

HAMPSHIRE COUNTY COUNCIL

Decision Report

| | |
|------------------------|---|
| Decision Maker: | Executive Lead Member for Economy, Transport and Environment |
| Date: | 27 January 2022 |
| Title: | 2022/23 Revenue Budget Report for Economy, Transport and Environment |
| Report From: | Director of Economy, Transport and Environment and Director of Corporate Operations |

Contact name: Stuart Jarvis
Sue Lapham

Tel: 01962 845260 **Email:** stuart.jarvis@hants.gov.uk
03707 794503 sue.lapham@hants.gov.uk

Section A: Purpose of this Report

1. The purpose of this report is to set out proposals for the 2022/23 budget for Economy, Transport and Environment in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in November 2021.

Section B: Recommendation(s)

To approve for submission to the Leader and the Cabinet:

2. The revised revenue budget for 2021/22 as set out in Appendix 1.
3. The summary revenue budget for 2022/23 as set out in Appendix 1

Section C: Executive Summary

4. This report provides the summary outputs of the detailed budget planning process undertaken by Economy, Transport and Environment for 2022/23 and the revised budget for 2021/22. This process has been undertaken against a backdrop of considerable uncertainty, both in terms of the resources available to the Council and the ongoing impacts of Covid-19 on service delivery. As we transition towards a 'new normal' post-Covid, the distinction between latent and longer term Covid impacts and 'business as usual' financial pressures is difficult to establish. For the purposes of budget setting, the impact of Covid-19

continues to be dealt with as a discrete one-off financial impact as far as possible, separate from the business as usual medium term financial strategy.

5. The 2021 Spending Review announced a 3% per annum real terms increase in local government core spending power to 2024/25. In 2022/23, local authorities will benefit from a considerable boost to grant funding allocated through the local government finance settlement, however this is set against a requirement for £26m additional grant as part of the SP2023 programme. The Spending Review has therefore not diminished the challenges that the authority faces in securing financial sustainability over the medium term.
6. The current financial strategy which the County Council operates works on the basis of a two year cycle of delivering departmental savings targets, with deficits in the intervening years being met from the Budget Bridging Reserve (BBR). In line with this strategy, there will be no new savings proposals presented as part of the 2022/23 budget setting process. Savings targets for 2023/24 were approved as part of the MTFS in July 2020 and detailed savings proposals, developed through the Savings Programme to 2023 (SP2023), were agreed by Cabinet and County Council during October and November last year.
7. The anticipated delay to delivery of some aspects of the existing Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) programmes has been factored into our financial planning, and a combination of one-off corporate and departmental funding will be provided to bridge the forecast savings gap in 2021/22 and 2022/23. As of November 2021, £9m of Tt2019 savings and £38m of Tt2021 savings have yet to be delivered, in addition to the £80m of SP2023 savings required by 2023/24. The Council therefore faces the substantial challenge of delivering three overlapping change programmes, requiring a total of £127m budget savings. The report discusses the specific issues impacting delivery of the savings programmes for Economy, Transport and Environment in Sections F and H.
8. The report also provides an update on the business as usual financial position for the current year and the outturn forecast for the Department for 2021/22, excluding the financial impact of Covid-19, is a saving against the budget of £2.2m (2.1%).
9. The proposed budget for 2022/23 analysed by service is shown in Appendix 1.
10. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2021/22 and detailed service budgets for 2022/23 for Economy, Transport and Environment. The report has been prepared in consultation with the Executive Lead Member and will be reviewed by the Economy, Transport and Environment Select Committee. It will be reported to the Leader and Cabinet on 8 February 2022 to make final recommendations to County Council on 17 February 2022.

