustainable in the long term as it is not possible to continually make reductions in services to meet growth costs in others.

Section T – Financial Resilience and Sustainability

48. The Covid pandemic has added to the sustainability issues which already confronted many local authorities, due to escalating demand pressures in both adults' and children's social care services. However, the County Council remains in a relatively strong financial position; delivering on its change programmes, keeping within cash limits and investing in continually high performing services. Nonetheless, if we are to remain financially sustainable beyond 2023/24 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.

Structure of the MTFS

49. The MTFS update contains a number of complex and linked issues and a table of contents has been provided below to aid navigation through the report:

Section O – Capital and Investment Strategy

Section P – Capital Programme

Section Q – Commercial Strategy

Section R – Reserves Strategy

Section S – Strategy Beyond 2023/24

Section T – Financial Resilience and Sustainability

Appendix 1 – Highways Status Update

Appendix 2 – Treasury Management Mid-Year Monitoring 2021/22

Appendix 3 – Proposed Savings Options

Appendix 4 – Equality Impact Assessments – Adults' Health and Care

Appendix 5 – Equality Impact Assessments – Children's Services

Appendix 6 – Equality Impact Assessments – Economy, Transport and Environment

Appendix 7 – Equality Impact Assessments – Culture, Communities and Business Services

Appendix 8 – Equality Impact Assessments – Corporate Services

Appendix 9 – Cumulative Equality Impact Assessment

Appendix 10 – Commercial Strategy

Appendix 11 – Reserves Strategy

Section D: Contextual Information

50. The Covid-19 pandemic has transformed the environment in which local authorities operate, with wide ranging repercussions for service provision and the financial resources required to deliver services. In this context, forward planning with any degree of certainty is extremely challenging. In July 2020, the Council was anticipating an increase in its budget shortfall of between £49m and £102m to the end of 2022/23 due to Covid-related demand and recovery costs, lost fees and charges and reductions to precept income.

51. The current forecast deficit position of £71m to the end of 2023/24 is approximately in line with the Council's reasonable best case scenario as of last July, reflecting the significant additional support forthcoming from government over the past year and supressed demand for social care services during 2020-21 due to the impacts of the national lockdown measures.

52. However, there remain significant uncertainties as to both the latent impacts of the pandemic on demand-led services, particularly Children's Social Care, and the funding environment in which local authorities will operate beyond the current year. The Fair Funding Review and increased local retention of

business rates, which were due to be introduced next year, have been set back further due to the pandemic. Furthermore, the record levels of national debt resulting from the government's response to Covid-19 will necessitate fiscal restraint into the future, particularly for unprotected departments such as MHCLG.

53. It is therefore crucial that the Council maintains its disciplined approach to financial management and budget planning, which involves planning ahead of time, through a two-yearly cycle, releasing carefully targeted resources in advance of need and using those resources to help fund efficiency savings.

54. This strategy has served the County Council, and more particularly its services and community well, as it has delivered transformation programmes on time and on budget with maximum planning and minimum disruption. It is also an approach that has enabled Hampshire County Council to maintain financial resilience throughout the pandemic whilst sustaining exceptional public services which continue to deliver for the residents of Hampshire.

55. Members will recall that single year Spending Reviews were undertaken in 2019 and 2020 due to the significant levels of economic and fiscal uncertainty associated with the UKs departure from the European Union and impacts of the Coronavirus pandemic respectively. The Government's decision to suspend multi-year budget planning and revert to annual spending rounds for most departments means that the prospects for local government finance beyond 2021 remain uncertain. SR2020 confirmed the baselining of existing grants across social care services, and provided a further allocation of £1.2m for adults' and children's social care. The MTFS assumes that these grants will continue at their current levels from 2022/23 onwards.

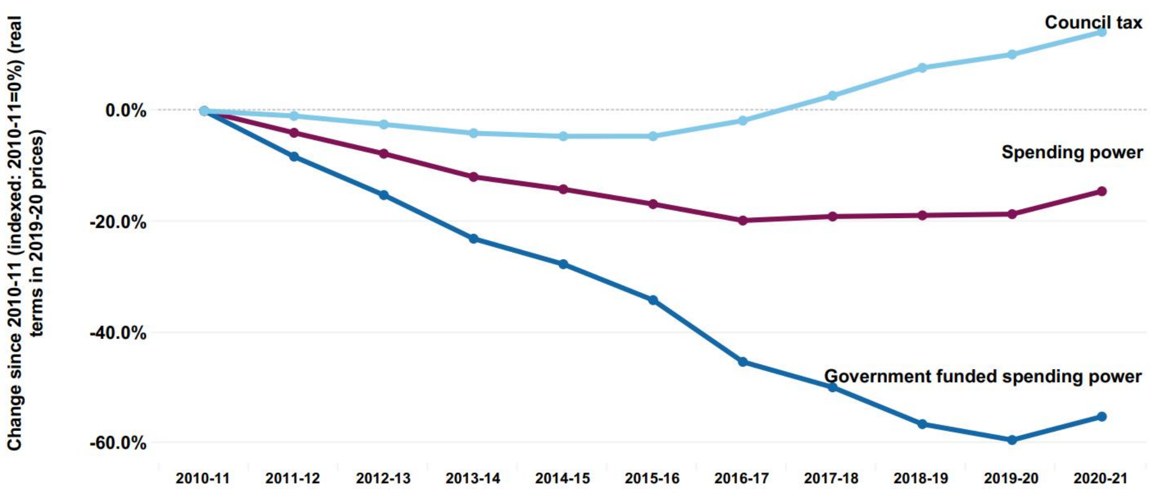
56. The 2020 Spending Round also provided local authorities with the flexibility to levy a 3% adult social care (ASC) precept with the option to defer some or all of the increase to 2022/23. The County Council decided to levy the full 3% permitted in 2021/22, raising an additional £21m on an ongoing basis. The Government has not confirmed whether any further ASC precept will be available to local authorities from 2022/23, but there are indications within the recent announcement on health and social care that this will be the case. The SP2023 savings requirement is predicated on the assumption that the Council will raise a further £29m of recurrent income from a 2% ASC precept over the next two years.

57. Longer term, the County Council is still in the position of having no visibility of its financial prospects beyond the 2021/22 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 cliff edge that we face at the end of every Spending Review period.

58. The prolonged period of tight financial control has led to significant reductions in government grant and the removal of funding that was historically provided to

cover inflation, coupled with continued underfunding for demand pressures. Revenue Support Grant, worth £158m to Hampshire in 2013/14, has not been received by the Council since 2019/20. This has contributed to a real-terms reduction in government-funded spending power of 55% since 2010/11. During this period, the County Council has also had to respond to inflationary and demand-driven increases in costs across all services, but in particular adults' and children's social care. Despite this, the Council has managed to maintain Council tax at the 3rd lowest level of any upper tier authority, absorbing a 15% reduction in spending power through transforming the way it delivers services.

Spending power and its components, 2010-11 to 2020-21 | Hampshire



Source: National Audit Office

59. One of the key features of the County Council's well documented financial strategy and previous savings programmes has been the ability to plan well in advance, take decisions early and provide the time and capacity to properly implement savings so that a full year impact is derived in the financial year that they are needed, albeit elements of more recent programmes have taken longer to deliver as they become more complex.

60. This strategy has enabled the County Council to cushion some of the most difficult implications of the financial changes which have affected the short term financial viability of some County Councils, with eight authorities having been granted exceptional financial support packages by Government in response to unmanageable pressures arising in 2020/21 and 2021/22. Furthermore, the County Council is accounting for the specific financial challenges arising as a result of the Coronavirus pandemic on a non-recurrent basis and expects to meet these challenges within the existing support package from Government, together with funding already set aside for this purpose. This is testament to the strength of the Council's underlying financial position owing to the success of its service transformation agenda and prudent financial management approach.

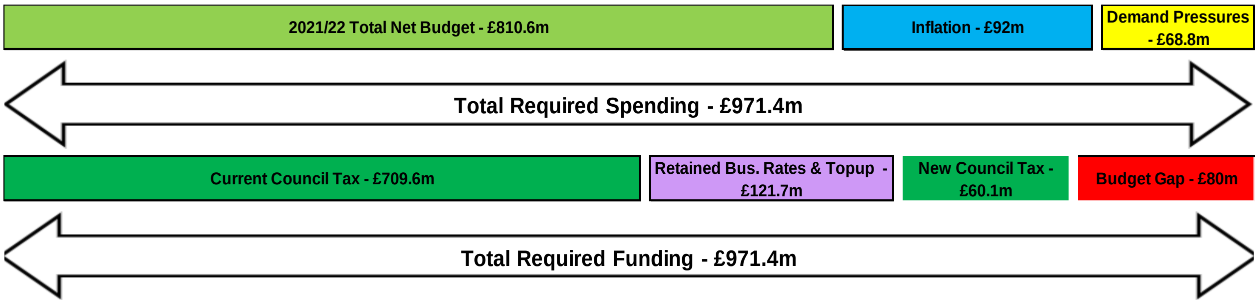
61. One of the most significant risks to the medium-term fiscal outlook, as noted by the Office for Budget Responsibility, relates to the potential legacy of the pandemic for spending on public services. The huge sums allocated to fight the

virus mean that departmental resource spending (RDEL) is expected to have risen by 36% (£122bn) in 2020/21. However, no provision for virus-related spending has been added to pre-pandemic plans from 2022/23. There is therefore potential for unbudgeted pressures to impinge upon RDEL spending in the 2021 Spending Review and beyond. These pressures come from a combination of the direct legacy costs of the pandemic itself on public services, the backlog of non-virus-related public service activities that have been postponed as a result of the pandemic, and the wider economic disruption brought about by coronavirus.

62. Since the start of the pandemic, the Government has reduced planned RDEL spending in 2022/23 by £14.3bn rising to £16.5bn by 2025/26 relative to the totals that it set out in the 2020 Budget. Given the multi-year settlements already allocated for protected departments, including the NHS, DfE and MoD, this implies increasingly tight budgets for non-protected departments such as MHCLG.

Determining the Council's Savings Requirement

63. The Council has calculated its budget gap for the two year period to 2023/24 as follows:



64. The 2021/22 net budget has been uplifted to account for inflationary cost increases, pressures arising from increased demand for services and any additional cost pressures which cannot be met within existing budgets, such as those arising as a result of changes in legislation. These adjustments are applied over a two year period to give the spending requirement for 2023/24.

65. The difference between the Council's spending requirement and available funding from Council tax and business rates, accounting for growth in the tax base and planned increases in Council tax, gives the total savings requirement, or funding shortfall. The demand pressures shown above includes the proposal that the Highways Maintenance budget is increased using the additional £7m precept income contributed by growth in the tax base, in order to address the impacts of this growth on the condition of the county's road network. Further detail is provided in Appendix 1 of this report.

66. It should be noted that the Council's net budget is expected to increase by £80.8m between 2021/22 and 2023/24 after accounting for the savings requirement of £80m. The £80m savings will thus be achieved by containing inflationary and demand uplifts to affordable levels rather than necessarily

reducing spending on services, although clearly in some areas that may still be a possibility.

67. The Council's overall savings requirement is allocated to departments in proportion to their base budgets for 2021/22. This approach has been taken by the Council for a number of years as it is considered to be the fairest and most straightforward method for allocating savings, taking account of the relative sizes of departmental budgets and therefore the potential to achieve savings in each area. The approach is discussed in further detail in Section L.

68. Departments have looked closely at potential opportunities to achieve the required savings and unsurprisingly the exercise has been extremely challenging because savings of £560m have already been driven out over the past eleven years, and the fact that the size of the target (a further 10% reduction in departmental cash limited budgets) requires a complete "re-look"; with previously discounted options potentially having to be re-considered. It has been a significant challenge for all departments to develop a set of proposals that, together, can enable their share of the SP2023 Programme target to be delivered.

69. The early opportunity assessment work for the SP2023 Programme featured in the *Serving Hampshire - Balancing the Budget* public consultation exercise that was carried out over the summer of this year. The consultation, on high level options for balancing the County Council's budget, was held to inform and shape the final savings proposals that would be presented to Executive Members, Cabinet and County Council over the autumn. The consultation was scheduled in order to provide sufficient time and capacity to implement the proposals as far as possible before April 2023, following further consultation where necessary.

Section E: Budget Update

70. Members will be aware that 2019/20 represented the final year of the previous CSR period and that single year Spending Reviews were undertaken for 2020 and 2021 due to the significant levels of economic and fiscal uncertainty associated with the UKs departure from the European Union and impacts of the Coronavirus pandemic respectively. However, the Government is expected to set departmental budgets for a three year period in the 2021 Spending Round which is due to take place in mid-autumn, with a planned announcement on 27 October 2021.

71. The 2021 Budget announced in March included between £14bn and £17bn per year in unspecified cuts to departmental budgets to 2024-25 relative to March 2020 totals. This implies increasingly tight budgets for unprotected departments from 2022-23, which includes MHCLG. In order to keep to the departmental totals set out in the March budget, spending in unprotected departments would need to fall by 1% in real terms between 2021-22 and 2022-23.

72. In recent years significant lobbying of the Government has been undertaken by Hampshire and the wider local government sector to ask them to address the financial pressures we are facing and convince them to provide an early indication of the financial position over the medium term. We are pleased to see that the Government plans to reintroduce multi-year budget planning however, the reforms to social care funding do not resolve the growth pressures that we still face and the CSR will need to address this issue to ensure local authorities remain financially viable over the medium term. The County Council will submit a response to the CSR highlighting this as the most significant issue by far.

73. Members will be briefed on the detail of the 2021 Spending Round following the Government's announcement. Members will recall that the key impacts of the 2020 Spending Round from a Hampshire perspective were:

- The baselining of existing grants across social care services.
- An extra £300m grant funding for adults' and children's social care services, of which Hampshire was allocated £1.2m.
- Core council tax of 2% and the flexibility to levy a 3% adult social care (ASC) precept with the option to defer some or all of the increase to 2022/23. The Council decided to levy the full 3% permitted in 2021/22, raising an additional £21m on an ongoing basis. The Government has not confirmed whether any further ASC precept will be available to local authorities from 2022/23. *The MTFS is predicated on the assumption that the Council will raise a further £29m of recurrent income from a 2% ASC precept over two years.*
- Additional funding for schools, totalling £2.2bn, which includes extra funding for Special Educational Needs (SEN) of £791m. Hampshire's overall share of the additional funding is £53m, including an increase of £17.5m in the High Needs Block. This funding will help to address the future growth in this area, but it does not provide a solution to the cumulative deficit position schools face at the end of 2020/21 of £35.4m.

74. Despite the additional resources and local taxation flexibilities provided in the budget, the cost pressures we face, particularly in adults' and children's social care services continue to outstrip funding growth. The additional social care grant of £1.2m plus the 3% adult social care precept has generated additional resources of around £22.2m for the County Council, but this must be measured against growth pressures and inflation across adults' and children's social care services which total nearly £54m for 2021/22 alone.

75. Overall therefore, the high level medium term forecast to 2023/24 requires the County Council to develop a savings programme that will deliver £80m. Meeting this target on top of the £560m that will have been removed from the budget by 2021/22 clearly represents a significant financial challenge, especially given the need for additional spending as we emerge from the Covid pandemic.

76. 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.

77. On 7 September, the Government announced its plans to introduce a Health and Social Care Levy from April 2022. This will be done by increasing National Insurance contribution rates for employees, employers and the self employed by 1.25%. The rate of dividend tax will also increase by 1.25% from 2022/23. These tax increases will raise £36bn over the next three years and will be ringfenced for health and adult social care. £5.4bn of the £36bn will be used to fund the capping of adult social care costs, with the rest going to the NHS. All of the funds raised will go to the NHS in 2022/23 (as the adult social care cost capping doesn't begin until October 2023).

