

SUMMONS

To the Members of the County Council

You are hereby summoned to attend the County Council to be held at The Castle, Winchester upon the rising of the Special County Council Meeting or at 10.15 am, whichever the later, on Thursday, 22nd February, 2018 to consider and resolve upon the business set out in the Agenda below.

Enquiries to: Debbie Vaughan: members.services@hants.gov.uk

This agenda can be provided on request in large print or Braille or on disk. This meeting will be recorded and broadcast live on the County Council's website. The meeting may also be recorded and broadcast by the press and members of the public – please see the Filming Protocol available on the County Council's website.

AGENDA

1. **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

2. **DECLARATIONS OF INTEREST**

All Members who believe they have a Disclosable Pecuniary Interest in any matter to be considered at the meeting must declare that interest and, having regard to Part 3 Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore all Members with a Personal Interest in a matter being considered at the meeting should consider, having regard to Part 5, Paragraph 4 of the Code, whether such interest should be declared, and having regard to Part 5, Paragraph 5 of the Code, consider whether it is appropriate to leave the meeting while the matter is discussed, save for exercising any right to speak in accordance with the Code.

3. **MINUTES** (Pages 7 - 18)

To confirm the Minutes of the meeting held on 2 November 2017.

4. **DEPUTATIONS**

To receive deputations from:

- (a) Deborah Day regarding traffic on Allington Lane, Fair Oak
- (b) Steven Caulston regarding buses in Fleet

5. **CHAIRMAN'S ANNOUNCEMENTS**

To receive such announcements as the Chairman may wish to make to the Council.

6. **LEADER'S REPORT**

To receive such reports as the Leader of the Council may wish to bring before the Council.

7. **QUESTIONS UNDER STANDING ORDER 16.1.1**

To deal with questions pursuant to Standing Order 16.1.1. Where a Member has submitted more than one question, their second and subsequent questions will not be answered until all Members' first questions have been dealt with.

Part I: Matters for Decision

8. **APPOINTMENTS** (Pages 19 - 20)

To consider a report of the Chief Executive to make any Member appointments or alterations as required to the membership of committees and standing panels of the County Council, to statutory joint committees, to other proportional bodies the County Council is represented on, or to any other bodies which are not subject to proportionality rules.

9. **REVENUE BUDGET AND PRECEPT 2018/19 AND CAPITAL PROGRAMME 2018/19 TO 2020/21** (Pages 21 - 170)

To consider a report of the Leader and the recommendations of Cabinet for the Revenue Budget and Precept for 2018/19 and the Capital Programme for 2018/19 to 2020/21.

10. **HAMPSHIRE COUNTY COUNCIL PAY STATEMENT FOR FINANCIAL YEAR 2018/19** (Pages 171 - 188)

To consider a report of the Employment in Hampshire County Council (EHCC) Committee recommending Hampshire County Council's Pay Statement for the financial year 2018/19.

11. **MEMBERS' ALLOWANCES SCHEME 2017/18, 2018/19, 2019/20, 2020/21 AND 2021/22** (Pages 189 - 208)

To consider a report of the Employment in Hampshire County Council (EHCC) Committee making recommendations in regard to the Members' Allowances Scheme for 2017/18 together with a Members' Allowances Scheme for 2018/19, 2019/20, 2020/21 and 2021/22 having taken regard of the recommendations of the Independent Remuneration Panel.

12. **GENERAL DATA PROTECTION REGULATION** (Pages 209 - 212)

To consider a report of the Chief Executive seeking approval of recommendations in respect of the General Data Protection Regulation (GDPR) and a new Data Protection Act that will take effect from 25 May 2018.