Section D: Contextual Information

11. The Medium Term Financial Strategy (MTFS) update presented to Cabinet and County Council in October and November respectively, addressed the challenges of long term financial planning in an environment of significant uncertainty, in respect of both ongoing spending commitments and the national funding position for the local government sector.
12. The 2021 Spending Review represents the first multi-year budget since 2016/17 following single year spending announcements in 2019 and 2020 linked to uncertainty surrounding the UK's exit from the EU and recently the economic impacts and fiscal response to Covid-19. Whilst the additional certainty offered by a multi-year settlement is welcome, it is disappointing that local authority funding will remain relatively flat in 2023/24 and 2024/25. The settlement therefore does not present a long term solution to funding growth in service demand, for which the Council has lobbied the government for a number of years.
13. The impact of Covid-19 continues to be dealt with as a discrete one-off financial impact, separate from the business as usual medium term financial strategy. The budget summary presented in this report does not take account of Covid impacts as these will be centrally funded on a one-off basis in line with the pressures reported by departments in their financial monitoring returns. However, it should be noted that as we transition towards a 'new normal' post-pandemic, the distinction between latent and longer term Covid impacts and 'business as usual' financial pressures is difficult to establish. The complex inter-relationship between numerous variables post-pandemic makes forecasting challenging but based on recent analysis carried out as part of detailed budget preparation work, the medium term forecast for departmental spending now anticipates significant pressure building by 2024/25 within Adults' and Children's social care.
14. The current financial strategy which the County Council operates, works on the basis of a two year cycle of delivering change to release resources and close the anticipated budget gap. This provides the time and capacity to properly deliver major transformation programmes every two years, with deficits in the intervening years being met from the Budget Bridging Reserve (BBR) and with any early delivery of resources retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.
15. The County Council's action in tackling its forecast budget deficit and providing funding in anticipation of further reductions, placed it in a very strong position to produce a 'steady state' budget for 2022/23, giving itself the time and capacity to develop and implement the SP2023 Programme to deliver the next phase of savings totalling £80m by April 2023. This also avoids the worst effects of sudden and unplanned decisions on service delivery and the most vulnerable members of the community.
16. Consequently, there are no new savings proposals to be considered as part of the 2022/23 budget, however other factors will still affect the budget, such as

the publication of specific grant allocations and potential increases in unavoidable pressures such as inflation.

17. The Autumn Budget and Spending Review announcement took place on 27 October 2021 and the key elements were as follows:

- Local government Core Spending Power will increase by 3% per year in real terms in the period to 2024/25, however this includes raising Council tax and the Adult Social Care (ASC) Precept by the maximum permitted increases.
- Over the next three years, local authorities will be allowed to increase core council tax by up to 2% per year without a referendum. In addition, ASC authorities will be allowed to raise the ASC Precept by 1% each year. The MTFS assumes that the Council will have the flexibility to raise the ASC Precept by 2% each year and the reduction in the available precept therefore presents a further funding shortfall for the Council of £14m by 2023/24.
- An additional £4.8bn grant funding was announced for social care and other services to 2024/25. This includes around £1.5bn per year to be distributed through the local government finance settlement in addition to an extra £200m for the Supporting Families Programme and over £70m to boost cyber security and to further strengthen local delivery and transparency.
- The Spending Review confirmed that £3.6bn of the additional £5.4bn funding for adult social care reforms announced on 7 September 2021 will be routed through to local government. The funding is expected to cover all additional costs resulting from the personal care cap and revised capital limits.
- Included within the Department of Health and Social Care settlement was an additional £1.7bn over three years to improve the wider social care system, including the quality and integration of care. At least £500m of this will be allocated to improve qualifications, skills, and wellbeing across the adult social care workforce.
- £2.7bn funding for local road maintenance for non-mayoral authorities over the remaining years of the parliament, equivalent to £900m per year. This allocation is expected to maintain highways funding at 2021/22 levels.
- The government published its report on the outcome of the Fundamental Review of Business Rates. The review reaffirmed the advantages of business rates as a form of business taxation and did not propose any fundamental changes to the basis on which the tax is levied. However, the government announced a move to 3-yearly revaluations starting in 2023, a freeze on the multiplier and significant new temporary and permanent reliefs, including a 50% relief for retail, hospitality and leisure businesses in 2022/23. Local authorities will be fully compensated for the multiplier freeze and new reliefs via Section 31 grants.