78. The funding in this package will fund local government for the costs of the cap on adult social care costs, including the cap, increased capital limit, moving towards paying a fair rate of care and the associated implementation costs.

79. Note that these new taxes will not fund other adult social care costs for councils. The Government expects demographic and unit cost pressures in adult social care to continue to be met through council tax, the adult social care precept and efficiencies. This represents several risks to the County Council as not only does it not provide a sustainable funding solution for the growth in social care costs, but we may also receive less funding than required to deal with the costs of the cap.

80. The Government's policy paper indicates that public sector employers will receive some funding to compensate them for the increase in employer National Insurance costs which for the County Council (excluding schools) is around £2.75m

Risks in the Forecast

81. The national focus on the financial sustainability of Local Authorities, which has been heightened recently due to the well documented spending pressures placed on Councils due to the pandemic, serves as a reminder that a balance must be struck between producing a prudent forecast that takes into account known pressures and issues and then building in assumptions which seek to reduce the impact of budget reductions that departments are required to meet.

82. The County Council has always remained on the prudent side of this balance, which is evident when considering our position against the symptoms of financial stress as outlined in Section T. Our reserves and balances stood at more than £754m at the end of 2020/21. Whilst we fully understand that the majority of this is committed or earmarked for specific purposes (as referenced in Section R and Appendix 11), it still acts as a general barometer for the relative financial health of the County Council.

83. The forecasts set out in this Section have followed a similar process to previous years and the risks faced are also mostly common to previous MTFS positions, though the ongoing impacts of Covid on service demand and income losses present additional uncertainties. The two year position to 2023/24 presented in this report largely assumes a cash flat position for all government funding with the exceptions of council tax and the ASC precept, and specific grants where future year allocations have been confirmed.

84. The key risks within the forecast can therefore be summarised as follows:

- Changes to grant allocations or funding re-distribution disadvantage the Council following the Fair Funding Review and extended business rates retention (although there is no confirmation that this is being taken forward at this stage).
- The assumption of ongoing core council tax increases of 2% plus a further 2% for the adult social care precept.
- The assumption that there will be continued government funding allocated towards social care pressures at least at 2021/22 levels.
- That growth in adults' and children's social care demand is even greater than forecast.
- That latent impacts on demand for services resulting from the lockdown measures introduced during the pandemic are more significant or longer lasting than projected in the MTFS.
- That services face ongoing reductions to sales, fees and charges income due to permanent changes to consumer behaviours as a result of Covid.
- That upcoming social care funding reforms result in reductions to income from client contributions which are not fully compensated by additional government funding for the care system.
- Pay and price inflation exceed the provisions contained in the forecast. The local government employer offer of 1.75% exceeds the forecast assumption of 1%. If agreed at 1.75%, the consequent £2.5m pressure will need to be covered by general inflation contingencies and reviewed as part of future budget setting.
- That capital schemes cannot be delivered within existing budgets due to significant increases in the costs of raw materials and future climate obligations.

85. At this stage the £80m target remains an appropriate mid-case scenario on which to progress. If following the Government's next CSR this proves to be optimistic then we would seek to temporarily absorb the impact of any additional deficit through the use of reserves and then build the ongoing impact into the next savings programme.

86. However, it is appropriate to note that the medium term position currently leaves little capacity to absorb any shocks through the use of the Budget Bridging Reserve (BBR) which will be fully depleted by 2024/25. More detail is

contained in Section R, but it is crucial that planned savings are delivered in line with the timescales currently forecast and that all possible opportunities are taken to add to the BBR in order that we can avoid being pushed to abandon our successful financial strategy and have to deliver annual savings plans to balance the budget.

87. It must be reiterated that beyond 2023/24 without a significant change in the way in which growth in adults' and children's social care is funded, the County Council is unlikely to be financially sustainable since it is not possible to sustain that growth in demand and cost indefinitely.

Section F: 2021/22 Financial Monitoring

88. The County Council's success in delivering its savings plans to date has been consistently demonstrated by the fact that it has been able to contain expenditure within budget and has achieved underspends in each of the years since 2010/11, despite taking significant sums of money out of the budget. These underspends have been proportionate given the scale of the Council's finances, and have not been to the detriment of services, but they have provided invaluable investment to fund our successful change programmes, ranging from our innovative digital programmes to our investment in Intensive Workers in Children's Services.

89. 2021/22 represents a further milestone in this journey, given that a further £80m has been removed from budgets, taking the total to £560m since reductions in government grants began. This further level of reduction obviously increases the risk within the budget, and strong financial management is critical to ensure that all departments stay within their cash limits, that no new revenue pressures are created and that approved savings programmes are delivered.

90. In recognition of this risk 'financial resilience' reporting presented to CMT not only looks at the regular financial reporting carried out traditionally but also focuses on potential pressures in the system, implementation and delivery of the Transformation Programmes Tt19 and Tt21, and recently the extent of exceptional cost pressures due to Covid-19. The reports set out the projected departmental outturns across the period of the MTFS and the impacts of under or overspends on the Council's reserves position.

91. It is crucial that the Council continues to monitor the ongoing financial impacts of the pandemic, disaggregating these from business as usual factors as far as possible in order to fully understand how the Council's financial sustainability is likely to be affected moving forwards. The latest forecasts predict pressures of £46.8m, of which £36.6m is attributable to Covid-related factors. These pressures are arising primarily in Adults' Health and Care (£16.1m Covid pressures) and Children's Services (£23.2m of which £13.1m is Covid pressures).

92. During the year, the anticipated pressures and late delivery of savings will be met from a combination of departmental cost of change reserves, corporate cashflow support and a further £58.4m from the Covid response package, comprised of government grant (£32.2m) and corporate contingency (£26.2m). The medium term impact of growth in service demand is covered in more detail elsewhere within this report.

Adults' Health and Care

93. Last year the Adults' Health and Care department recorded a £30.6m underspend, largely due to additional financial support from NHS England and Hampshire CCGs to facilitate hospital discharge and also reduced demand for residential/nursing care and day services. An in-year pressure of £16.1m is expected, primarily due to the cost of care packages required to support clients transferring from CCG-funded Covid beds into social care. Additionally, there has been a delay in delivering previously planned savings to reduce the cost of care packages. The reason for the delay is twofold; project resources to deliver the savings were diverted to support the Covid-19 response effort and the Council's ability to affect the volumes and price of care has been impacted by the need to support the NHS in freeing up acute capacity.

94. The Council has seen a significant reduction in the occupancy of long-term beds within in-house care homes due to Covid. It is forecast that this reduction in client numbers has reduced the potential income from client contributions and the NHS through Funded Nursing Care by £2.9m. However, business as usual savings of £6.9m have been achieved within HCC Care due to repurposing a portion of the vacant beds to meet the NHS requirement for Discharge to Assess beds.

95. Furthermore, due to the department's focus on supporting NHS discharge over the past year, a backlog of community assessments has accumulated that now needs to be cleared. Additionally, significant pressure within the NHS and an increase in staff absences due to sickness and self-isolation have impacted social care workloads. As a result, additional staffing resource totalling £2.9m is planned to process outstanding assessments and provide further capacity to manage social care workloads. It is also expected that funding of £7.6m provided to the County Council by Hampshire CCG in 2020/21 will be reciprocated during 2021/22 in order to support the NHS in meeting their responsibility to provide Discharge Services.

96. The Department are currently predicting that they can balance the bottom line across the MTFS period to 2024/25 within previously approved levels of corporate support, including £40.2m to fund Covid-related pressures and delayed savings. However, this position assumes that the department is able to fully achieve £40.6m SP23 savings by the end of 2023/24.

97. The longer-term position for the Department is likely to present greater challenges than indicated by the balanced bottom line. There is significant risk of price increases due to the impact of shifting client preferences and the

corresponding availability of care provision, compounded by a gradual and sustained increase in demand following the pandemic. However, any further pressures that arise in-year are considered manageable due to:

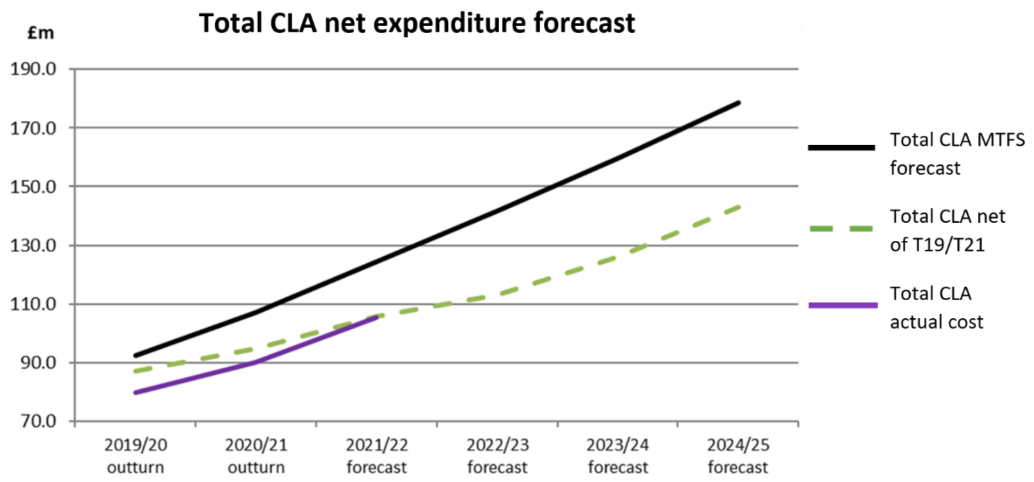
- Continued but reduced additional financial support from the NHS in respect of discharges
- Short term support from the Council's Covid-19 support package
- Demand for residential/nursing care and day services still not having fully recovered to pre-covid levels.

Children's Services

98. The Council continues to see significant growth in numbers of Children Looked After (CLA) and in average placement costs. As of March 2021, there were 1,662 CLA in Hampshire, an increase of over 24% during the six years from March 2015, making CLA the most significant area of financial pressure for the Council. Non-county placements (NCPs) remain a key area of concern, with a projected annual cost increase of £7.1m, or 21%, for 2021/22. The average weekly cost of NCPs is forecast to increase by 41% in two years from £4,175 as of April 2020 to £5,900 as of April 2022, mainly linked to increasing demand and limited supply in the market.

99. During 2020/21 the number of contacts received at the front door increased by 15% as compared to the previous year, however numbers of Children in Care and Children with Child Protection Plans showed correspondingly smaller increases of 3.4% and 5% respectively. As of August 2021, overall placement numbers have shown an upwards trend as compared to the same period in previous years. However, the increases are not currently tracking numbers of contacts at the front door, suggesting a reduced conversion rate which is partly attributable to the success of interventions by Intensive Workers as explained in more detail in section N.

100. The significant increases in net spend on CLA seen in recent years are forecast to continue to 2024/25, with the total net cost of the service expected to increase by nearly 50% in 3 years. As shown by the graph below, the service has been successful in delivering savings in excess of those budgeted since 2019/20. However, the outstanding Tt19 and Tt21 targets present the greatest challenge yet, with a reduction in the current trajectory of new CLA placements required next year in order to fully deliver these savings by 2023/24. This task is likely to prove yet more demanding as a consequence of the detrimental impacts of the prolonged lockdown measures on family settings.



101. As reported to Cabinet previously, projections of growth in the costs of CLA used to baseline corporate funding, were based on a wide range of assumptions and predictions and given the volatile nature of these areas, a requirement to continue to monitor activity and spend closely was recognised. This continued monitoring, undertaken by Finance staff and Children's Services colleagues, has informed a further review of the recurring funding previously agreed.

102. Across Children's Services, updated projections indicate that there will be growing financial pressure over and above that previously anticipated, which in 2021/22 is currently forecast to reach £10.2m (excluding Covid-related pressures). This is principally due to the ongoing use of agency staff to meet demand for social workers, investment in Intensive Workers (see Section N) and increases in spending on CLA. In-year, this additional cost can be met from the early identification of savings and Cost of Change reserves, and it is currently anticipated that Children's Services will be able to deliver a balanced bottom line at the end of the financial year.

103. The Council is also seeing increasing financial pressures in Home to School Transport, currently expected to reach £5.7m per year by 2024/25. The MTFS includes corporate growth funding of £0.9m per year, however the service is still expecting a net budget shortfall of £3m annually by 2024/25. The current demand model includes anticipated SEN Transport pupil growth of between 6 and 7% per year, linked to increasing numbers of Education, Health and Care Plans (EHCPs) which is also driving pressure on the High Needs Block of the Dedicated Schools Grant, discussed in further detail below.

104. Looking ahead to 2022/23 and forecasts for the MTFS, it is currently predicted that the corporate growth funding requirement for Children Looked After will be £13.8m in 2022/23 and £18.4m in 2023/24. A reduction in annual growth to £14.9m is expected from 2024/25 as the tail of additional referrals to Children's Services due to Covid subsides. It is therefore expected that the anticipated growth can be met within the current funding envelope, however there remains significant uncertainty around the longer term impact of Covid on CLA numbers.

105. The Department is currently assuming that Covid-related financial pressures, which amount to £13.1m in-year, will not persist beyond 2022/23 and will be fully funded within the existing financial response package. Notwithstanding the provision of additional corporate support, the Department expects to face a cumulative unfunded pressure of £3.7m by 2024/25, after fully utilising its Cost of Change reserves in 2022/23. This is principally due to increasing demand for Home to School Transport, as set out above.

Economy Transport and Environment (ETE)

106. The Department has two major demand led services which have historically faced pressures during the year; Waste Disposal and Highways Maintenance. These areas have also faced some of the most significant pressures due to Covid as discussed in the following sections. Additionally, the Department has had to underwrite bus operator payments based upon previous years' concessionary fares payments rather than actual usage to support the viability of bus operators as the country emerges from the pandemic.

107. The Highways Maintenance Service is facing unprecedented levels of demand and public contacts, which is placing significant pressure on the revenue maintenance budget and on staffing capacity. This is exacerbated by sharp price increases and difficulty securing supplies for construction materials due to the pandemic, increasing pressures on both maintenance budgets and the capital programme. Additionally, Highways Services have recorded a £4.3m pressure due to the financial impact of alternative payment mechanisms agreed with the contractor to recognise the additional costs of Covid-secure working practices.

108. The majority of Tt2021 savings for ETE were expected to be achieved in Waste Disposal, through ending the County Council subsidy to District Council recycling services and introducing charges for non-household waste deposited at Household Waste Recycling Centres. However, the waste savings programme is closely dependent on Government changes to the waste system, which have been delayed due to the pandemic, and which critically affect the relative duties of waste collection and disposal authorities. The waste savings are linked to a number of complex work programmes including waste contract efficiencies and the financial relationships between waste collection and disposal authorities, all of which have been impacted by the Covid-19 pandemic. This had resulted in an in-year pressure of £8m due to the late delivery of savings, of which £6.9m is attributable to the pandemic. Overall for 2021/22, the department forecasts a balanced position after applying corporate Covid funding and use of its cost of change reserve.

Culture, Communities and Business Services

109. The department is anticipating in-year pressures amounting to £1.6m, primarily due to a continuation of the significant reductions in income seen over the past year due to Covid. Key services affected include Country Parks, Outdoor

Centres and Registrations, although the income losses have been partially mitigated by an associated reduction in the costs of service provision. These losses are not currently expected to persist beyond 2021/22.

110. Late delivery of Tt2019 savings on Office Accommodation totalling £160k is anticipated due to the dependency on other workstreams across the Council and contractual commitments. Agreed corporate funding will offset the slippage in both 2021/22 and 2022/23 with detailed plans in place to achieve the full Tt2019 target when corporate funding ceases, following the vacation of Hampshire House and letting of Athelsten House, which have been possible due to the change in working practices and reduced need for accommodation driven by the pandemic.