13. **NOTICE OF MOTION**

To consider the following Notices of Motion, submitted in accordance with Standing Order 18.1:

- a) Notice of Motion submitted by Councillor Roy Perry, seconded by Councillor Keith Mans:

This Council urges district local authority partners in the County of Hampshire, and the unitary authorities of Portsmouth, Southampton and the Isle of Wight, to re-engage and return to the original prospectus for a Combined Authority for Hampshire and the Isle of Wight that we all agreed to in September 2015 together with the two LEPs and two National Parks, and re-submit to the Government with additional focus on the challenges of the economy, housing and health.

- b) Notice of Motion submitted by Councillor Rob Humby, seconded by Councillor Roy Perry:

This Council welcomes proposals for the third runway at Heathrow, and encourages the Government to invest further in transport, infrastructure in the South East including Southern Rail access to Heathrow, to maximise the benefits of international gateways in the South East, which support wider economic prosperity in the UK.

Part II: Matters for Information

14. **HAMPSHIRE FIRE AND RESCUE AUTHORITY**

- a) HFRA Questions

To deal with any questions which have been submitted pursuant to Standing Order 16.3 concerning the discharge of the Hampshire Fire and Rescue Authority's functions.

- b) HFRA Report (Pages 213 - 214)

To receive a report from the Authority.

15. **CONSTITUTIONAL ARRANGEMENTS: APPOINTMENTS TO THE HEALTH AND WELLBEING BOARD FOR HAMPSHIRE** (Pages 215 - 216)

To receive a report from the Chairman of the Health and Wellbeing Board for Hampshire notifying the Council of appointments made to the Board under delegated authority.

16. **EXECUTIVE AND COMMITTEE REPORTS**

To receive for information the reports of the following:

- a) The Leader/Cabinet (Pages 217 - 218)
- b) Executive Member for Public Health (Pages 219 - 220)
- c) Executive Member for Culture, Recreation and Countryside (Pages 221 - 222)
- d) Executive Member for Environment and Transport (Pages 223 - 224)

**John Coughlan CBE
Chief Executive
The Castle
Winchester**

Wednesday, 14 February 2018

NB: Debate sequence and time limits in regard to Item 9 on this Agenda are set out overleaf

DEBATE SEQUENCE AND TIME LIMITS:

The procedure is set out below. Any Amendments to the Recommendations are to be in writing and seconded in accordance with Standing Order 17.1.

1. Leader of the Council, Councillor Roy Perry to present the report and move the recommendations, assisted by Councillor Mel Kendal, Executive Member for Economic Development – **No limit.**
2. Leader of the Liberal Democrat Group to respond to the proposals and move any amendment - Councillor Keith House – **30 minutes.**
(NB: any amendment to be in writing and seconded)
3. Liberal Democrat seconder regarding 2) above (if the right to speak later in the debate **is not** reserved) – **4 minutes.**
4. Leader of the Labour Group to respond to the proposals and move any amendment – Councillor Michael Westbrook – **30 minutes.**
(NB: any amendment to be in writing and seconded)
5. Labour seconder regarding 4) above (if right to speak later in the debate **is not** reserved) – **4 minutes.**
6. Any other amendment (Independent Member, followed by one per group, Conservative, Liberal Democrat, Labour) – **4 minutes per amendment.**
(NB: any amendment to be in writing and seconded)
7. Secunder(s) (for Independent Member, Conservative, Liberal Democrat, Labour) regarding 6) above (if right to speak later in the debate **is not** reserved) – **4 minutes each.**
8. General debate - each speaker once only - **4 minutes.**
9. Any seconder (for Independent Member, Conservative, Liberal Democrat, Labour) regarding 7) above (if applicable and the right to speak later in the debate **has been** reserved) – **4 minutes.**
10. Labour seconder regarding 5) above (if applicable and the right to speak later in the debate **has been** reserved) - **4 minutes.**
11. Liberal Democrat seconder regarding 3) above (if applicable and the right to speak later in the debate **has been** reserved) - **4 minutes.**
12. Leader of the Council - in reply to the debate - **No limit.**

In the event of Amendments to the Recommendations, Standing Order 17.12 applies, i.e. Amendments shall be voted on against the original Recommendation(s) in reverse order. This means that the last Amendment to be moved shall be voted upon against the original recommendation first.