Provisional Local Government Finance Settlement

18. The Provisional Local Government Finance Settlement sets out the key funding allocations that the Council will receive from Government for the coming financial year. This year's settlement covers 2022/23 only as the allocations of funding from 2023/24 will be the subject of a review of the local government funding regime and further consultation, to be carried out in Spring 2022.
19. The key outcomes of the settlement for the County Council are show below and are split between general resources which will contribute to meeting the Council's overall budget requirement, and specific resources which are needed to meet new departmental costs:

| Funding Source | 2021/22 allocation (£m) | 2022/23 allocation (£m) | Change (£m) |
|----------------------------------|--------------------------------|--------------------------------|--------------------|
| Social Care Grant | 26.2 | 37.2 | +11.0 |
| 2022-23 Services Grant | - | 8.3 | +8.3 |
| Business rates grant | 6.3 | 9.9 | +3.6 |
| Total 'general' resources | 32.5 | 55.4 | +22.9 |

| Funding Source | 2021/22 allocation (£m) | 2022/23 allocation (£m) | Change (£m) |
|--|--------------------------------|--------------------------------|--------------------|
| Market Sustainability and Fair Cost of Care Fund | - | 3.2 | +3.2 |
| Improved Better Care Fund | 30.4 | 31.3 | +0.9 |
| New Homes Bonus | 3.9 | 3.4 | -0.5 |
| Total 'specific' resources | 34.3 | 37.9 | +3.6 |

20. The key features of the settlement are:
- A 6.3% increase in Core Spending Power, of which 3% is attributable to the grant allocations set out above and 3.3% is attributable to council tax increases (including 1% for ASC) and tax base growth. This compares with an average 7.5% increase for Shire Counties.
 - The 2022/23 Services Grant will be distributed based on the 2013/14 local government funding formula for 2022/23 only. The distribution will be re-evaluated for future years in light of the proposed review of local government funding.
 - The Market Sustainability and Fair Cost of Care Fund is part of the government's package to support the recently announced social care reforms, providing funding for local authorities to prepare their care markets for reform and move towards paying providers a fair cost of care. There are a number of conditions associated with the funding which will require new consultation and market intervention activity and therefore it will not contribute towards meeting the budget deficit in 2022/23.

- The New Homes Bonus was expected to end in 2022/23 but will instead continue for a further year to 2023/24, albeit at a reduced level and has traditionally been used for one-off purposes by the County Council.
21. The final grant settlement for 2022/23 is not due out until January / February 2022. The impact of the final settlement will be reflected in the budget setting report to Cabinet and County Council..
 22. The Economy, Transport and Environment Department has been developing its service plans and budgets for 2022/23 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the Department are set out below.

Section E: Departmental Challenges and Priorities

23. The Department's underlying budget strategy continues a relentless focus on core service delivery around Highways, Waste Management, Transport, Economic Development and statutory planning services.
24. The challenge posed by the deteriorating condition of the highways network has long been recognised and in recent years additional temporary funding totalling £6m has been made available to address some of the pressures across both reactive and planned maintenance. At its meeting on 4 November 2021 the County Council agreed a very welcome recurring addition of £7m per year for highways maintenance and a report will be brought to the Executive Lead Member for Economy, Transport and Environment in early 2022 outlining the proposals for the use of the additional money. The funding is likely to be directed initially to primarily help address the pressures in reactive maintenance but over time it is likely that the emphasis will change, with more resources directed into planned maintenance.
25. The pressures in highway maintenance have been exacerbated by unprecedented cost inflation on construction materials linked with steep rises in the price of gas and oil in recent months along with longer-standing resourcing challenges across the construction industry nationally (including HGV drivers, civil engineers and transport planners).
26. The Environment Act received Royal Assent in November 2021 and has introduced radical changes to waste and recycling including the introduction of a deposit return scheme, extending producer responsibility to pay the net cost of disposal of their products and implementing greater consistency of recycling collections which will bring major changes including the requirement to collect food waste separately. While the primary legislation is now in place the detailed plans for implementation at a local level will be included in secondary legislation which is not yet available. However the new requirements are expected to need significant changes to the current approach to recycling in Hampshire including the construction of new infrastructure. Given the lead-in time to build new facilities it will clearly be important to understand the detailed financial and operational arrangements at the earliest opportunity.