Corporate Services

111. Successful implementation of the Tt2019 and Tt2021 Programmes and the anticipated early delivery of SP23 savings in 2021/22 is crucial to underpinning a strong financial position for Corporate Services over the medium term and in helping to maintain its capacity to support the wider organisation in delivering key service priorities.

112. However, successive budget reductions mean there is less scope to generate savings across the services and high levels of investment and resources are required over a longer time period to generate further savings. In addition, as a proportion of the savings for Corporate Services will be delivered through a reduction in staff, many of the proposals are likely to result in a change to the way in which other departments receive support from Corporate Services teams.

Summary – Cash Limited Services

113. All departments, with the exception of Children’s Services, are currently predicting that in the period to 2024/25 they will be able to manage the large scale investment required to deliver planned transformation activity, cash flow savings, and meet service pressures. Overspends are forecast for Children’s Services in 2023/24 and 2024/25, reflecting a range of pressures that the Department are working to address. These pressures, which total £3.7m, are over and above those already provided for through corporate investment and cannot be met through use of Cost of Change reserves which are expected to be fully utilised in 2022/23.

114. The financial position will continue to be reviewed throughout the remainder of the year and greater focus at the ongoing monthly meetings between the Director of Corporate Operations and the Directors of the social care departments will be placed on the robustness of future plans and any potential requirement for additional corporate funding. As the year progresses possible options to address any remaining pressure will be considered, and if necessary advanced as part of the ongoing development of the budget for future years.

115. It is worth reiterating that at this point in the year the forecasts themselves tend to concentrate on the more significant negative items without considering in depth other areas of potential underspend that could be used to offset them. Monitoring in the first half of the year therefore tends to the side of prudence and it is anticipated that this position may improve through a combination of continued positive management action in the pressure areas, underspends elsewhere and the use of corporate contingencies as appropriate.

116. As we move further through the financial year we will have a clearer picture of the likely outturn position for 2021/22 and strong financial management will continue to be a key focus to ensure that all departments stay within their cash limits, that revenue pressures are contained and that they deliver the savings programmes that have been approved.

Schools Funding

117. Members will be aware that for the most part spending in schools is met through a government grant called Dedicated Schools Grant (DSG). This is a ringfenced grant and can only be used for specific education purposes. Individual school budgets are allocated on a formulaic basis from the DSG and schools have delegated responsibilities to manage their budgets from within this allocation. In recent years, this has become increasingly challenging for some schools owing to a range of factors including increasing demands and the relatively low levels of funding received from government.

118. In past years, the overall Schools Budget has been managed through utilising DSG reserves where necessary in order to help balance budgets. In recent years however, there has been more and more pressure on the Schools Budget caused, in particular, by an increasing requirement for pupils with SEN, which exceeds the High Needs allocation within DSG.

119. Pressures on the High Needs Block 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. This is a pressure that is mirrored nationally and has been seen since the SEND reforms in 2014. There are also increases in the amount of funding required for each pupil on average due to increasing levels of need and these factors have created 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.

120. In 2020/21 there was a net overspend of £12.7m against the School Budget including a £15.8m overspend on the High Needs Block. This overspend has been added to the £22.7m brought forward deficit on the DSG Reserve. This deficit is forecast to increase in future years as a result of ongoing demand pressures. The deficit is ringfenced with the carried forward balance being met from future years' DSG funding; the view of government and the sector being that this should not place a pressure on resources required by other essential services funded from the Council's General Fund. Whilst this sum sits as a

'negative reserve' on the County Council's balance sheet it in effect represents an overdraft which will need to be addressed over the longer term.

121. Nationally, there are many councils in this position, all of whom were required to submit a DSG management plan to government in respect of the cumulative deficits in DSG, which are mainly the result of pressures in the High Needs Block. Whilst the County Council is complying with this requirement and discussing the situation with the Department for Education, it has made it clear that the only realistic chance of being able to address the deficit and underlying annual pressures in the long run is a combination of policy change and significant additional government funding.

122. The County Council continues to lobby the Minister for Education and local MPs for significantly greater funding for this area as part of the upcoming Spending Review. Additional High Needs funding has been received in recent years which has been welcomed. However, as highlighted in Section E, this has not been sufficient to address the future growth in the area and does not provide a solution to the cumulative deficit position.

Coroners Services

123. The financial position for the Coroners Services was broadly balanced for last financial year and the current forecast for 2021/22 is predicting a small underspend. However, activity levels are difficult to predict, more so since the pandemic as inquests are running approximately 12 months or more after the death occurred so the impact on staffing is only now beginning to emerge. The position will continue to be monitored and the forecast may change later in the year.

Afghan Evacuee Support

124. On the 13 and 17 September, the Home Office issued new guidance on funding arrangements for both support within Bridging Hotels and the support of longer-term resettlement for families evacuating from Afghanistan. These updates contain several welcome changes, however some changes have created uncertainty among Local Authorities, as outlined below. Among the key changes are that all families who supported UK troops and are arriving under the Afghan Relocations and Assistance Policy (ARAP) programme, as well as those arriving under the wider Afghan Citizen Resettlement Scheme (ACRS) will now have Indefinite Leave to Remain from arrival. Legislation is also being amended to ensure families can apply for Universal Credit at an earlier point in their journey.

Bridging Hotels

125. On the 17 September, the Home Office wrote to all Local Authorities with an offer of funding up to £28 per service user per day to deliver healthcare, welcome and ongoing support, policing and security, safeguarding as well as financial and employment support. Whilst the financial offer is welcomed, it

should be made clear that there is a challenge to support all areas covered within the proposed level of funding, and a particular challenge to support education on site, and to deliver the programme support that has been required, particularly during the setup of a new hotel. The sufficiency of the funding is currently being assessed.

Longer Term Resettlement

126. On the 13 September, the Home Office alongside the MHCLG wrote to all Local Authorities, both to update them on funding changes for the existing ARAP programme, and to launch the aligned ACRS. The funding package, now consistent across both schemes, has changed, and now covers:

- £20,520 to cover the local authority welcome, integration offer and provision of services over a three year period
- Up to £4,500 per child to cover education provision, subject to their age (year one only)
- £850 to cover English language provision, for adults requiring this support (year one only)
- £2,600 to cover health provision (year one only)
- The Home Office also agreed a further £20m fund of flexible funding in the current financial year (2021/22) to support local authorities with higher cost bases with any additional costs in the provision of services.

ACRS / ARAP	Year 1	Year 2	Year 3	Total
LA Tariff (per person)	£10,500	£6,000	£4,020	£20,520
Education (per child)	up to £4,500			up to £4500
English Language (per adult)	£850			£850
Health (per person)	£2,600			£2,600

127. It is expected that individuals will cover rental costs, and cost of living arrangements themselves using Universal Credit, Housing Benefit or other income, however this has resulted in a degree of uncertainty for those already in settled accommodation in Hampshire, and for those who are coming through in the next few weeks. The Home Office have stated that these costs can be claimed by Local Authorities “where necessary”. Further clarification on this point has been sought from the Home Office, and the County Council has stated that, if it is necessary to continue to fund these elements to ensure families are adequately supported, and to avoid issues such as rent arrears or cash issues while Universal Credit is being applied for, these costs will be reclaimed from the Home Office.

128. At this time, it is also not clear how additional education and health funding, which is designed to support access to mainstream health and mental health

services, will be accessed. There has also been significant delay in receiving details from the Home Office of families matched to properties. This means that, while 22 properties have been offered to date, a number of these properties have been accruing void costs while we await a family match. Void costs can be covered by the proposed funding, up to 56 days, but only once a family has been matched.

129. Therefore, while this increase in uncertainty does increase the risk, it is still the intention of this programme that there would be no financial burden as a result of the delivery of this programme and the Government has been quick to respond to issues raised by local authorities to date. As individuals resettled into Hampshire will have leave to remain, it is worth noting that all statutory duties of a County Council will apply as they would for any Hampshire citizen resident.

Non-Departmental Spending

130. As part of the budget monitoring process, a review is normally carried out of the non-departmental areas within the revenue budget, in particular the provisions for contingencies and the estimates for treasury management activity.

131. Given the ongoing volatility within the budget and the fact that the Covid-19 financial recovery package already places further pressure on corporate contingencies, it is not proposed to review these areas until the budget update report is presented to Cabinet in December.

Treasury Management Mid-Year Report

132. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management recommends that treasury management activity should be reported on at least twice a year against the strategy that has been approved.

133. Attached at Appendix 2 is the mid-year monitoring report for 2021/22 that sets out the borrowing and investment activity that has been undertaken to date and how this compares to the prudential indicators that were set for the year. In line with best practice, this report has been scrutinised by Audit Committee in September 2021 with no matters arising. Cabinet is asked to approve the report.

Section G: Transformation to 2019 and 2021 Programmes

134. Members will be aware that both the Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) Programmes had a longer delivery tail for some elements of the Programme. This has been extended further by the

impact of Covid-19 which switched resources from delivery of the Programmes to response and recovery over the last 18 months.

135. Directors are currently in the process of re-baselining the Programme once again so that formal reporting can begin against a new baseline for the second half of the financial year. This will also include the transfer to CCBS of the T21 target for Health and Safety and Emergency Planning as these services are now the responsibility of the Director of CCBS. Corporate Management Team have signed off a new reporting methodology that will concentrate on the outstanding elements of the Programme only, which breaks down as follows:

	Tt2019		**Tt2021**	
	Number of Proposals	**Value £'000**	**Number of Proposals**	**Value £'000**
Adults' Health and Care	2	2,839	5	25,985
Children's Services	1	4,654	4	3,133
ETE			3	8,349
CCBS	1	160	2	100
	4	**7,653**	**14**	**37,567**

136. Of the remaining Tt2019 proposals, Transforming Social Care within Children's Services is by far the biggest single item, accounting for over 60% of the outstanding Programme. Whilst there are understandably more outstanding items relating to Tt2021, £17.8m of the total relates to proposals within Older Persons and Younger Adults within Adults' Health and Care and £8m relates to the decision to delay changes to waste disposal arrangements due to the pandemic.

137. The one-off cash flow support to manage the original extended delivery timetable for the two Programmes is already contained within the budget and the additional funding to cover the longer timeframes due to Covid-19 are contained within the funding set aside for the medium term impact of Covid-19 as outlined in the next section.

Section H: Medium Term Covid-19 Impact

138. The delivery of Tt2019 and Tt2021 savings is expected to be delayed by £21.8m in 2021/22 due to the impacts of Covid and by a further £3.1m in 2022/23 as set out in the table below. Planned savings in Waste Disposal face the most significant Covid-related delays, amounting to £6.9m, due to the postponement of government changes to the waste system.

	2021/22		2022/23	
	Tt2019	Tt2021	Tt2019	Tt2021
	£'000	£'000	£'000	£'000
Adults	2,722	6,769	-	1,839
Children	2,161	3,133	629	614
ETE	-	6,901	-	-
CCBS	50	50		
Total	**4,933**	**16,853**	**629**	**2,453**

139. In Adult's Health & Care Services, the impacts of the pandemic have reduced the capacity of operational teams to deliver transformation programmes and the requirement to support the NHS in freeing up acute capacity has impacted the Council's ability to influence the volumes of care and prices paid. In Children's Services, Home to School Transport savings have been delayed due to operator availability, school closures and service capacity.

140. Additional spending pressures and delays to planned savings due to Covid-19 amounting to £103m are expected across the MTFS period; a reduction of £1.1m on the 2020/21 outturn position, mainly as a result of some early data that has been collected for the current financial year, albeit this will need to be further refined once the full impact of easing of restrictions from 19 July are known. £32m unringfenced Covid tranche funding is available to contribute towards meeting these pressures, leaving a deficit of £71.2m to be funded by the County Council as outlined below.

	2021/22 £000	2022/23 £000	2023/24 £000	Total £000
Slipped T19 and T21 Savings	21,786	3,082		24,868
Departmental Pressures	36,610	26,924	15,000*	78,534
Total forecast pressures	**58,396**	**30,006**	**15,000**	**103,402**
2020/21 Spare Grant	(8,203)			(8,203)
Covid Grant - Tranche 5	(23,979)			(23,979)
Total available grant	**(32,182)**			**(32,182)**
Updated Funding gap	**26,214**	**30,006**	**15,000**	**71,220**

* A pure guess at this stage but the assumption is that the spike in social care demand will eventually tail off and return to pre-Covid levels.

141. In July 2020 the Council agreed an initial £30m funding package to meet exceptional spending pressures resulting from the Covid pandemic which exceeded the financial support provided by central government. As the pandemic progressed, it became clear that the £30m allocation would not be sufficient to cover all necessary pandemic-related spending over the medium term.

142. A piece of work was therefore undertaken to review all potential sources of funding that could be applied to meet the total costs, losses and pressures, without any impact on approved plans and commitments. These miscellaneous items included historic unearmarked non-specific grants, provisions for the cash flow of Tt2019 and Tt2021 savings delivery, and an assessment of opportunities to release corporate funding through a review of contingency provisions in respect of inflation and risks in the budget.

143. The review identified a further £20m of ongoing resources to meet Covid pressures, recognising that drawing this funding would significantly reduce the County Council's ability to fund future pressures or investments and / or develop initiatives which, to date, has continued to be possible. It is therefore crucial that services continue to closely manage pandemic-related expenditure as we transition out of lockdown.

Section I: *'Serving Hampshire – Balancing the Budget'* Consultation – Feedback

144. The County Council undertook an open public consultation called *Serving Hampshire – Balancing the Budget* which ran for six weeks from 7 June to the 18 July 2021. The consultation was promoted to residents and stakeholders through a range of online and offline channels including: the County Council's website, social media channels, Hampshire Perspectives residents' forum and Your Hampshire e-newsletter; in County Council libraries and buildings and on electronic noticeboards in GP surgeries and healthcare settings; via media releases to the local TV, radio and written press; via targeted social media advertising; and through direct mail contact to a wide range of groups and organisations across Hampshire (such as district and parish councils, schools, voluntary and community sector groups and organisations, service providers), which promoted onward dissemination, as well as response. Information Packs and Response Forms were available in hard copy in standard and Easy Read, with other formats available on request. Comments could also be submitted via email, letter or as comments on social media.

145. The public consultation, which was similar in nature to those completed in 2017 and 2019, sought residents' and stakeholders' views on options for managing the anticipated budget shortfall. The options necessarily extended beyond cost reduction and income raising possibilities to areas such as council tax increases, possible legislative changes and the organisation (structure) of local government in Hampshire.

146. These additional options could help to inform the approach the County Council takes to delivering savings beyond 2023/24. With the public finances facing a further period of sustained pressure due to the pandemic necessitating the highest ever peacetime borrowing levels, it is almost certain that further savings will be needed in the future as the country enters a further period of fiscal restraint.

147. The headline findings of the consultation were provided to Executive Members and Directors during August, to inform departmental savings proposals which

are shown at Appendix 4. Equality Impact Assessments (EIAs), in the attached appendices, set out where Stage 2 consultations are required on specific proposals.

148. The consultation sought residents' and stakeholders' views on several options that could contribute towards balancing the revenue budget, and any alternatives not yet considered – as well as the potential impact of these approaches. The consultation was clear that a range of options would be needed to meet the required £80m savings by 2024. For example, the Information Pack illustrated the amount of savings that would still be required even if council tax was increased by up to 10%.

149. The options were:

- Reducing and changing services;
- Introducing and increasing charges for some services;
- Lobbying central government for legislative change;
- Generating additional income;
- Using the County Council's reserves;
- Increasing council tax; and
- Changing local government arrangements in Hampshire.