Should any Amendment be carried such amendment shall become the Substantive Proposition against which any further Amendments shall be voted upon.

Order of Voting:

1. Any Amendments moved in 6) above.
2. Labour Amendment if moved in 4) above
3. Liberal Democrat Amendment if moved in 2) above
4. Chairman to put the Substantive Proposition to the vote if any amendment carried.
5. In the event of no Amendments being moved, the Chairman will put the original recommendation(s) to the vote.

Agenda Item 3

AT A MEETING of the County Council of HAMPSHIRE COUNTY COUNCIL held
at the castle, Winchester on Thursday, 2nd November, 2017

Chairman:

- * Councillor Graham Burgess
- * Councillor Elaine Still

- * Councillor Elaine Still
- * Councillor John Bennison
- Councillor Fred Birkett
- * Councillor Martin Boiles
- * Councillor Ray Bolton
- * Councillor Jackie Branson
- * Councillor Ann Briggs
- * Councillor Zilliah Brooks
- * Councillor Adam Carew
- * Councillor Fran Carpenter
- * Councillor Christopher Carter
- * Councillor Roz Chadd
- * Councillor Peter Chegwyn
- Councillor Charles Choudhary
- * Councillor Daniel Clarke
- * Councillor Adrian Collett
- * Councillor Mark Cooper
- * Councillor Rod Cooper
- * Councillor Tonia Craig
- * Councillor Roland Dibbs
- * Councillor Alan Dowden
- * Councillor Peter Edgar
- * Councillor Keith Evans
- * Councillor Liz Fairhurst
- * Councillor Steve Forster
- * Councillor Jane Frankum
- * Councillor Andrew Gibson
- * Councillor Jonathan Glen
- * Councillor Judith Grajewski
- * Councillor David Harrison
- * Councillor Marge Harvey
- * Councillor Pal Hayre
- * Councillor Edward Heron
- * Councillor Dominic Hiscock
- * Councillor Geoffrey Hockley
- * Councillor Keith House
- * Councillor Rob Humby
- * Councillor Gary Hughes
- * Councillor Roger Huxstep
- * Councillor Wayne Irish
- * Councillor Gavin James
- * Councillor Andrew Joy
- * Councillor David Keast
- * Councillor Mark Kemp-Gee
- * Councillor Mel Kendal
- * Councillor Rupert Kyrle
- * Councillor Peter Latham
- * Councillor Kirsty Locke
- * Councillor Keith Mans
- * Councillor Alexis McEvoy
- * Councillor Anna McNair Scott
- * Councillor Derek Mellor
- Councillor Floss Mitchell
- * Councillor Rob Mocatta
- * Councillor Russell Oppenheimer
- Councillor Neville Penman
- * Councillor Roy Perry
- Councillor Stephen Philpott
- * Councillor Jackie Porter
- * Councillor Roger Price
- * Councillor Lance Quantrill
- * Councillor Stephen Reid
- * Councillor David Simpson
- * Councillor Patricia Stallard
- * Councillor Robert Taylor
- * Councillor Bruce Tennent
- * Councillor Tom Thacker
- * Councillor Michael Thierry
- * Councillor Mike Thornton
- * Councillor Martin Tod
- * Councillor Rhydian Vaughan
- * Councillor Malcolm Wade
- * Councillor Jan Warwick
- * Councillor Michael Westbrook
- * Councillor Michael White
- * Councillor Bill Withers Lt Col (Retd)
- Councillor Seán Woodward

*Present

Honorary Aldermen Patricia Banks, Susan Glasspool, Tim Knight, Pamela Mutton, Pat West and Michael Woodhall were also in attendance.

31. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Fred Birkett, Charles Choudhary, Floss Mitchell, Neville Penman* and Stephen Philpott.