27. The delay in enacting these proposals has also brought significant slippage in the Department's ability to deliver the related Tt2021 savings from waste – this is set out in more detail in Section F.
28. Following the County Council's declaration of a Climate Change Emergency in July 2019 a small corporate team to lead this work was established in the Department with initial funding for two years. Since then, the County Council's Climate Change Strategy and the associated Action Plan have been endorsed with the first Annual Report on progress approved by Cabinet in October 2021 and permanent funding for the core team confirmed on 7 December 2021. To maximise its impact the team is working in partnership with organisations such as the New Economics Foundation (developing a Green Recovery framework and roadmap for Hampshire) and the University of Southampton (undertaking a Strategic Energy Landscape Review) as well as developing community-based climate change projects. However, the scale and urgency of the actions required remain substantial and public expectations are high.
29. The heightened awareness of Climate Change and the impact of the Covid-19 pandemic have seen significant changes in behaviour and lifestyle impacting on transport needs for example, the adoption of hybrid working across many organisations and higher levels of ownership of electric vehicles and recent Government transport policy changes to promote increased use of active travel modes with reduced dependency on private cars. While considerable uncertainty remains an emerging theme is a greater complexity of transport arrangements (i.e. different patterns, modes, frequencies). The County Council's emerging Local Transport Plan 4 (LTP4) should position the organisation well in responding to these emerging changes.
30. The County Council has recently submitted its Bus Service Improvement Plan (BSIP) in response to the Government's ambitions for public transport post-pandemic. The BSIP forms part of the County Council's stated intention to establish an Enhanced Partnership with local bus operators in Hampshire and aims to be a catalyst for bus passenger growth which will contribute to objectives such as decarbonising travel and using road space more efficiently. The plans are ambitious but the scale of activity in this area will be influenced by a number of issues including the level of additional Government funding awarded to Hampshire and the ability of bus operators to recover from the impacts of the pandemic, including passenger numbers which are still below pre-pandemic levels, and likely to reduce further during the current wave of the coronavirus pandemic. At the time of writing the Government funding stream that has been provided to operators during the pandemic to cover lost revenue from low passenger numbers is due to come to an end in March 2022. The prevalence of the new Omicron variant may see the Government extending its financial support arrangements but if the funding is ended as currently planned, with passenger numbers still at relatively low levels, there is a risk that the commercial viability of some routes in the current service network will not be sustainable.
31. In recent years the County Council has benefitted significantly from Government capital investment provided either directly or indirectly (for

example through Local Enterprise Partnerships) with funding provided to support major schemes such as Redbridge Causeway and Stubbington Bypass as well as schemes to develop walking, cycling and public transport benefits. The focus on Climate Change is likely to mean funding is increasingly targeted on different types of investment such as active travel, flood mitigation and green infrastructure schemes. Funding to date has generally been awarded on a competitive basis based on a scheme's benefit/cost ratio and business case. The Government's 'Levelling Up' agenda may see a change in the way in which funding is prioritised and awarded in future which could result in a move of funding away from projects in the south-east to other areas of England. This approach could have an adverse effect on ETE's financial position with circa 30% of the Department's current staffing costs covered by capital schemes.

32. Adopting commercial approaches has been a key theme for the Department for several years and this has helped to reduce the impact of successive savings programmes on service delivery while maintaining in-house capacity and specialist expertise. This approach will need to play a central role in any ETE savings programmes beyond 2023 and will be increasingly significant if the County Council is to retain current levels of in-house capacity in the event that capital funding is re-focussed away from local authorities in the south-east. The growing importance of commercial approaches is likely to see the Department exploring options for alternative service delivery models in future.
33. Finally, recruitment and retention are emerging as major pressures in the Department, notably in civil engineering, construction-related and other professional roles where it is proving difficult to recruit directly employed staff and, if it is even possible to secure suitably skilled agency staff, the cost premium of doing so is rising sharply. The Department is seeking to mitigate this pressure through ensuring a values-based approach to recruitment that is inclusive and able to attract a more diverse range of candidates. Retaining critical staff is a related issue in the same areas, where private sector pay and benefits packages are very competitive.