150. Information on each of the above approaches was provided in an Information Pack. This set out the limitations of each option, if taken in isolation, to achieving required savings. For example, supporting information explained that the £80m estimated budget shortfall took into account an assumed increase in 'core' council tax of 1.99% plus a further 2% for the ASC precept in both 2022/23 and 2023/24. The Pack also explained that if central government were to support changing local government arrangements in Hampshire, savings would still take several years to be realised. Residents were similarly made aware that the use of reserves would only provide a temporary fix, providing enough money to run services for around 14 days.

151. Therefore, whilst each option offers a valid way of contributing in-part to balancing the budget, plugging the estimated £80m gap in full will inevitably require a combination of approaches.

152. A total of 2,027 responses were received to the consultation – 1,931 via the Response Forms and 96 as unstructured responses through email, letter and social media.

Headline Findings

153. Headline findings from the consultation are set out below and the full findings report is also available:

- Agreement that the County Council should carry on with its **financial strategy** now stands at 45%, compared with 52% in 2019, and 65% in

2017. This involves targeting resources on the most vulnerable people; planning ahead to secure savings early and enable investment in more efficient ways of working; and the careful use of reserves to help address funding gaps and plug additional demand pressures (e.g. for social care).

- The data suggests that respondents are concerned about the implications of further service changes and charges and increasingly feel that the solution lies with central Government.

- Both data and verbatim comments indicate the respondents want the County Council to **lobby central Government** for further funding and to allow additional charging in a number of areas:

  - 87% agreed with lobbying for additional funding to deliver social care services for adults and children.
  - 69% agreed with lobbying for increased central government grant funding for libraries
  - 66% agreed with updating the 1964 Public Libraries and Museums Act to enable service modernization
  - 62% agreed with means testing/ charging for Home to School Transport (HtST)
  - 60% agreed with charging £10 for issuing an Older Person’s Bus Pass
  - 51% agreed with making change to the charging approach for non-residential social services

- However, there were exceptions, namely that:

  - Most respondents (52%) did not feel that it would be appropriate to lobby for charges relating to Household Waste Recycling Centres (HWRCs)
  - 47% disagreed (compared to 38% who agreed) that councils should be permitted to charge a 25% per journey fare for concessionary travel

- A clear majority of respondents (63%) agreed that the County Council should explore further the possibility of changing local government arrangements for Hampshire.

- No majority view was achieved for any of the other proposals, but the weight of opinion veered slightly towards agreement with:

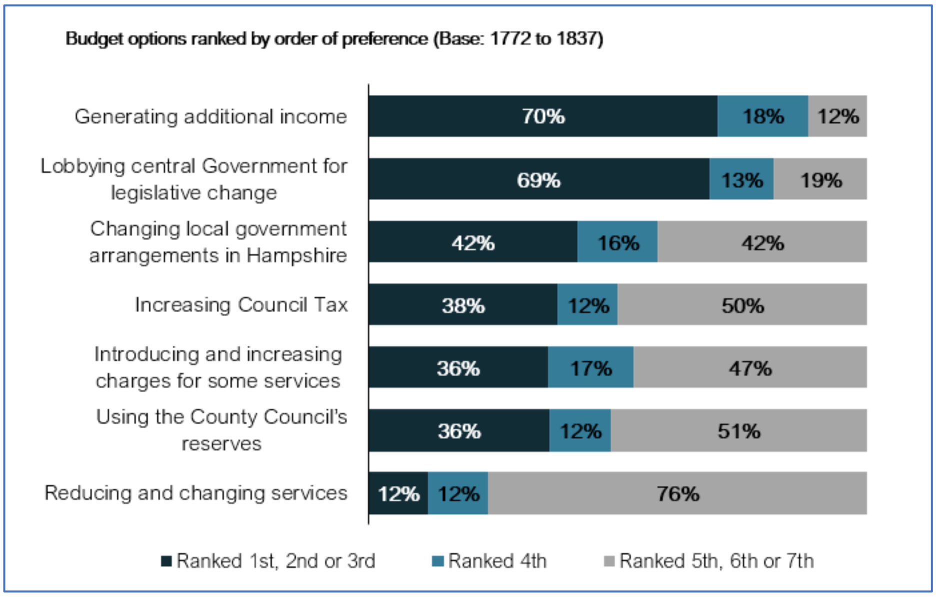
  - The position that reserves should not be used (48% agreement vs 42% disagreement);
  - That existing service charges could be raised (45% agreement vs 33% disagreement);

  And towards disagreement with:

  - Introducing new service charges (47% disagreement vs 41% agreement)
  - Reducing or changing services (49% disagreement vs 36% agreement)

- A slight majority of respondents (52%) preferred that the County Council raise **Council Tax** by less than 3.99%. This compared to 21% of respondents whose first choice was to raise council tax by 3.99% and 27% who would choose an increase of more than 3.99%.
- Suggestions for income generation most commonly related to charges that the County Council could apply. There was also frequent mention of changes to how Council Tax is collected, delivering efficiencies in Council services, ways that the Council could save costs to its operational budget, and suggestions that the County Council could improve its return on investments and adopt more commercial practices.
- Around half of respondents specified impacts that they felt would arise should the County Council continue with its financial strategy and approve the proposed options. Almost half of these related to the protected equalities characteristic of age (47%) – most often the effect on children and young people – with impacts on poverty (33%), disability (30%), and rurality (23%) also commonly mentioned. The potential environmental impacts were also noted in a third of the comments submitted (34%). The specific nature of the perceived impacts primarily related to reduction in service quality or availability and the personal financial impacts of increased taxation or charging.
- Efficiency savings were the most common focus of additional suggestions, incorporating staffing, contractor and Member costs, process efficiencies and more effective use of building space.
- The 96 unstructured responses to the consultation, submitted via letter / email or on social media, primarily focussed on the perceived impacts of the proposals, stating concern about reductions to services and the need to focus on reducing costs and lobbying central government for additional funding in preference to raising local taxes.

154. An important element of the consultation was seeking residents and stakeholders' views on the strategy for closing the County Council's budget deficit to 2023/24. The consultation outlined seven options for making anticipated savings and asked respondents to rank these in order of preference. The options were ranked as follows:



155. It is important that the Cabinet and County Council take the results of the consultation into account in determining the overall approach to balancing the budget by 2023/24. Consideration also needs to be given to the wider implications of pursuing any of the savings options.

156. The following paragraphs discuss the County Council's approach to the options consulted upon and set out how departments have taken headline findings into account when putting proposals forward for savings. It is also essential to remember that the County Council is legally bound to deliver a balanced budget and while fuller consideration must be given to the findings, that financial imperative remains.

157. **Generating additional income** – The departmental savings proposals set out in Appendix 3 include options for generating additional income. For professional and back-office services (such as Strategic Procurement, Finance & Pensions and Legal Services) new business has already been secured or is actively being pursued to increase income to meet the savings targets that have been set.

158. In Adults Services, the implementation of the Discharge to Assess model within HCC Care, the Council's in-house care and support service, will enable the Council to raise additional income through the provision of beds on behalf of the County's Clinical Commissioning Groups. This will allow the Council to achieve best value from its assets whilst also delivering positive outcomes for service users through improving the hospital discharge process.

159. Opportunities for generating additional income already form part of the savings proposals being put forward by departments to meet the £80m gap and are not therefore an alternative to the savings proposals but rather an integral part of them.

160. **Lobbying central government for legislative change** – The County Council is already actively pursuing this option and some of the key items are outlined in this report around social care services and SEN.

161. In addition to these proposed areas for new charges, the County Council is also lobbying for changes to central government funding and the regulatory framework around the way certain services must be provided. This includes:

- Additional funding to deliver social care services for adults and children
- Increasing central government grant funding for libraries
- Reviewing home to school transport legislation
- Changes to the charging approach for non-residential social services
- An update to the 1964 Public Libraries and Museums Act, to enable service modernisation.

162. As outlined above, these only offer a viable alternative option to the current plans for meeting the budget deficit if and when the changes in regulation take place, at which point the financial strategy can be reviewed.

163. **Changing local government arrangements in Hampshire** – In 2016, following devolution discussions across the county, the County Council commissioned an independent piece of work to look at the potential options for unitary local government across the whole of Hampshire and the Isle of Wight. This would in effect remove the district and county tiers of local government and replace them with a single unitary authority, or multiple unitary authorities, (like Southampton and Portsmouth) responsible for all local government services across Hampshire.

164. Following the review, the County Council asked residents for their views on options for possible local government reorganisation in Hampshire. Responses to the consultation indicated that views were divided on the principle of replacing the current council structure in Hampshire with a model of unitary government. In view of this feedback the County Council decided not to actively pursue local government reorganisation at the time, making a clear policy statement in favour of the status quo of two tier county government.

165. As part of the *Balancing the Budget* consultation, the County Council stated that its preferred position was to continue to avoid re-organisation, if possible. However, recognising that the County Council could be subject to external factors, and that restructuring local government remains a means of saving money in the longer term, residents were asked their views on this option as part of the consultation. More than half of those who responded (63%) agreed that the County Council should explore this option further – although it was ranked the third most preferred option overall.

166. In view of this feedback the County Council could still pursue this option. However, it currently remains the policy of Hampshire County Council to support the existing two tier arrangements, if possible. In addition, the scale of

the changes required to implement such a reorganisation means that it would be very unlikely that any significant savings would be generated by 2023/24.

167. Following publication of the government's 'Levelling Up' white paper, which is expected to take place in Autumn to coincide with the spending review, the government intends to begin discussions with local authorities regarding County Deals; bespoke arrangements for increased devolution to County areas. These Deals will grant counties the same powers which are currently held by metro mayors in areas such as transport, skills and economic support, in order to fulfil the distinct needs of individual places by bringing decisions closer to local people. County Deal bids can be led by upper tier or unitary authorities and therefore could be considered an option to provide greater flexibility, local accountability and additional funding for Hampshire, within the existing two tier local government structure.

168. The County Council is keen to pursue this as an opportunity and has expressed an interest to government and held initial discussions with officials. Work has been continuing with our District Councils and the neighbouring authorities of Southampton, Portsmouth and the Isle of Wight on what 'asks' we may have for a 'Pan-Hampshire' county deal and a draft prospectus is included in the first item on this Cabinet agenda, given the strong linkages to economic recovery following the pandemic.

169. **Introducing and increasing charges for some services** – The range of services that County Councils are able to charge for are, in the main, governed by legislation. However, in most cases there is local discretion as to how those charges are applied and the level of charges set.

170. Whilst the County Council could look to introduce and increase charges for some services it has to take into account the potential impact on service users and the fact that the majority of users already pay for many council services through their council tax. The savings proposals already include some recommendations for increasing charges, but in order to extend charging to some of the new areas identified by departments, legislative change would be needed.

171. The County Council continues to lobby the Government to allow greater freedoms and flexibilities to levy charges in the areas of:

    - Home to School Transport – The legislation and criteria for local authorities, which dates back to the 1940's, does not take account of modern living and is not means tested in any way.
    - Household Waste Recycling Centres (HWRCs) – The Government legislated to stop councils from charging for the general use of HWRCs, albeit that some charges can be levied for certain waste such as building materials.
    - Concessionary Travel – The ability to charge a nominal sum to service users would enable the County Council to increase access to public transport, at the same time as making financial savings.

172. The additional income that could be generated from being able to charge in these areas is potentially significant, but this is not currently possible without changes in legislation. While the County Council will continue to pursue these options, at this stage, other than those proposals already contained in Appendix 3, this option does not provide an alternative solution for closing the budget gap.

173. **Increasing council tax** – The majority of respondents (64%) put raising council tax by 3.99% as their second most preferred option overall which is consistent with the County Council's planned strategy to continue with council tax increases in line with government policy. However, the government has yet to confirm the Council tax referendum limits or availability of an additional ASC precept beyond 2021/22.

174. In 2016/17 the Government implemented a clear shift in council tax policy, with budgeted increases to local authorities' Core Spending Power predicated on the presumption that councils would put up their council tax by the maximum allowed each year. The introduction of an ASC precept allowed the County Council to raise an additional 6% council tax over the three years to 2019/20 to fund the increasing costs of adults' social care. The continuation of the ASC precept has been announced on an annual basis since 2020/21 and the Council has opted to increase the precept by the maximum permissible in line with government policy, in addition to general council tax increases of 1.99%.

175. For 2021/22, government provided local authorities with the option to levy an ASC precept of 3% and to defer some or all of the increase until 2022/23. In order to support its response to the pandemic, the Council chose to raise the full 3% in 2021/22. The budget position for 2022/23 onwards is predicated on the assumption that government will continue to allow councils to raise an ASC precept of 2% each year, however it should be noted that at this stage the government has not confirmed that any further increases in the precept will be permitted beyond 2021/22.

176. The consultation found that there was little support for increasing council tax beyond the 3.99% planned to help balance the budget and any council tax rise above the limit set by central government would require a public referendum, costing up to £1.5m. Given this position, and taking into account the result of the consultation, it is considered that a referendum seeking a council tax increase above the maximum currently allowed is unlikely to be successful. For every 1% increase in council tax, the County Council would receive approximately £7.1m per annum and to close the predicted budget gap of £80m through council tax alone would require an increase of over 11% in total.

177. In any event, the County Council must also take into account the wider financial and non-financial issues and the impact on council tax payers of any increase. Other factors which would argue against a referendum are:

    - The economy has been severely weakened by the pandemic and a large increase in council tax will impact disposable incomes, particularly for the lowest paid, reducing household spending and therefore damaging the economic recovery.

- Council tax increases disproportionately affect those with the lowest incomes who have been most severely impacted by the pandemic. The Council is committed to focussing support on those most in need and to preventing any further escalation in inequalities as a result of the pandemic.
- Billing authorities continue to change their Council Tax Reduction Schemes (which replaced council tax benefit) in a way that impacts on the lower paid / those on welfare benefits due to funding cuts and resulting affordability issues.

178. Decisions on council tax increases are made by full County Council in February each year but at this stage, given the points set out above, it is recommended that the County Council works on the assumption that the planned approach for council tax increases (broadly supported by the consultation results) will continue in 2022/23 and 2023/24 with the County Council increasing council tax by the maximum permissible without a referendum in line with government policy.

179. This position will be reviewed in light of any further national or regulatory changes, before the formal council tax setting process in the new year. However, the current position and associated timescales, mean that predicating delivering a balanced budget for 2022/23 on further council tax increases above those currently planned is not considered to be a viable option.

180. **Using the County Council's reserves** – Almost half of respondents (48%) agreed that the County Council should not use reserves to plug the budget gap. Respondents ranked this as their second least favoured option. This feedback reflects the County Council's current financial strategy which is to not use reserves as a means of closing the budget gap.

181. Such an approach would not be sustainable as recurring savings are required to bridge the budget gap over the long term. Instead, the County Council is using its reserves prudently to support the Covid response, invest in key service priorities and provide sufficient time to implement savings in a planned and sensible way, as outlined in Section R of this report and the Reserves Strategy set out in Appendix 11.

182. **Reducing and changing services** – Fewer than one in eight respondents (12%) agreed with the principle of reducing or changing services to help balance the budget. Overall, this was respondents' least preferred option, which reflects the fact that most residents value the services they receive from the County Council and do not wish to see them reduced or changed.

183. As the other options for saving money at this level, outlined above, do not provide viable options that would enable the County Council to plan with certainty to meet the projected deficit, the SP23 Savings Programme must inevitably include proposals which will lead to reductions and changes to

services. This is because local services represent the totality of spend within the County Council.