Apologies were also received from Honorary Aldermen Phrynnette Dickens, Pamela Peskett and Marilyn Tucker.

* on County Council business elsewhere

32. DECLARATIONS OF INTEREST

Members were mindful that where they believed they had a Disclosable Pecuniary Interest in any matter considered at the meeting they must declare that interest at the time of the relevant debate and, having regard to the circumstances described in Part 3, Paragraph 1.5 of the County Council's Members' Code of Conduct, leave the meeting while the matter was discussed, save for exercising any right to speak in accordance with Paragraph 1.6 of the Code. Furthermore Members were mindful that where they believed they had a Non-Pecuniary interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 2 of the Code, considered whether it was appropriate to leave the meeting whilst the matter was discussed, save for exercising any right to speak in accordance with the Code.

Councillor Michael Westbrook declared a personal interest, that he has joint Power of Attorney for his mother who is a resident of a Hampshire County Council owned residential home.

33. MINUTES

The Minutes of the meeting held on 20 July 2017 were agreed and signed by the Chairman.

34. CHAIRMAN'S ANNOUNCEMENTS

The Chairman reported on the wide range of duties undertaken to represent and promote the County Council and its strong community leadership role. The list of engagements undertaken since the last Council meeting by the Chairman and Vice-Chairman had been circulated to all Members. In particular, the Chairman highlighted his Civic Day held on 5 October 2017 which showcased several of the County Council's services and facilities and his pleasure at hosting receptions to honour and reward officers who had completed both 25 and 40 years' in the service of the people of Hampshire.

It was with much sadness the Chairman reported the passing of former County Councillors Peter Langdon, Michael Geddes and Jean Vernon-Jackson. Peter Langdon represented the Hardway Division from 1997 to 2001, Michael Geddes represented Gosport Town from 1997 to 2005 and Bridemary from 2009 to 2013, and Jean Vernon-Jackson represented the Lymington Division from 1985 to 1997. She was also Vice Chairman of the County Council from 1996-97 and Chairman for one month in April 1997.

The Chairman invited Councillor Roy Perry to say a few words and invite personal tributes from the Chamber. The following Councillors spoke: Chris Carter, Peter Chegwyn, Alan Dowden and Peter Edgar. The Council observed a minute's silence as a mark of respect.

35. LEADER'S REPORT

The Leader reported on a commemorative event held on Wednesday 11th October 2017 in the Great Hall in honour of Harvey Cole, Honorary Alderman and a former Leader of the Council.

Following a fire in Three Minsters House on 18 September 2017, the Leader was pleased to report that the initial emergency response phase had been concluded efficiently and effectively with staff relocated to alternative locations within the headquarters complex. Repair works were underway which would take some months to complete. Thanks were extended to staff for their resilience and efforts to keep the County Council's business going in these challenging circumstances and to acknowledge the professionalism of the Fire and Rescue Service in attending and containing the fire.

The Leader was pleased to announce that Hampshire Music Service Flute Choir has won the top prize in the school age category at the first ever 'Flutewise' national competition - a volunteer based charity that creates events and courses for young flute players and the Associated Board of the Royal Schools of Music.

Necessarily much time and attention had been concentrated on balancing the budget whilst delivering good services however, the Leader emphasised the importance of looking ahead with the aim that Hampshire continues to prosper and flourish economically whilst at the same time protecting the environment. The County Council works in partnership with Local Economic Partnerships, who have responsibilities regarding economic development and the 11 district councils, who have responsibility for certain functions such as planning policy. With a view to developing a whole Hampshire Vision by continuing to work together, the Leader proposed the establishment of an independent Cross Party Commission to include some councillors, inviting leading experts in environment and economic development together with young people to help develop a Vision for Hampshire 2050 - Economically Prosperous - Environmentally Sustained.