Section F: 2021/22 Revenue Budget

34. Enhanced financial resilience reporting, which looks not only at the regular financial reporting but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.
35. The Department has a long-standing approach of minimising non-essential spend, seeking to develop a broader client base for sold services and adopting a prudent approach to vacancy management. This approach is driven both by the ongoing and emerging pressures on the Council's financial position and the additional delay (in large part due to the impact of Covid-19) in delivering the Department's Tt2021 savings from the Waste budget which will need significant cash flow funding from the Department's Cost of Change reserve. This

approach has therefore continued to feature strongly in the Department's overall financial management.

36. The anticipated business as usual outturn forecast for 2021/22 is a saving against the budget of £2.2m (2.1%) and is largely the result of increased income and recharges together with staff vacancy savings offset by higher costs of agency staff and one-off pressures such as the purchase of tree stocks for future planting.
37. This saving will be transferred to the Department's Cost of Change reserve at the end of the year to be used to support the delivery of future savings programmes or offset service pressures in line with the County Council's financial strategy.
38. These figures exclude the net impact of Covid-19 on ETE's financial position in line with the strategy agreed by Cabinet and the County Council to see Covid-19 as a significant but one-off pressure and allow business as usual budget management to continue with the ongoing net financial impact of Covid-19 during 2021/22 met centrally.
39. The pandemic has had a substantial impact on the timely delivery of the Department's Tt2021 savings in particular those from waste and recycling (£9.2m) and a revised profile for the remaining delivery of these savings was approved by Cabinet on 7 December 2021.
40. This savings programme is complex and involves changing the financial relationship between the County Council as the Waste Disposal Authority and the district and borough councils as Waste Collection Authorities (with legal responsibility for recycling). The majority of the savings in this area were inextricably linked to changes in Government Policy around waste, recycling and the environment. Before Covid-19 the intention was to align any changes with the Government's proposals to ensure that service delivery across the waste system as a whole was consistent with the Government's approach. The delay to the passage of the Environment Bill due to Covid-19 prolonged the uncertainty around what was to be enacted and when. The Environment Bill received Royal Assent on 9 November 2021 which means there is now clarity over what is included within it and greater certainty over the likely timescales for implementation but key areas such as Extended Producer Responsibility (EPR) are not now expected to come into force until part-way through the 2024/25 financial year. However, this delay means delivery of the Tt2021 waste savings will not now be fully completed until financial year 2025/26.
41. On 7 December 2021 Cabinet approved additional cash flow support through drawing down from the one off Covid-19 funding that the County Council has already set aside (recognising the significant contribution to the delay from the impacts of the pandemic) with the balance of the cash flow funding to be met from the Department's Cost of Change reserve.
42. The Tt2021 saving of £0.5m from Street Lighting was planned to be delivered through replacing some existing street lighting with LED units. The County

Council's street lighting is delivered through a PFI contract and the scale of investment envisaged represents a major change to the PFI terms. To date it has proved challenging to secure the necessary agreement and, as a result, the savings cannot now be delivered from this route in the required timescale. Negotiations are continuing and in the event a mutually acceptable agreement can be reached a programme of LED investment will still be pursued. However, alternative proposals to deliver the savings in street lighting, without incurring further delay will be brought forward for decision in early 2022.

43. The budget for ETE has been updated throughout the year and the revised budget is shown in Appendix 1. The revised budget shows an increase of £8.1m made up of:
- A one-off increase to Highways Maintenance of £2.0m funded from the £746,000 2020/21 saving in Winter Maintenance and the use of corporate contingencies as agreed by Cabinet in February 2020.
 - Temporary cash flow funding from Cost of Change of £3.375m to cover the timing shortfalls against Tt2019 savings and one-off investments mainly to support the development of the Tt2021 savings programme.
 - A permanent increase to the waste disposal budget of £829,000 covering volume growth pressures.
 - A permanent increase to the Street Lighting budget of £1.088m to cover rising energy costs resulting from price inflation.
 - £564,000 one-off funding from the Department for Transport being Hampshire's revenue allocation from phase two of the Active Travel Fund to create safe space for cycling and walking.
 - A net increase of £267,000 from transfers between departments including funding for Ash Dieback (part of the allocations agreed by Cabinet in February 2020 and December 2020).