184. Reductions in services are a last resort and, wherever possible, the County Council seeks to limit the impact of any reductions on service users, although in some areas this can be difficult to achieve. Changes to services, even where they save money, can often be beneficial to service users through, for example, improvements in technology, new ways of accessing services and more efficient processes or systems which mean that more can be done but for less money.

Summary

185. As discussed above it is therefore recommended that the County Council's strategy for dealing with the £80m deficit should be to:

- **Continue with its financial strategy**, which includes:
  - **targeting resources** on the most vulnerable adults and children; and
  - **using reserves carefully** to help meet one-off demand pressures.
- **Maximise income generation** opportunities.
- **Lobby central government** for legislative change to enable charging for some services.
- **Minimise reductions and changes to local services** wherever possible, including by raising council tax by the maximum permissible (currently 3.99%).
- Consider further the opportunities for **changing local government arrangements** in Hampshire
- Consider further the opportunities around **devolution of financial powers** in response to the Government's County Deal and levelling up agenda.

186. The savings proposals put forward by departments are therefore submitted for consideration by Cabinet who are asked to make final recommendations to full County Council on these and the overall MTFS outlined in this report. These have been influenced by the consultation and notable changes that have been made as a result are included in paragraphs 188 to 217 below.

187. The Authority is also required to undertake any Stage 2 consultations where necessary prior to final decisions being made by Executive Members on these proposals.

Savings Programme 2023 – ETE Proposals

188. Waste disposal is a statutory responsibility of the County Council. Growth in waste volumes is largely driven by factors outside the control of the Council for example new houses being built and occupied every year, as well as changing

patterns of consumption (e.g. increase in home shopping resulting in extra cardboard and other packaging) as well as residents approaches to recycling and waste.

189. The County Council can exert some influence through waste minimisation programmes, however, it is recognised that waste levels have risen steadily in the past, and the external growth pressures referred to have been both significant in driving up waste volumes and largely unavoidable to date. Therefore the County Council has needed to make provision for these pressures, through a specific financial contingency, which is applied to the annual Waste cash limit each year to reflect the growth in waste volumes. The level of this contingency has been set to reflect waste growth projections, based on assumed continued growth in waste volumes and therefore costs.

190. The impacts of the Government's Resources and Waste Management Strategy are becoming clearer following further recent consultations and the continued passage of the Environment Bill through Parliament which is expected to receive Royal Assent later in the year. While some aspects are still to be finalised, there is clarity that the proposals will encourage additional recycling through requiring the collection by all relevant councils of a wider range of recyclable materials and the separate collection of food waste.

191. The combination of service changes associated to the government's national proposals and the local actions set out above means the County Council could now make more positive assumptions around the risk of future waste growth beyond any Covid-19 related increases, with a potential annual saving of £2.8m from reducing the level of the annual waste contingency provision referred to above of which £0.9m relies on a reduction in future waste growth.

192. The responses to the *Serving Hampshire – Balancing the Budget* consultation indicated a clear preference to retain the current HWRC service and opposed closing a number of sites to reduce costs. Residents also commented on the importance of retaining local facilities to support recycling efforts, which also contribute to helping tackle climate change and reducing carbon emissions. Therefore the original proposal to save £1.7m from closure of up to half of the Household Waste Recycling Centre (HWRC) network will not form part of the Department's SP2023 proposals being recommended to the Cabinet, with the saving being met instead from re-setting the County Council's assumptions about future waste growth, and reducing the corresponding financial provision by £2.8m (of which £0.9m relates to reduced future growth).

193. It is important to note however that the effectiveness of this measure, to help retain existing services in accordance with resident's priorities, will depend on restricting waste growth in future, which will depend on all households embracing greater recycling and reduced waste volumes, as well as changes in the collection systems and waste and recycling provision in Hampshire. If this is not successful, then the question of HWRC closures will clearly need to be reconsidered in due course.

194. A further proposal, to withdraw County Council funding for the School Crossing Patrol Service, is also now no longer being pursued. The service is one of the few remaining non-statutory services and the proposal to withdraw County Council funding and offer a managed service to schools and community groups at a price set to recover the full cost of providing the service could have realised savings of £1.1m.

195. The decision not to take this proposal further has been shaped by a number of factors. The pandemic has brought evidence of changing behaviours with increased popularity of walking and cycling, and the Government has made policy announcements on, and is providing funding to support, active modes of travel. In addition to these issues, it is clear from the public consultation, *Serving Hampshire – Balancing the Budget,* that there is strong public support for maintaining the School Crossing Patrols service.

196. School Crossing Patrols can play a part in underpinning this wider agenda and, on balance, it is therefore considered that the savings proposal in this area should not be pursued at this time. Instead, the current approach will be maintained with crossing patrols provided and funded based on the number of children crossing and the volume of traffic at the location. The saving originally identified in this area of £1.1m can now be met from the amended proposals for Waste Disposal (paragraph 192) to ensure the overall Departmental savings requirement of £10.266m can still be met.

Transformation to 2021 – Stage 2 Consultation on Public Health Proposals

197. In addition to the Balancing the Budget Consultation process for SP2023, the County Council has continued to undertake stage 2 consultations for Transformation to 2021 proposals. Final decisions on savings proposals are then considered by the relevant Executive Member before final implementation.

198. Over the Summer stage 2 consultations have been taking place with respect to Public Health savings and as a result of the feedback provided, it has been necessary to re-consider the position on Public Health as set out in the following paragraphs.

199. Since Public Health became part of local government's responsibilities in 2013, spend on public health has been met in full by a ring fenced grant provided by the government. Given this position, no savings targets had been set for Public Health up until the Transformation to 2021 Programme (Tt2021).

200. As part of the early planning of the Tt2021 Programme, it was anticipated that the ring fence for the Public Health grant would be removed and that Public Health spending would be treated in line with all other council spending and receive a proportion of the savings target for that programme.

201. It was highlighted at this time that there was a risk that the Public Health ring fence would remain and that it would therefore be difficult to achieve savings in

this area whilst maintaining the overall value of public health spend against the grant.

202. At the present time, the ring fence for the Public Health grant remains intact and there is no indication that this will be removed in the near future. In order to try to achieve the Tt2021 savings for Public Health of £6.8 million, it was agreed that the County Council would prioritise those services across the entire council that deliver Public Health outcomes. As a result it has been identified that the ring fenced grant would be used to fund parts of existing services, in particular in Children's Services and Adults' Health and Care, that still provided Public Health outcomes in line with the legislation and thereby reductions in current Public Health spending would be implemented. This process is known as re-badging.

203. Following a stage two consultation exercise on the proposed changes to Public Health spending for Tt2021, there has been feedback from Public Health England and healthcare professionals around some of the savings proposals and discussions have also taken place with Public Health England about the nature of the changes and the rationale that sits behind them.

204. It is the County Council's view in line with the legislation that the Director of Public Health and the Chief Financial Officer have responsibility for verifying that the ring fenced grant is used for appropriate public health outcomes in line with the legislation. The County Council is currently reviewing the results of the stage 2 consultation and this will be reported together with recommendations to the Health and Adults Social Care Select Committee and on to the Executive Member for final decision. We will continue to discuss the position with Public Health England in light of the overall consultation feedback.

205. Whilst this deals with the savings within Public Health services themselves, we have also received further clarification from Public Health England on what spend can legitimately be charged against the ring-fenced grant. In particular, they have stated that Public Health must be **primary purpose** of the expenditure, and that consequential health outcomes from other service spend are not admissible. Spend on Country Parks therefore could not be charged against the grant since the health benefits are consequential to the main purpose of the service provision.

206. Given this clarified guidance, officers have reviewed the potential options for re-badging of spend in other Departments and have concluded that re-badging proposals of only £3.128m are admissible against the total savings of £6.8m, meaning that there is effectively a shortfall of £3.672m against the Tt2021 savings proposals. This shortfall will apply irrespective of the eventual decisions made by the Executive Member following the consultation.

207. This re-badging represents the maximum that can be achieved against Public Health spend at the present time and therefore raises significant concerns about the proposed savings in Public Health spend for the SP23 programme as any further savings against the ring fenced grant can only be achieved if further

savings can be made against the mandated Public Health outcomes and that these can then be re-badged against other County Council services.

208. Given the current position of the Tt2021 Programme, the clarified guidance from PHE and the work already completed to look at legitimate re-badging opportunities, it is clear that it will not be possible to achieve any further savings from the Public Health budget for the SP2023 Programme.

209. This therefore means that in addition to the £3.672m shortfall highlighted above, there is a further £4.4 million gap in the achievement of savings within the Adults' Health and Care Department, making a total of £8.072m across the two programmes.

210. It is not considered feasible at this stage to propose that further savings within the rest of Adults Health and Care should be identified to make up this difference as their proposals already rely on a large proportion of new government grant funding in order to meet their target. Similarly, to try to redistribute this saving across all Departments at this stage would not be practical or fair and would be against the disciplined approach that has served the County Council so well over the past 11 years.

211. Members will be aware that the impact of Covid-19 on the care sector has been significant, not just in terms of dealing with the pandemic itself and all of the measures to control infections across both public and private sector homes, but also in respect the excess deaths in the older persons population and the impact of choices that individuals have made about going into particular care settings.

212. In financial planning terms, we have predicted that there will be a one off medium term impact of Covid-19 as a result of NHS funded clients coming across to the County Council and as a result of pent up demand within the system that is expected to start to flow through now that restrictions have been lifted. These impacts however are only expected to last over the medium term and one off funding has already been set aside for this up to the 2023/24 financial year, by which time, growth is expected to have returned to normal levels.

213. The other factor to consider is the impact on business as usual growth, which is currently forecast to be £13.5m per annum. During 2020/21 the growth money provided to Adults' Health and Care was not needed and was returned to the Corporate Centre as part of the year end position, but the recurring budget was retained within the Department. Since that time client numbers have continued to be affected by Covid-19 and detailed analysis of packages has been undertaken for the last 18 months to consider whether or not there has been a permanent 're-set' in the growth curve that would mean part of the growth funding could be given up on a recurring basis.

214. Whilst it is incredibly difficult to isolate the underlying trend in Older Persons social care growth across the two years, based on the analysis completed to

date, it is predicted that there is sufficient underutilisation of recurring growth across 2020/21 and 2021/22 to contain the £8.072m of required savings.

215. It is therefore proposed that the unmet Public Health savings totalling £8.072m are met from this recurring reduction in growth, which is in keeping with the discipline that every Department should meet its savings target in full as part of every savings programme.

216. It must be stressed however that this represents a reduction in demand pressures rather than savings in the cost of the Adult Social Care service itself. It is also important to note that this is a potentially high risk option given that it is difficult to predict with any certainty the future growth between now and April 2023 and be able to accurately separate trends from the temporary impact caused by Covid-19 factors.

217. Detailed monitoring of this position will continue to be undertaken by the Chief Financial Officer as part of the monthly financial resilience meetings that are held with the Director of Adults' Health and Care and should there be any significant change in the forecasts these will need to be re-considered by Cabinet and County Council with respect to the SP23 Programme.

Section J: Impact Assessments

218. In addition to the consultation process outlined above, a separate key part of the SP2023 Programme is ensuring that the County Council understands and gives due regard to the impact of the SP2023 savings proposals on people with protected characteristics.

219. The County Council has produced Equality Impact Assessments (EIAs) on all proposals for change that it is considering implementing, which are taken into account as part of the decision making process. This year, to aid transparency, the EIAs for all of the savings proposals were again published as part of the Executive Member reports and are also repeated in this report for completeness. Due to the number of pages involved these have been added in separate appendices as follows:

- Appendix 4 – Adults' Health and Care
- Appendix 5 – Children's Services
- Appendix 6 – Economy, Transport and Environment (ETE)
- Appendix 7 – Culture, Communities and Business Services
- Appendix 8 – Corporate Services

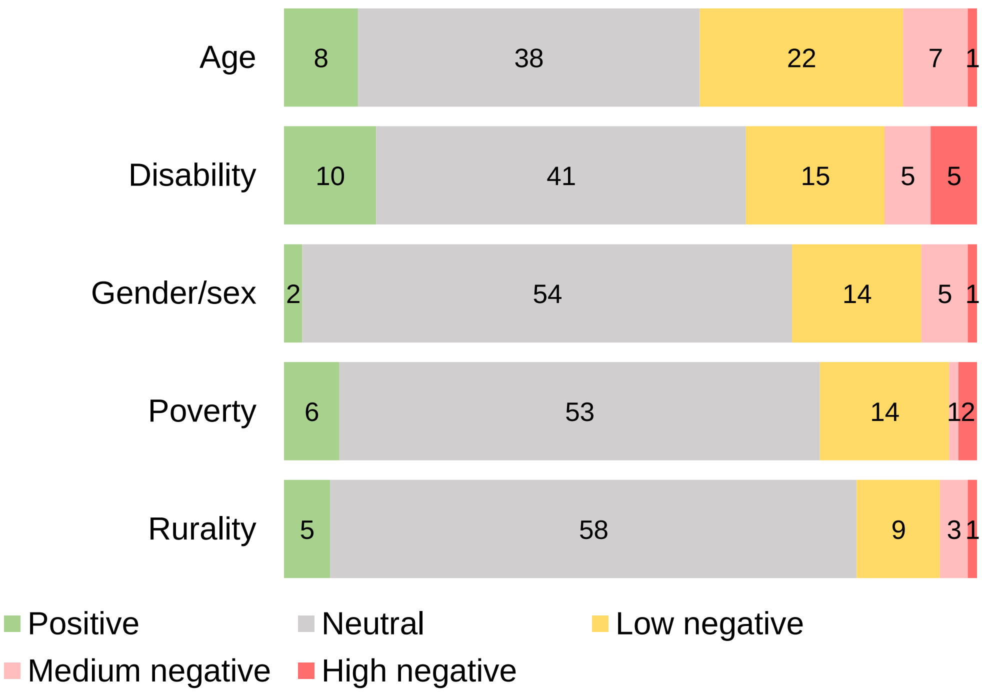
220. By the very nature of the services that the County Council provides, there are inevitably things that impact those people with protected characteristics. Whilst this does not mean that a proposal cannot be implemented, it does mean that the County Council needs to have an understanding, both individually and

collectively, of the impact on those groups of people and looks at ways of mitigating that impact.

221. For proposals where a Stage 2 consultation is required the EIAs are preliminary and will be updated and developed following this further consultation, when the impact of the proposals can be better understood. Due regard will be given to the equality impacts identified as part of the Executive decision making process to decide whether or not to implement the detailed proposals.

222. An analysis of the current impacts contained within the individual EIAs is shown in the following chart:

Level and type of impact per protected characteristic



223. The chart shows that the key characteristics most likely to be negatively impacted are age, disability, gender/sex and poverty. The high proportion of negative impacts relating to age and disability reflect that almost half the EIAs were in relation to proposed changes to services in Adults Health and Care and Children's Services, which account for over 75% of expenditure, with services that most frequently support young, older, and disabled people. Further work will be undertaken to understand the nature of these impacts and the possible mitigations, following specific Stage 2 consultations in these areas.

Climate Change Impact Assessment

224. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets

of being carbon neutral and resilient to the impacts of a 2℃ temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.

225. Given that this report deals with financial strategy it is difficult to assess any specific climate change impacts at this stage, but assessments will be undertaken for individual proposals, if appropriate as part of the implementation process.

Cumulative Equality Impact Assessment

226. Whilst the Public Sector Equality Duty (Equality Act 2010) requires public authorities to have due regard to equality considerations, councils are not mandated to conduct EIAs. Nevertheless, EIAs have become a common tool to facilitate and evidence compliance with the Equality Duty.