36. DEPUTATIONS

The Council received deputations as listed on the Agenda. Ian Abbott was joined by Neal McTaggart who submitted a petition. Hashim Hassan was joined by Julie Considine, Gaynor Austion and Bill O'Donovan.

37. QUESTIONS UNDER STANDING ORDER 16.1.1

Executive Members responded to questions submitted in accordance with Standing Order 16.1.1, as published.

38. **CONSTITUTIONAL CHANGES**

The Council considered the report of the Chief Executive (Item 8 in the Minute Book) detailing some Constitutional changes: a revision to the terms of reference of the Children and Families Advisory Panel and the setting up of a Corporate Parenting Board as a sub-committee of the Panel; a revision to the Solent Transport Joint Committee Constitution to facilitate the appointment of Substitute Members, and a change of composition to the Hampshire Health and Wellbeing Board.

The Leader presented the report and moved the recommendations.

RESOLVED:

- a) That the updated terms of reference for the Children and Families Advisory Panel, as set out in section 1 of the report, be approved.
- b) That the County Council notes the establishment of the Corporate Parenting Board by the Children and Families Advisory Panel, as set out in section 1 of the report, and the recommendation to appoint three co-opted Care Ambassadors as Members of the Board, to be identified under Item 9 on the Agenda (Appointments).
- c) That the County Council agrees the updated Constitution of the Solent Transport Joint Committee, as set out in section 2 of the report and the consequential appointment of a Substitute Member representative, to be identified under Item 9 on the Agenda (Appointments).
- d) That the change to the composition of the Hampshire Health and Wellbeing Board, as set out in section 3 of the report, be approved.

39. **APPOINTMENTS**

The Council considered the report of the Chief Executive (Item 9 in the Minute Book), as presented by the Leader, proposing a number of appointments to the County Council's committees and advisory panels, and to outside bodies that the County Council is represented on. The Leader proposed an additional appointment to fill a co-optee vacancy on the Health and Adult Social Care Select Committee.

RESOLVED:

That the appointments set out in the report be approved together with the additional appointment of Councillor Tina Campbell, Eastleigh Borough Council, as a Co-opted Member of the Health and Adult Social Care Select Committee, as nominated by the Hampshire and Isle of Wight Local Government Association.

40. **MEDIUM TERM FINANCIAL STRATEGY UPDATE AND TRANSFORMATION TO 2019 SAVINGS PROPOSALS**

The Council considered a report from the Cabinet (Item 10 in the Minute Book) providing an update on the medium term financial strategy for the County and Transformation to 2019 savings proposals and detailed Equality Impact Assessments, considered by the Cabinet on 16 October 2017. The Cabinet report outlines the feedback from the consultation exercise 'Serving Hampshire – Balancing the Budget'. The Cabinet had also considered the Treasury Management mid-year monitoring report for 2017/18 (Appendix 2 to the Cabinet report) in accordance with the CIPFA Code of Practice and recommended it to the County Council for approval.

In presenting the report, the Leader confirmed that it dealt with some difficult recommendations as a result of reductions in government Grant coupled with inflationary and demographic pressures which required savings of £140m 2019/20; a figure that was reported to Council in February last year. The Leader confirmed that the County Council remains in a stable financial state having successfully delivered a previous round of savings for Transformation to 2017, whilst retaining high quality essential services. By adopting a long term approach, taking difficult decisions in consultation and using the County Council's carefully managed reserves in a way that minimises the impact of changes had proved to be a successful approach and one that would be continued. The Leader emphasised that by law, the County Council must set a balanced budget.

The Leader drew attention to the significant contribution that the various forms of commercial activity makes to the County Council's financial resilience, and asked Members to note the almost £20m extra for Children's Services to address demand pressures, social worker attraction and retention, home to school transport and special guardianship orders. Recommendation (xi) from the Cabinet was highlighted which provided £500,000 support to Town and Parish Councils to provide pump priming funding for targeted, joint initiatives aimed at improving local services.