Section G: 2022/23 Revenue Budget Pressures and Initiatives

44. A significant part of the Department's activity involves the development of strategies to meet the anticipated transport needs of residents and businesses in Hampshire and the subsequent feasibility and early design work on individual transport schemes to support business case and bid development to meet these needs.
45. In recent years, the Department has been successful in bidding for Government funding to implement these schemes either directly to the Department for Transport or indirectly, for example to Local Enterprise Partnerships. The opportunity to bid typically involves a tight turnaround from the invitation to bid and the deadline for submission with successful bids generally required to spend the funds quickly e.g. by the end of the following financial year. This approach by Government to the award of funding for capital schemes highlights the importance of having a worked-up pipeline of priority schemes to take advantage of funding opportunities as they arise.

46. The expectation that future Government funding support may be aligned to the emerging Levelling Up agenda or to delivery of different types of schemes (for example schemes to mitigate Climate Change impacts or build climate resilience) is likely to result in stronger competition for funding. It will therefore be potentially more important that a pipeline of priority schemes continues to be developed if the County Council is to be able to maximise the benefits for Hampshire of new funding streams such as the Bus Service Improvement Plan and Active Travel Fund in this environment.
47. Spend in developing this pipeline has to date been funded from a series of temporary allocations averaging around £1.5m per year the latest of which is due to come to an end this year. This approach has been successful in bringing in over £174m of major investment in the County since 2018/19.
48. The Department is likely to experience significant cost pressures in 2022/23. A number of the Department's contractors including Milestone (Highway Maintenance) and Veolia (Waste Disposal) will be entitled to increase charges as a result of legislative changes recently announced by government including the increase in employer National Insurance Contributions to pay for the Health and Social Care Levy and restrictions governing the use of rebated (red) diesel to be introduced in April 2022. The Department will seek to work with our suppliers to manage pressures as far as possible within existing provisions for inflationary uplifts and the position will be closely monitored.
49. In addition the highways sector is experiencing significant supply chain challenges including both the cost and availability of materials (linked to steep recent increases in oil and gas prices) and labour (including shortages of HGV drivers). The cost pressures and volatility are unprecedented in recent years and are expected to continue into 2022/23. The Department's strong collaborative approach to working with its major contractors should stand it in good stead to approach these challenges but the position will be kept under review.

Section H: Revenue Savings Proposals

SP2023

50. Savings targets for 2023/24 were approved as part of the MTFS by the County Council in July 2020. Proposals to meet these targets have been developed through the SP2023 Programme and were approved by Executive Members, Cabinet and County Council in October and November 2021.
51. In line with the Council's financial strategy, SP2023 savings will be delivered over a two year period with the business as usual deficit in 2022/23 being met from the Budget Bridging Reserve.
52. This approach in developing and implementing the savings programme for 2023/24 means that the County Council is able to set a balanced budget in

2022/23 and that no new savings proposals are being considered as part of the budget setting process for the 2022/23 financial year.

53. Given the medium term deficit due to Covid-19 pressures and the resulting financial response package, which uses up all available financial flexibility, it remains critical that SP2023 is delivered by 1 April 2023. Rigorous monitoring of the delivery of the SP2023 programme is therefore already underway to ensure that the Department is able to deliver its savings in full by this date.

Tt2021

54. However, as set out in paragraphs 39-42 it is anticipated that £8.149m of Tt2021 savings will remain to be achieved in 2022/23 and beyond. The shortfall against target will be met from a combination of corporate cash flow support and the Department's Cost of Change reserve as set out in paragraph 41.