227. In keeping with good practice, the County Council has completed EIAs for all proposed service changes linked to its SP23 Programme as highlighted above. This information has been used to complete a cumulative assessment. This considers the potential impacts of savings proposals holistically and, in so doing, seek to identify groups likely to experience multiple disadvantage as a result of policy / service changes.

228. The cumulative EIA is set out in Appendix 9 and is based on the 75 EIAs completed by the 8 September 2021. As savings proposals mature due to further consultation or detailed planning, EIAs will be updated and the cumulative EIA may be reviewed further.

229. As Appendix 9 details, the headline results from the cumulative EIA are as follows:

- 58% of EIAs could have at least one possible negative impact.
- 30% indicated that proposals could have a neutral impact on people from key characterstic groups
- 12% suggested changes could have a solely positive impact
- Age, disability and poverty were the characteristics most likely to be impacted negatively.
- Age and disability, age and gender/sex, and disability and poverty were the most common groupings where savings proposals had medium or high negative impacts on more than one characteristic.
- Proposals tended to impact children, young people and older people more than the core adult demographic; females more than males; and deprived individuals more than communities. A range of disability cohorts were likely to be impacted.

230. The cumulative assessment needs to be considered in the context of Hampshire and the nature of the services that the County Council provides. Hampshire is:

- one of the ten largest counties by land area (approximately 1,400 square miles) comprising both large rural areas and several dense conurbations;
- 85% rural, with over a third of the county within National Parks or Areas of Outstanding Natural Beauty;
- the 16th least deprived upper tier council in the country – yet 40 neighbourhoods are in the 20% most multiple deprived areas in England;
- expected to grow to more than 1.5m people by 2026 (currently 1.4m);
- experiencing an ageing population – with people aged 70+ forecast to increase by 15% between 2019 and 2026, to 262,560 people;
- predominantly white British – 91.8% of residents compared to 79.8% nationally;
- home to 1,662 children in need of care (1,593 in March 2018).

The County Council spends around £2.3bn a year on serving Hampshire's population. Excluding spend on schools, the County Council's annual budget by service is as follows:

	£m	%
Adults' Services	357	43.4%
Public Health	52	6.3%
Children's Services	215	26.1%
Highways, Traffic and Transport	56	6.8%
Waste Disposal	43	5.2%
Corporate Services	52	6.3%
All Other Services	48	5.9%
	823	100%

231. As the table above illustrates, three quarters of the total annual budget is spent on Adults' Services, Public Health and Children's Services. It is also from these services that the majority of the required £80m savings are proposed to be achieved (£61.9m). If the County Council tried to protect these services, savings equivalent to 40% of the budget would need to be found from the remaining areas, which would not be sustainable given the reductions made to date.

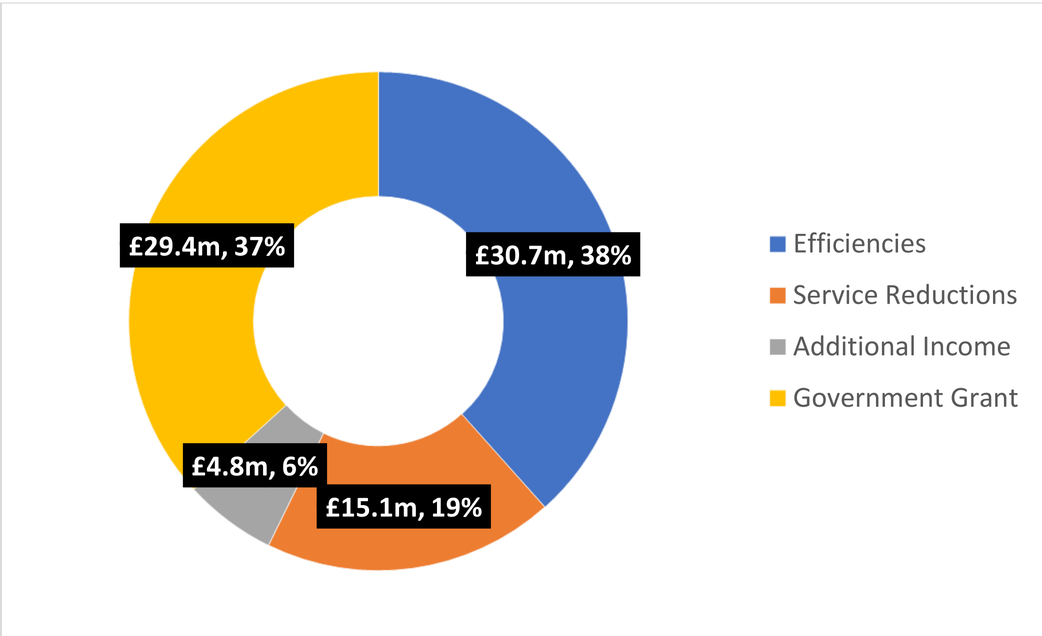
232. Adults' Services, Public Health and Children's Services are, by their very nature, targeted at Hampshire's older population, vulnerable children and adults, and those who may need support due to living in deprived communities. Therefore, it is expected that changes to these services will, to some extent and in various ways, impact certain protected groups.

233. Where areas of multiple disadvantage have been identified, mitigation actions are in place and work is ongoing to understand the extent to which these are likely to reduce or remove negative impacts on specific cohorts.

Section K: Savings Proposals

234. The savings proposals that have been put forward by departments as part of the SP2023 Programme and have been recommended for submission to Cabinet and County Council by Executive Members are contained in Appendix 3 and reflect the feedback from the consultation and content of the EIAs where applicable.

235. Analysis of the savings options by type shows that there is a mixture of proposals across departments which breaks down as follows:



236. The chart shows that whilst the County Council continues to drive out efficiencies, an increasing proportion of the savings requirement (43%) is expected to be met from increases in sales, fees and charges income and additional government grants. This highlights the reducing potential to achieve further transformational savings and increased reliance on favourable government funding settlements for the Council. It is therefore crucial that the Council continues to use every available channel to lobby government for fairer funding.

237. Cabinet will be aware that the target for departmental savings is £80m. The total savings targets for each department, compared to the proposals that are

expected to be delivered (in cash terms) in 2022/23, 2023/24 and the full year impact, are as follows:

	Target	**2022/23**	**2023/24**	**Full Year**
	£'000	**£'000**	**£'000**	**£'000**
Adults' Health & Care	40,556	10,134	38,160	40,556
Children's – Non-Schools	21,349	2,636	21,149	21,349
CCBS	3,361	1,666	3,361	3,361
ETE	10,266	100	10,266	10,266
Corporate Services	4,468	1,839	4,468	4,468
Total	80,000	16,375	77,404	80,000

238. Members will note that all departments are predicting full year savings equivalent to their savings targets, but the timing of delivery varies from department to department, with savings for some proposals not expected to be fully delivered in Adults' Health and Care until 2024/25. This is due to the longer term nature of the changes being implemented and the supporting capital investment required. The shortfall in 2023/24 is more than offset by the planned early delivery of savings in 2022/23. For all services, savings that are achieved early are added to departmental cost of change reserves and these can be used to cover any shortfall in 2023/24. The position will be monitored closely by CMT to ensure that the delivery of savings remains on track as far as possible.

239. Delivery of the savings will also impact the County Council's workforce, and where applicable the proposals in Appendix 3 indicate the estimated number of staff who may be affected by the change in service, expressed as Full Time Equivalents (FTE).

240. In total, this would mean that the SP2023 Programme could impact around 146 FTE roles across the County Council. Whilst this is a significant number it needs to be considered against the total savings programme of £80m, which even at an average salary plus on-costs of £45,000 would require the loss of well over 1,750 jobs to meet the full target, and in the context of a total workforce of more than 9,900 FTE (excluding schools).

241. The County Council has an excellent track record for handling reductions in staffing numbers in a sensitive and planned way, keeping the number of compulsory redundancies to a minimum through our voluntary redundancy schemes (which have helped maintain staff morale) and natural turnover (which for Hampshire averages in the region of 15% per annum, although reduced to 11% for 2020/21) and this will continue as part of the SP23 Programme. The County Council has also been successful in looking at options for re-deployment of staff as it grows its businesses in other areas and increases in the workforce are required.

242. In the past, any voluntary redundancy costs have been met by departments, up to the value of compulsory redundancy costs, with any enhancement being met from the Organisational Change Reserve (OCR). The OCR includes a provision of £2.6m for the cost of these enhancements. At this stage it is considered that this will be sufficient to cover any additional costs.

243. Cabinet is requested to consider and approve the savings proposals detailed in Appendix 3 for submission to the County Council, having given due regard to the consultation feedback and the EIAs.

Section L: Savings Programme 2023

244. One of the key features of the County Council's well documented financial strategy and previous savings programmes has been the ability to plan well in advance, take decisions early and provide the time and capacity to properly implement savings so that a full year impact is derived in the financial year that they are needed, albeit elements of more recent programmes have taken longer to deliver as they become more complex.

245. This strategy has enabled the County Council to cushion some of the most difficult implications of the financial changes which have affected the short-term financial viability of some Council's, as well as allowing it to meet the additional spending commitments arising as a result of the Covid pandemic within the existing support package from Government.

246. It is recognised that each successive savings programme is becoming more difficult to deliver as the potential to achieve further permanent cost reductions through early intervention and demand management and prevention approaches is reduced. Given the level of savings already achieved and the shortened timescales for delivery, the SP2023 programme will focus primarily on services that may be reduced or stopped rather than on driving further transformative change, although opportunities for transformation, efficiencies and income generation will of course continue to be pursued. Additionally, the substantial overlap between the Tt2021 and SP2023 programmes as a result of the delayed implementation of savings during the pandemic, will place additional resource pressures on services, making the delivery of further savings yet more challenging.

247. The Council's overall £80m savings requirement has been allocated to departments in proportion to their base budgets for 2021/22 as follows:

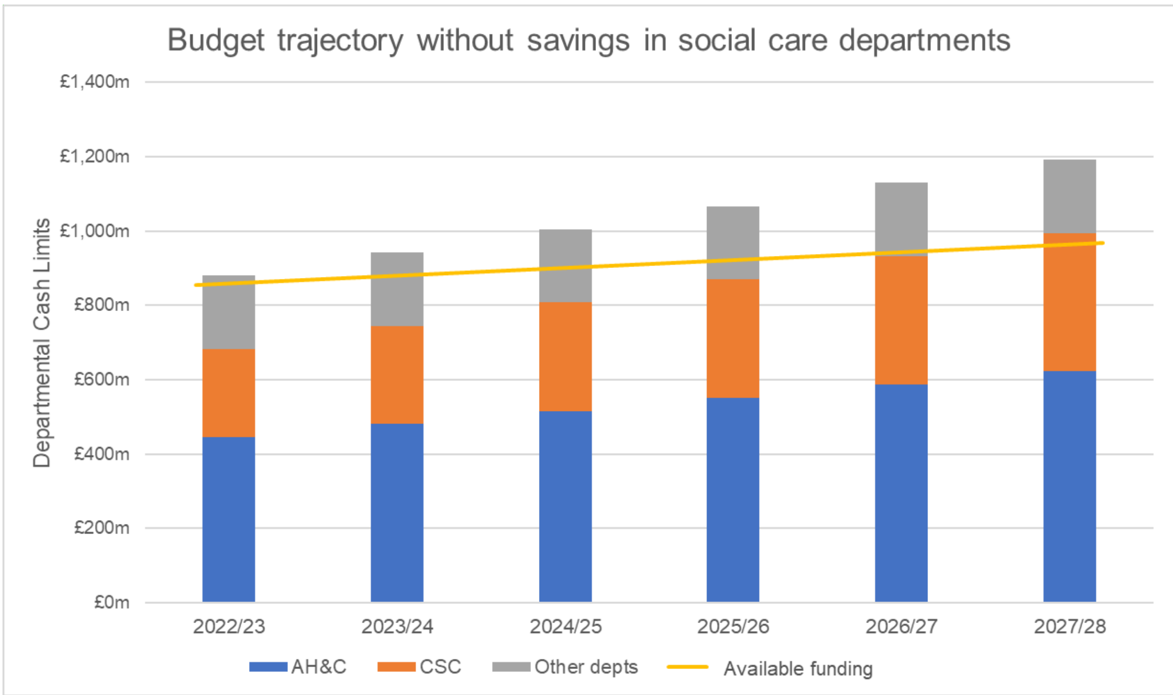
Department	2021/22 cash limit* '£000	% overall cash limit	Savings requirement '£000
Adults' Health & Care	409,747	50.7%	40,556
Children's Services	215,699	26.7%	21,349
Economy, Transport & Environment	103,718	12.8%	10,266
Culture, Communities & Business Services	33,958	4.2%	3,361
Corporate Services	45,144	5.6%	4,468
	808,266	**100%**	**80,000**

*Excludes office accommodation budgets totalling £16m

248. This approach has been taken by the Council for a number of years as it is considered to be the fairest and most straightforward method for allocating savings with the following key advantages:

- It takes account of the relative sizes of departmental budgets and therefore the potential to achieve savings in each area
- It ensures that non-social care departments are not required to make drastic cuts to service provision in order to protect the much larger social care budgets
- It avoids the need for protracted discussions to agree the apportionment of departmental savings targets, freeing up time for service management to focus on planning and delivering savings

249. The following graph illustrates why it is not possible to fully protect social care budgets due to expected growth in the costs of service provision as a result of inflationary and demand pressures outstripping increases in funding through raising Council tax. This means that, if the Council were to cut spending in non-social care departments only, it would not be able to provide any services other than adults' and children's social care by 2027/28.



250. Departments have looked closely at potential opportunities to achieve the required savings and unsurprisingly the exercise has been extremely challenging because savings of £560m have already been driven out over the past eleven years, and the fact that the size of the target (a further 10% reduction in departmental cash limited budgets) requires a complete “re-look”; with previously discounted options potentially having to be reconsidered. It has been a significant challenge for all departments to develop a set of proposals that, together, can enable their share of the SP2023 Programme target to be delivered.

Cash Flow Support and Enabling Investment

251. The announcement of a further single year Spending Review covering the period to March 2022 has placed the County Council in a very difficult position in terms of future financial planning. Given the lack of any certainty after this period, the County Council has had no choice but to assume that savings required to meet a two-year gap of at least £80m will be required by April 2023 as we cannot take the risk of delaying the programme until 2024. Furthermore, the financial constraints created by Covid-19 at that time meant that there was unlikely to be any funding available to cash flow a savings programme beyond April 2023.

252. Whilst SP2023 represents an immense challenge, the County Council does have significant capacity, capability and experience to tackle the task, highlighted by its track record to date. As tough as the forward agenda is, we know that the County Council is as well placed as any other local authority to deliver on the continuing financial challenges that apply in the sector and crucially to make the necessary investment required.

253. The previous Tt2019 and Tt2021 Programmes have benefited from substantial corporate investment in enabling measures, particularly in the areas of a new digital platform and a range of IT development that sits on it and other existing systems. However, due to the levels of financial risk facing the Council and the depletion of corporate contingencies due to Covid, the SP2023 Programme will not be supported by an overarching investment package. However, due to strong financial performance achieved by services in recent years, which has seen most departments maintain healthy Cost of Change reserves, there remains potential for departments to use their financial resources to support implementation of the SP2023 Programme including IT enabling investment where required.

254. AH&C, ETE and CCBS are currently expecting to invest a total of £11.2m over three years in SP2023 enabling projects. For Adults Health & Care, the investments are primarily in short-term staff resource to support and deliver the savings programme. For ETE, the investments include a provision for TUPE, contract re-tendering and voluntary redundancy costs expected to arise from the SP2023 Programme, as well as delivery of the Driving Change Programme. For CCBS, an initial investment has been approved to enable early mobilisation for SP2023, including a provision for operational workstream costs and funding for the Transformation Team to support the transformation programme.

Section M: 2022/23 Budget Setting

255. The fact that the County Council operates a financial strategy on the basis of a two year cycle of delivering departmental savings means that there is limited activity at this stage associated with the development of the 2022/23 budget, which was largely set out in previous MTFS updates. Members will recall that the financial strategy assumes a significant draw from the BBR in 2022/23 in order to give the County Council the time and capacity to properly deliver the SP2023 Programme.

256. The process will follow the normal budget setting pattern as in previous years, in that a further technical report on the 2022/23 budget will be presented in December this year that will provide departments with provisional cash limits against which they can prepare their detailed budgets that will be reported through to Executive Members, Cabinet and County Council. Whilst updates on the medium term impact of Covid-19 will continue to be provided, the County Council’s strategy in dealing with this as a separate one off issue means it will not directly impact on budget setting or the SP2023 programme going forwards.

257. It is anticipated that the current cycle of decision making concludes the savings planning aspect of the MTFS including the working assumption within this report that council tax will increase by the maximum permissible in line with government policy. This therefore moves the SP2023 Programme from planning into implementation.

Section N: Economic Development and Revenue Investment Priorities

258. In past years it has been possible to add significant additional schemes to the Capital Programme using surplus revenue funding generated by the early achievement of savings. As the financial strategy has evolved and savings have been required to meet successive budget deficits, there is less ability to do this above and beyond the use of specific capital resources that come from government or developers.

259. However, the County Council's ability to continue to provide resources to invest in specific priorities in line with the County Council's focus on continuous service improvement and to generate revenue or capital benefits in future financial years, even in times of austerity, is a testament to the strong financial management and rigorous approach to planning and delivering savings that has been applied; and to the benefits that can be achieved from working at scale.

260. Of particular importance is the role that the County Council can play in economic recovery following the pandemic and in looking ahead towards the potential for a County Deal for Hampshire, work on which is continuing at pace with other key stakeholders.

Highways Maintenance

261. The budget report presented to Cabinet and County Council in February this year contained an Appendix providing a status update on the highway network. This recognised the significant pressure on reactive maintenance in particular and the fact that the network was effectively in managed decline.

262. Whilst the County Council will look to the Government to provide funding to address this position, it has also provided additional resources of £6m to the Operation Resilience budget over the last two years together with the flexibility to use this for reactive maintenance if considered operationally necessary during the year.

263. Appendix 1 provides an update to the information contained in the previous report, highlighting the significance of the highway network in economic development and economic recovery terms.

264. The outturn report presented to Cabinet in July signalled the intention to provide additional funding for highways maintenance on a long term basis and this report recommends that a recurring £7m per annum be added to the highways maintenance budget from 2022/23 onwards, equivalent to a 1% increase in council tax.

265. It is also recommended that the Director of Economy, Transport and Environment be given the flexibility to allocate this funding between planned and reactive maintenance each year as required. It is anticipated that the majority of this funding in the early years will be required to help address the

pressure in reactive maintenance activity, but over time it may be possible to move resources away from this area into planned maintenance.

Strategic Land Development

266. The County Council has for many years operated a long term strategic approach to its land holdings that have enabled it to create value at the same time as enabling the provision of much needed housing or investment to support economic development across the County. Recent examples of Merton Rise, Botley and Manydown have or will provide capital receipts and other benefits for the council that can be used to re-invest in vital services and supporting infrastructure.

267. In recent years, allocations to support the development programme have been made on an annual basis through the budget setting process, however, this does not provide Members with a full picture of the longer term costs of developing a site against the potential capital receipts that might be achieved.

268. The Chief Executive is therefore working with the Director of CCBS to produce a longer term financial plan for the Strategic Land Programme that will commit resources against the full cost of bringing a site to the market alongside the financial benefits that this will create.

Children's Services – Intensive Workers

269. In January 2019 Hampshire's Children and Families branch (C&F) introduced a new service - Intensive Worker Teams. The purpose of these four new teams being to deliver evidence-based interventions to targeted families with the overarching objective of keeping more children safely at home. Achieving this through two routes:

- Preventing children coming into care
- Reunifying children in care home to their parents or familial networks.

270. The families receiving these interventions are those who are open and allocated to a Social Worker. The Intensive Worker (IW) role provides additional resource to work with families more intensively, at times that are flexible for families (early mornings, evenings and Saturdays) and are delivered for the right length of time. These workers stay involved to ensure positive change within a family is both created and sustained, thus helping to prevent future re-referrals.

271. The evidence is that these new teams are making a difference. As of April 2021, 91% of those children identified as being at risk of coming into care were still at home six months post allocation of an Intensive Worker. These workers also supported the reunification of 75 children and young people in addition to those supported through a Social Worker alone. This data provides evidence of the link and contribution these workers are making to the achievement of T19

and T21 savings through the reduction of the Children in Care population and this is reflected in the latest financial forecasts resulting in a reduced need for previously agreed annual growth funding for Children Looked After.

272. Whilst some IWs (40 full time equivalents) are funded through the core C&F budget the majority (75 full time equivalents) are on fixed - term contracts funded through short term, temporary cost of change and other reserve funding. Given the successful outcomes noted above, there is a strong business case to transition these temporary staff onto permanent contracts in order for them to continue making the difference they have to date. The full year cost is £3.2m which can be accommodated within the existing growth funding allocations for Children Looked After, given that the work of the IWs is expected to reduce future care costs compared to current forecasts.

273. The use of Covid funding in 2021/22 and 2022/23 will reduce the IW funding requirement to £1.7m for the part year impact in 2021/22 and £2.4m in 2022/23. Cabinet is asked to approve £4.1m over this year and next together with £3.2m on a recurring basis from 2023/24 onwards for the investment in permanent IW to be met from existing corporate growth funding allocations for Children Looked After.

Older Persons Residential Portfolio – essential health and safety and maintenance works

274. In November 2020, Cabinet approved the allocation of an additional £2.9m of funding to address a number of identified health and safety priorities in the HCC Care older persons residential portfolio. This funding was in addition to £510k of revenue funding allocated from the repairs and maintenance budget for the corporate estate and Adults' Health and Care budget and a further £892k of accrued Adults' Health and Care capital funding.

275. While good progress has been made with the identified works, despite the challenges caused by the Covid pandemic since the additional funding was approved, this portfolio of buildings remains the highest priority in the HCC estate due to the vulnerable nature of the residents, the complex care services provided and 24/7 operation of the assets. These buildings therefore require a higher level of maintenance investment both in terms of statutory compliance and management of health and safety risks and reactive repairs and lifecycle replacement and refurbishment.

276. Further short term priorities for compliance and health and safety risk management have been identified from a range of management information collated by Property Services. This includes information arising from the ongoing programme of servicing, inspections and testing that forms the compliance and risk management framework for the buildings, as well as from fault reporting and ad-hoc reactive repairs. Initial estimates value this work at around £6.2m. A programme of full asset management plan surveys would allow a more comprehensive assessment of the condition of both the building fabric and building services to inform health and safety and compliance priorities and longer-term lifecycle plans and associated forecasts for annual

and cyclical maintenance costs. These surveys would cost £120,000 to carry out and it is proposed they are prioritised over the next 12 months and funded from Adults' Health and Care Cost of Change Reserve. Any urgent health and safety and compliance works identified will be considered as part of the revenue budget and capital programme setting in February.

277. A number of priority areas for investment have also been identified that reflect current operational constraints across the portfolio arising from changes in care needs and expectations. This includes bathroom/wet room replacement, kitchen expansion and refurbishment and investment to improve IT resilience with an estimated cost in the region of £5.8m.

278. However, it is important to recognise that care demands are changing with an increased focus on transition care, dementia care and management of longer term conditions. A number of current buildings are not suitable to meet these evolving care needs in the medium term and therefore further consideration needs to be given to the wider strategy for the HCC Care estate to ensure that funding is invested in line with the longer term aims for the service. A detailed, long term capital strategy is therefore required to ensure that relevant, high-quality services can continue to be offered in the longer term in keeping with anticipated need and projected demand. The far-reaching scope of this investment could range from suitability and condition works, through to the building of extensions and, in some cases, complete rebuild of some sites. This broader long term capital strategy for the older persons residential portfolio will be reported to a future meeting of Cabinet.

Section O: Capital and Investment Strategy

279. The CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and the Treasury Management Code of Practice require local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. In addition, the MHCLG's investment guidance includes the requirement to produce an Investment Strategy. For the County Council, these are combined into a single Capital and Investment Strategy.

280. The County Council's 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. It also includes more detailed forecasts of capital expenditure and financing and the associated prudential indicators relating to financial sustainability. These elements are updated annually as part of the budget setting in February each year. The current Strategy was included as Appendix 9 to Revenue Budget and Precept 2021/22 report and covers:

- Governance arrangements for capital investment.
- Capital expenditure forecasts and financing.

- Prudential indicators relating to financial sustainability.
- Minimum Revenue Provision (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.
- Chief Financial Officer's conclusion on the affordability and risk associated with the Capital and Investment Strategy.
- Links to the statutory guidance and other information.

281. To aid future planning for capital investment and associated funding requirements, an exercise to review capital investment priorities was commenced in late 2019 and was paused in 2020 at the start of the pandemic. Not only has the pandemic required a shift in management focus, it clearly impacts the financial context for consideration of capital investment both in terms of available funding and the likely increase in cost of materials which potentially puts pressure on the existing and future capital programme. In addition, the nature of capital priorities is impacted as some services adjust to changing needs and demands as a result of Covid. For example, demand for adult care is changing as explained in section N and work is in progress to review requirements for reconfigured office accommodation in line with the developing new ways of working and this will enable a wider review of the office accommodation portfolio in due course.

282. With the wide ranging impact of the pandemic on service provision and the uncertain funding environment in which local authorities will operate beyond the current year, the timescale for considering significant capital investment has been pushed back. That said, economic recovery is a key factor in the overall recovery plans both nationally and locally and capital spend undertaken by the County Council represents a significant part of the local economy. Existing funding for feasibility work enables detailed planning and design to 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).

Section P: Capital Programme

283. The County Council's Capital Programme has been maintained despite the challenging financial environment in which local government has been operating since the start of the decade, continuing the trend of ensuring that we invest wisely in maintaining and enhancing our existing assets and delivering a programme of new ones.

284. The Capital Programme is reviewed and agreed annually. This sets out the levels of capital expenditure for each service and the main expectations of

where the money will be spent, a large proportion of which is in relation to schools, including the provision of school places.

285. The County Council's capital aspirations are dependent upon finance being available and the sources of finance to support the Capital Programme are as follows:

- Government capital grants – The Government has issued all of its support for local authorities' capital expenditure from 2011/12 onwards in the form of capital grants and not as borrowing allocations.
- Prudential borrowing – Loans that the County Council may decide to raise in the knowledge that it will have to meet the principal repayment and interest charges from its own resources without any additional support from the Government. The County Council has to consider the impact of such loans on the revenue budget and prudential indicators.
- Contributions from other bodies, which can include developers, the health service, other local authorities and the national lottery.
- Capital receipts from the sale of land, buildings and other assets.
- Contributions from the revenue budget including those held in the General Capital Reserve.

286. There is an interrelationship between capital and revenue both directly and indirectly. Capital expenditure may be funded directly from revenue however the general pressures on the Council's revenue budget and council tax levels limit the extent to which this may be exercised as a source of capital funding.

287. Prudential borrowing does provide an option for funding additional capital development, but one which then results in costs that have to be funded each year from within the revenue budget or from generating additional ongoing income streams.

288. Given the pressure on the Council's revenue budget in future years, prudent use has been made of this discretion to progress schemes in cases where there was an obvious financial benefit. Such schemes focus on clear priorities, and those that generate revenue benefits in future financial years, in the form of clear and measurable revenue savings or longer term income generation either directly or through council tax or business rate yield.

Younger Adults Extra Care

289. The SP2023 proposals for younger adults services looks to continue the successful journey started ahead of Tt2017 and built upon throughout Tt2019 and Tt2021 to embed a strengths-based approach and move increasingly away from institutional, long-term care settings, instead supporting people into more flexible, more modern ways of living that provide much greater independence for service users with learning disabilities, physical disabilities and/or mental health needs. This includes creation of additional Extra Care accommodation to move people on from higher-cost residential care. This can be achieved through direct capital investment by the County Council and the provision of

capital grants to third party housing providers to be funded through prudential borrowing, with repayments accounted for within the proposed saving. Individual schemes can be approved by the Executive Member for Policy and Resources subject to a satisfactory business case being produced for each scheme. This is in line with the arrangements that already exist for scheme approval.

Woodcot Lodge – Discharge to Assess Facility

290. Notwithstanding the pushing back of the timescale for capital investment decisions to be considered, an opportunity has presented itself for the County Council to purchase an independently owned Nursing Care home in Gosport, known as Woodcot Lodge, that Adults' Health and Care have been operating as a discharge to assess facility via a short-term lease arrangement through its in-house HCC Care operation since June 2020, initially as an agreed local system response to Covid-19. The success of Woodcot Lodge, which facilitates timely hospital discharges for elderly, vulnerable and complex patients from Portsmouth Hospitals Trust and has resulted in some 40% of clients or more being able to go home following a therapy led recovery period, has led to HCC Care re-purposing two existing Care Homes to support the South-West, and the North and Mid Hants systems in a similar manner. Purchasing Woodcot Lodge will secure all of the discharge to assess facilities under the County Council's ownership, enhancing the value and operational prowess of the HCC Care portfolio.

291. The discharge to assess operations are predominantly funded by the NHS, presently through the Covid inspired Hospital Discharge Programme (HDP) that has just been extended to the financial year end with attention now turning to a likely new three year agreement that is being worked through by Government. The County Council's contribution relates solely to the benefits derived from not having to organise long-term care at the point of hospital discharge. Owning Woodcot Lodge will also provide greater operational flexibility going forward and will give Adults the ability to use any spare capacity on site for step-up care opportunities for clients that are in their own homes but are in need of respite and therapy type support that could then enable them to return home and live independently as opposed to requiring an earlier long-term care placement.

292. With the future for hospital discharge funding and performance requirements within the NHS somewhat clearer and arguably more certain for the medium-term, and the owner of Woodcot Lodge willing to sell, a business case has been developed to compare the negotiated purchase option price (with all of its associated benefits) and the continued lease option and this has concluded that annual revenue savings can be secured which more than pay for the costs of prudential borrowing to fund the purchase. Accepting that this is against the current model in which the NHS pays for its discharge to assess requirements, the risk remains that the present arrangement could cease at some point in the future. Should this eventuality happen, Adults would re-purpose Woodcot Lodge for long-term Nursing Care needs and would close an existing, complementary but less valued (in portfolio terms) care facility and in so doing would realise a capital receipt. The costs of operating Woodcot Lodge would be

met from the existing HCC Care revenue budget and in overall terms the outcome would at worst be cost neutral for the County Council.

293. Cabinet is asked to recommend to County Council that capital investment of up to £22m is added to the capital programme in respect of younger adults extra care and the Woodcot Lodge discharge to assess facility to be funded by prudential borrowing with repayments accounted for within the proposed saving.

Formal Meeting Chamber – Proposed Improvement Works

294. The Council’s formal meeting Chamber is located within the Castle Hill building. The building is Grade II listed and built and owned by the County Council since 1894. The Chamber has been in almost continual use for more than 100 years and is currently used for full Council Meetings and by the Coroner’s Courts.

295. HCC Property Services were commissioned to undertake a feasibility study to assess the upgrades to the Council Chamber that are necessary to address key issues relating to the condition and suitability of the facility for its intended future use. Current issues identified included unreliable audio-visual equipment and poor acoustics, a lack of accessibility for those with limited mobility and poor ventilation and temperature control.