55. The main reasons for the delays to savings delivery are summarised below:

- £7.999m waste disposal (recycling and charging for waste wood) – the impact of the pandemic has delayed the passage of the Environment Act which sets out the Government's planned changes to both waste disposal and collection together with the associated timescales. The alignment of these complex proposals to the Government changes has meant these savings are not now anticipated to be fully delivered until 2025/26.
- £0.15m Street Lighting – the complexity of reaching mutual agreement to vary the PFI contract has extended the preliminary period ahead of works commencing and the subsequent timescales for delivery agreed with the contractor for the programme of investment in LED lighting mean the full £0.5m savings from street lighting are not now expected to be fully realised until 2023/24 so alternative proposals will be brought for decision in March 2022.

Section I: 2022/23 Revenue Budget Other Expenditure

56. The budget includes some items which are not counted against the cash limit.

57. For ETE this is:

- £692,000 relating to the Flood Protection Levies paid annually to the Environment Agency. These funds are received and distributed by the Regional Flood and Coastal Committees for flood defence works across their regions.
- £203,000 relating to the precept paid each year to the Chichester Harbour Conservancy for the conservancy, maintenance and improvement of the Harbour and the Amenity Area for recreation and leisure, nature conservation and natural beauty.

Section J: Budget Summary 2022/23

58. The budget update report be presented to Cabinet on 07 December 2021 included provisional cash limit guidelines for each department. The cash limit for ETE in that report was £116.4m, a £12.8m increase on the previous year. The increase comprised:
- £7m recurring funding to provide additional resources for the overall Highways Maintenance budget, with the flexibility for the Director of ETE to allocate this between Operation Resilience and the reactive maintenance budget as required, as agreed by the County Council in November 2021.
 - £5.838m increase for inflation; permanent additions from the waste contingency; additional Street Lighting energy costs due to price inflation; and growth recognising the increase in highways assets to be maintained.
 - A net decrease of £65,000 from internal transfers including IT growth offset by additional Bikeability grant funding to support cycle safety training in schools.
59. At that stage, the cash limit guidelines did not include the following items which have now been added (and will be included in the February budget report), increasing the cash limit to £118.6m:
- An additional £2.147m inflation for the Waste contract, which is based on the November RPI at 6%.
60. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by ETE for 2022/23 and show that these are within the cash limit of £118.6m set out above.
61. In addition to these cash limited items there are further budgets which fall under the responsibility of ETE, which are shown in the table below:

| | 2022/23 | |
|--|----------------|----------------|
| | £'000 | £'000 |
| Cash Limited Expenditure | 169,558 | |
| Less Income (Other than Government Grants) | (50,971) | |
| Net Cash Limited Expenditure | | 118,587 |
| Flood Protection Levy | | 692 |
| Chichester Harbour Conservancy | | 203 |
| Less Government Grants: | | |
| • Bikeability | (404) | |
| • Bus Service Operators Grant | (1,068) | |
| Total Government Grants | | (1,472) |
| Total Net Expenditure | | 118,010 |

Section K: Consultation, Equalities and Climate Change Impact Assessment

62. Consultation on the budget is undertaken every two years when the County Council considers savings to help balance the budget. All savings proposals put forward by the County Council has an Equality Impact Assessment published as part of the formal decision making papers and for some proposals stage 2 consultations are undertaken before a final decision is made by the relevant Executive Member.
63. This report deals with the revenue budget preparation for 2022/23 for the Economy, Transport and Environment Department. This is the interim year of the two year financial planning cycle when no new savings proposals are being considered. Therefore no consultation or Equality Impact Assessments are required.
64. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience impacts of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council's climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by 2050. This process ensures that climate change considerations are built into everything the Authority does.
65. This report deals with the revenue budget preparation for 2022/23 for the Economy, Transport and Environment Department. Climate change impact assessments for individual services and projects will be undertaken as part of the approval to spend process. There are no further climate change impacts as part of this report which is concerned with revenue budget preparation for 2022/23 for the Economy, Transport and Environment Department.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