296. In line with the Council’s asset management approach and Commercial Strategy, it is proposed that the Chamber should continue to host formal meetings of the Coroner’s Court and be further utilised to provide a supplementary income stream through rental or one-off events or lettings. Several key areas of improvement have been identified to allow the Chamber to fulfil these additional functions alongside its core purpose of hosting County Council meetings which are fully accessible to the public, both digitally and in person:

- Building works will be undertaken to improve the acoustics in the Chamber, facilitate wheelchair access and improve the female WC provision. The electrical and temperature control systems will also be upgraded to future-proof the facility.
- New fixtures and fittings will be installed, including anti-glare blinds, acoustic curtains and new signage throughout.
- There will be significant upgrades to audio-visual equipment, including a new specialist video conferencing system and projection screens.

297. The planned duration of the work on site is relatively short; less than 10 weeks, but it has been agreed with group leaders that meetings will continue to be held in Ashburton Hall from now until the works are completed. It is intended that work begins in the Chamber in February and is completed before the County

Council's Annual General Meeting in May, including system testing and Member training prior to this date.

298. The total cost of the works identified is £786,000, including a contingency allowance of £61,000 and takes into account the additional difficulties presented by a Grade II listed building. It is proposed that the project is funded from cost of change reserves that include previous underspends against the budget for Members Expenses.

299. Cabinet is asked to recommend to County Council that capital investment of £786,000 is added to the Capital Programme for Culture, Communities and Business Services, to be funded from cost of change reserves as set out above.

Section Q: Commercial Strategy

300. The County Council's approach to the delivery of successive savings programmes has served it well, exploring areas of cost reduction, efficiency, IT enablement and other investment in service re-design and transformation to help make the required budget reductions.

301. This approach will continue alongside a commercial strategy which aims to generate more income in order to reduce the direct impact on services, either through charging for services or through the expansion of traded services to other organisations.

302. There are four main areas where the County Council has sought to generate additional income to help close the budget deficit:

- Charging users for the direct provision of services.
- Investing money or using assets to generate a return.
- Expanding traded services to other organisations.
- Developing joint ventures that yield additional income or generate a return.

303. This approach has continued into the SP2023 Programme and as part of the *Serving Hampshire – Balancing the Budget* consultation feedback, generating additional income was the most preferred option for helping to close the budget deficit.

304. By building on its existing strengths, at the same time as looking for innovative (but low risk and sustainable) options for investment and utilisation of assets, the County Council has radically shifted its approach to income generation and the pursuit of commercial opportunities during the period of tight financial control. However, Covid-19 has highlighted the impact that a reliance on income generation can have on overall financial sustainability, but the approach

outlined above has protected the County Council to a large degree during what has been one of the most financially challenging times in recent history.

305. The County Council's updated Commercial Strategy is set out in more detail in Appendix 10 and also explores what the County Council has been doing in each of these areas as part of its longer term financial strategy. In particular, it outlines a piece of work, commissioned by the Chief Executive, to have much greater visibility at a strategic level of the commercial strategy, opportunities and barriers in all traded service areas provided to other organisations.

306. The output from this work will help to identify priority areas for focus in the coming years, together with any actions or investment required to remove barriers to growth and to continue to grow traded services in a sensible and sustainable way such that they can make contributions to future savings plans beyond SP2023.

Section R: Reserves Strategy

307. The County Council's Reserves Strategy, which is set out in Appendix 11, is well rehearsed and continues to be one of the key factors that underpin our ability not only to provide funding for the transformation of services but also to give the time for changes to be properly planned, developed and safely implemented.

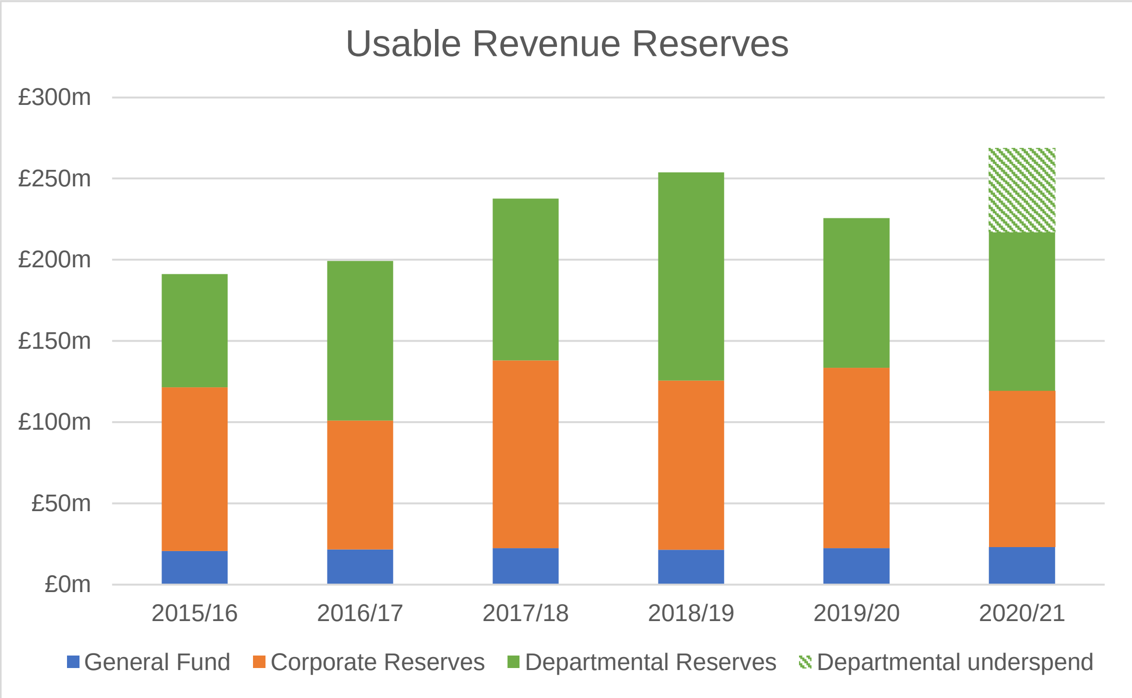
308. Reserves are available to support:

- Funding of the Capital Programme.
- Investment in transformation.
- Departmental budgets in the face of pressures and timing delays in the release of resources.
- The overall revenue budget through the Budget Bridging Reserve.

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

310. This tipping point has not yet arrived, although in 2019/20 the overall balance of earmarked reserves fell by £28m; the first reduction in usable revenue reserves since 2013/14. This reduction occurred largely due to the planned use of departmental Cost of Change reserves in line with the MTFS. However, 2020/21 saw an exceptional £112m increase in earmarked reserves, largely due to the short-term suppression of service growth as a result of Covid. Whilst this provides the authority with some additional short-term flexibility, there

remain considerable long term risks due to uncertainties surrounding the impact of Covid on future service demand and ongoing spending commitments, coupled with significant late delivery of savings. Furthermore, there are planned draws on both departmental and corporate reserves in both 2021/22 and 2022/23 to cash flow the Tt2021 and SP2023 programmes.



NB: The hatched area shows the contribution of the 2020/21 departmental underspend to Cost of Change reserve balances

311. In addition, while the overall level of reserves currently exceeds £0.7bn, it is important to consider the level of the available resources in the context of the scale and scope of the County Council's operations. It is a stark fact that when expressed in terms of the number of days that usable reserves would sustain the authority for it would be around 14. This highlights once again that reserves offer no long term solution to the financial challenges we face. Correctly used however, they do provide the time and capacity to properly plan, manage and implement change programmes as the County Council has demonstrated for many years now.

Budget Bridging Reserve

312. The current strategy that the County Council operates works on the basis of a two-year cycle of delivering departmental savings to close the anticipated budget gap, providing the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the BBR. Building the provision within the BBR will support the revenue position in future years, as set out in the MTFS, in order to give the County

Council the time and capacity to implement the next phase of its savings programme to 2023/24.

313. It has been agreed that where possible, the County Council will continue to direct spare one-off funding into the BBR to maintain what is part of a successful strategy which has served it very well to date. Consequently, as part of budget setting in February, a number of additions totalling £8.1m were approved to begin to make provision for the period beyond 2021 to support the two year savings cycle and to provide cash flow support to the SP2023 Programme.

314. The following table summarises the forecast position for the BBR taking into account the requirement to balance the budget in 2022/23 and to provide corporate funding to cash flow the next stage of transformation:

	BBR £'000
Balance at 31/03/2020	78,509
2020/21 Original Draw Planned	(28,400)
Contingency for Tt2019	(16,000)
Pension deficit saving & MRP Holiday	28,500
Addition Outturn 2020/21	5,560
Balance at 31/03/2021	**68,169**
Additions Approved February 2021	8,058
Pension deficit saving and pre-payments	36,000
Planned use:	
Cash Flow Tt2021	(32,000)
Interim Year 2022/23	(40,200)
Provision for Future Gap	**40,027**

315. This will significantly deplete the BBR and therefore, where possible, the County Council must continue to direct spare one-off funding into the reserve as part of its overall longer term risk mitigation strategy.

Section S: Strategy Beyond 2023/24

316. The County Council faces a critical time in the run up to 2023/24 given that it now faces the successful implementation of 3 overlapping savings programmes to deliver a balanced and sustainable budget for the 2023/24 financial year, assuming that this position is not undermined by any government announcements around public funding during that period. The risks to delivery are also high as highlighted earlier in the report in respect of public health and waste management savings.

317. The Government's announcement in September that the 2021 Spending Review will cover the next three years will be helpful for future financial planning. However, the record levels of national debt resulting from the

Government's response to Covid-19 will necessitate fiscal restraint into the future, particularly for unprotected departments such as MHCLG. The anticipated financial outlook means we must continue to assume that we will face a budget deficit of at least £40m per annum after a 3.99% council tax rise.

318. Given the challenges of developing and delivering the SP23 Programme, it is difficult to see how the County Council could adopt the same approach to a budget deficit position that it has in the past despite the fact that the previous strategy has served it well to date.

319. Without a sustainable funding solution to social care growth then the financial prospects for the County Council are bleak, even if it is able to successfully deliver all of the required savings up until that point. Greater certainty might be provided by a Comprehensive Spending Review and a multi-year settlement at which point a proper update of the Medium Term Financial Strategy can be reported outlining the approach for the years ahead.

Section T: Financial Resilience and Sustainability

320. Financial resilience describes the ability of local authorities to remain viable, stable and effective in the medium to long term in the face of pressures from growing demand, restricted funding and an increasingly complex and unpredictable financial environment. The Covid pandemic has added to the sustainability issues that many local authorities already faced due to escalating demand pressures on both adults' and children's social care services and has exacerbated sustainability challenges for care providers, with corresponding cost implications for councils.

321. The following table sets out the key 'symptoms' of financial stress identified by CIPFA in its report entitled "Building Financial Resilience" and assesses the current position of the County Council against each indicator.

Symptom of Financial Stress	*HCC Position*
Running down reserves / a rapid decline in reserves	The Council has maintained a reserves balance of at least £0.5bn over the past 5 years, despite the challenges posed by austerity and recently the Covid pandemic
A failure to plan and deliver savings in service provision to ensure the council lives within its resources	The Council has successfully delivered £560m in savings over the past 11 years and has consistently recorded modest annual underspends on service delivery
Shortening medium term financial planning horizons,	The Council maintains a four-year planning horizon and has planned to meet the anticipated financial pressures and unfunded losses

Symptom of Financial Stress	*HCC Position*
perhaps from three or four years to two or even one	resulting from Covid to 2023/24. It delivers savings programmes over a two year horizon to ensure changes are implemented in a planned way.
A lack of firm objectives for savings - greater 'still to be found' gaps in saving plans	The SP2023 programme includes detailed plans for specific savings proposals that have been worked up by departments over the past 6 months and subject to public consultation. The plans do not include any 'still to be found' amounts.
A growing tendency for departments to have unplanned overspends and / or carry forward undelivered saving into the following year	Late delivery of Tt2021 savings due to Covid was anticipated and accounted for in the MTFS and resources were identified to cash flow these savings until the acute impacts of the pandemic had subsided. All Departments have lived within their cash limits for many years or have had the benefit of planned support from their own reserves or central contingencies, which were budgeted for in advance.

322. CIPFA have highlighted key areas of focus to support financial resilience and these echo the approach taken to date by the County Council and continued in the plans to take us to 2023/24. These include getting routine financial management right, having clear and realistic plans for the delivery of savings which are monitored and underpinned by adequate investment and managing reserves sensibly to 'cushion' the delivery of a transformation programme over the medium term.

323. In addition, the report highlights the danger, in the relentless search for savings, of focusing on the "gap" still to be found while failing to take the actions necessary to ensure all the agreed savings have been delivered. The County Council is alert to this potential danger and for Tt2019 and Tt2021, has taken a very measured and realistic approach to the timing of savings and has set aside cash flow funding to ensure that they are delivered in a planned and sustainable way.

324. Following the events in Northamptonshire and a heightened national focus on the finances of local government more generally, CIPFA also produced a Financial Resilience Index (FRI) towards the end of 2018. The index uses a range of financial information and other factors to generate a series of measures against which all authorities are 'stress tested'. The Resilience Index was updated for 2019/20 data earlier this year and whilst there was some movement in Hampshire's position relative to other authorities the overall position remains the same as previous years with Hampshire in a very strong position underpinned by the level of its reserves.

325. A further tool in this area is CIPFA's Financial Management Code (CIPFA FM Code) which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

326. The County Council previously carried out a high level self assessment against the code and has implemented changes in order to ensure compliance with the code, and will undertake a more detailed assessment as part of the 2022/23 budget setting process.

327. In more general terms, despite the relentless financial pressure and need to deliver savings, the County Council has demonstrated year after year its ability to not only follow through on its agreed strategy but also to respond to unforeseen pressures and invest in service improvements and capital spending where it is felt necessary - this report being a prime example of all of these things.

328. It also, exceptionally, continues to serve the people of Hampshire with the highest quality of services, with the vast majority of external assessments continuing to show Hampshire's performance to be at least top quartile.

329. At the same time the County Council must not become complacent and must maintain its financial discipline both within the current year and in developing and delivering savings for the future.

330. As difficult as the next phase of activity is likely to be it is still worth reminding ourselves that the County Council remains in a relatively strong financial position, especially in comparison to other upper tier authorities, delivering on its change programmes, keeping within cash limits and having the financial capacity to invest in the transformation of continually high performing services. However, as we have highlighted repeatedly in this MTFS if we are to remain financially sustainable beyond 2023/24 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.

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
Savings Programme to 2023 – Revenue Savings Proposals Executive Member for Children's Services	17 September 2021
Savings Programme to 2023 – Revenue Savings Proposals Executive Member for Recreation, Heritage and Rural Affairs	20 September 2021
Savings Programme to 2023 – Revenue Savings Proposals Executive Member for Adult Services and Public Health	21 September 2021
Savings Programme to 2023 – Revenue Savings Proposals Executive Members for Economy, Transport and Environment, Highways Operations and Climate Change and Sustainability	23 September 2021
Savings Programme to 2023 – Revenue Savings Proposals Executive Member for Policy and Resources	28 September 2021
Savings Programme to 2023 – Revenue Savings Proposals – Health and Safety Executive Member for Performance, Human Resources and Partnerships	29 September 2021
Savings Programme to 2023 – Revenue Savings Proposals – Property Executive Member for Commercial Strategy, Estates and Property	29 September 2021
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:

331. **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.

332. **Equalities Impact Assessment:**

Given that this report deals with a large number of options and proposals for savings as part of the Savings Programme to 2023, the individual EIAs have been appended to this report to aid the decision making process, along with a cumulative impact assessment provided at Appendix 9.