| Links to previous Member decisions: | |
|---|--|
| <u>Title</u> | <u>Date</u> |
| Savings Programme to 2023 – Revenue Savings Proposals (Executive Member for Economy, Transport and Environment) https://democracy.hants.gov.uk/documents/s82002/Report.pdf | 23 September 2021 |
| Medium Term Financial Strategy Update and Savings Programme to 2023 Savings Proposals https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=163&MId=7737 | Cabinet – 12 October 2021 / County Council – 4 November 2021 |
| Budget Setting and Provisional Cash Limits 2022/23 https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MId=7745 | Cabinet – 7 December 2021 |
| Direct links to specific legislation or Government Directives | |
| <u>Title</u> | <u>Date</u> |

Section 100 D - Local Government Act 1972 - background documents

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

Document

Location

None

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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

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

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

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

2. Equalities Impact Assessment:

The budget setting process for 2022/23 does not contain any proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Savings Programme to 2023 Programme were considered in detail as part of the approval process carried out in October and November 2021 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 4 to 8 in the October Cabinet report linked below:

<https://democracy.hants.gov.uk/ieListDocuments.aspx?CIId=163&MIId=7737>

For proposals where a Stage 2 consultation was required the EIAs were preliminary and were to be updated and developed following this further consultation when the impact of the proposals could be better understood.

Budget Summary 2022/23 – Economy, Transport and Environment

| Service Activity | Original Budget 2021/22 £'000 | Revised Budget 2021/22 £'000 | Proposed Budget 2022/23 £'000 |
|---|-------------------------------------|------------------------------------|-------------------------------------|
| Highways Maintenance ⁽¹⁾ | 18,006 | 20,402 | 26,252 |
| Street Lighting ⁽²⁾ | 10,739 | 12,355 | 12,041 |
| Winter Maintenance | 5,820 | 5,820 | 5,964 |
| Concessionary Fares | 13,142 | 13,117 | 13,328 |
| Other Public Transport ⁽³⁾ | 4,378 | 4,778 | 4,907 |
| Traffic Management and Road Safety ⁽³⁾ | 2,573 | 2,419 | 2,218 |
| Strategic Transport ⁽⁴⁾ | 1,480 | 2,282 | 1,790 |
| Highways, Traffic and Transport | 56,138 | 61,173 | 66,500 |
| Waste Disposal ⁽⁵⁾ | 41,656 | 44,222 | 46,090 |
| Environment | 554 | 553 | 550 |
| Strategic Planning | 997 | 1,025 | 1,035 |
| Waste, Planning and Environment | 43,207 | 45,800 | 47,675 |
| Economic Development | 1,027 | 1,130 | 1,047 |
| Departmental and Corporate Support | 3,295 | 3,687 | 3,365 |
| Net Cash Limited Expenditure | 103,667 | 111,790 | 118,587 |

(1) The Highways Maintenance revised budget includes £2m additional funding for maintenance, which each year is met from any underspend against the Winter Maintenance budget in the previous financial year topped up from corporate contingencies as necessary. The proposed budget for 2022/23 does not yet include this £2m as the amount of funding from each source will not be clear until the year end. The forward budget includes the £7m recurring funding agreed by the Council in November 2021 to provide additional resources for the overall Highways Maintenance budget.

(2) The revised and forward budget for Street Lighting includes an increase of £1.088m to reflect rising energy costs due to price inflation. The revised budget also includes one-off cash flow support covering the delayed Tt2021 Street Lighting saving.

(3) Reflected in the revised and forward budget is the transfer of the £530,000 budget for the Blue Badge staff from Traffic Management and Road Safety to Other Public Transport to mirror a change in management reporting for this team.

(4) The revised budget for Strategic Transport includes one-off budget provision of £564,000 Active Travel revenue grant funding from the Department for Transport.

(5) The revised budget for Waste Disposal includes one-off cash flow support to cover the delayed Tt2021 waste savings and transformation projects required to progress the Tt2021 savings. The

forward budget includes increases of £829,000 for demographic growth and £3.580m for inflation with the fixed contract uplift linked to November RPI at 6%.