The Leader also drew Members attention to the additional resolution of Cabinet (xii) as follows:

"Require that officers, as specific decision making processes move forward, continue to explore all viable options to revise or refine these proposals with particular regard to service continuity in areas such as community transport, school crossing patrols and waste and recycling centres, in consultation with partners and stakeholders as appropriate, while recognising that any modification to the proposal must be consistent with the financial and time imperatives of the overall programme."

The Leader moved the report's recommendations and proposed an additional recommendation, which was seconded by Councillor Mel Kendal as follows:

"That Hampshire County Council calls on the Government to permit Councils responsible for administering the national Concessionary Travel Scheme, to levy modest charges on older persons' passes, e.g. 50p for each use and £10 for

issuing and renewing permits, with the balance of revenue raised after costs to be used to support uncommercial, public or community transport services serving vulnerable or disadvantaged residents or areas.”

The Executive Member for Economic Development highlighted a number of areas in the Cabinet report such as:

- £14million for building smaller homes for children with complex needs with a further five houses on stream and more to follow; approval to transfer £3million from capital to revenue between the County Council and Enterprise M3 LEP to achieve greater flexibility in delivering economic growth across Hampshire
- work on joint ventures that yield additional income or generate a return either through the County Council’s land holdings or through relationships with partners and contractors, e.g. Manydown development
- addition to the Capital Programme of schemes associated with the development of Woodhouse Lane in Botley to facilitate Phase 1 of the Botley By-pass, a new secondary school and other infrastructure and utility works which will assist with Local Plan requirements

The Executive Member for Economic Development concluded that further work would be carried out in line with Cabinet’s resolution (xii), as detailed above.

The full opening debate speeches of the Leader and the Executive Member for Economic Development are available to view on the website.

Opposition Group Leaders responded to the proposals. Councillor Keith House, seconded by Councillor Adrian Collett proposed an Amendment to Recommendation (d), as set out in the Council report, as follows and requested that the vote on the Amendment be a recorded vote and if that was lost, that recommendation (d) be voted on separately:

“Revise recommendation d) from

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

to

d) The savings proposals in Appendix 3, be referred back to Cabinet for further discussion to evolve new proposals that

(i) give more protection to frontline services,

(ii) protect vulnerable residents rather than see these communities subject of the harshest cuts

(iii) develop a more coherent long-term investment strategy to generate income,

(iv) genuinely work in partnership with the rest of the public sector rather than cost-shunt to the NHS, police, local councils, and even within the County Council

(v) work with other councils and more effectively lobby government and Hampshire's MPs to protect rather than destroy local services."

No other amendments were proposed.

During the course of a full debate, views in support of, or raising concern, about the proposals were expressed.

The Liberal Democrat Amendment, as above, was put to the vote and the outcome recorded as follows:

FOR 21

Councillors: Chegwyn, Clarke, Collett, Mark Cooper, Craig, Dowden, Frankum, Harrison, Hiscock, House, Irish, Gavin, Kyrle, Porter, Price, Simpson, Tennent, Thornton, Tod, Wade and Westbrook.

AGAINST 49

Councillors: Bennison, Boiles, Bolton, Branson, Briggs, Brooks, Carew, Carpenter, Carter, Chadd, Rod Cooper, Dibbs, Edgar, Evans, Fairhurst, Forster, Gibson, Glen, Grajewski, Harvey, Hayre, Heron, Hughes, Humby, Huxstep, Joy, Keast, Kemp-Gee, Kendal, Latham, Locke, Mans, McEvoy, McNair Scott, Mellor, Mocatta, Oppenheimer, Perry, Quantrill, Reid, Stallard, Still, Taylor, Thacker, Thierry, Vaughan, Warwick, White and Withers.

ABSTAIN 1

Councillor Burgess

The Liberal Democrat Amendment was therefore lost.

Recommendation (d) of the Council report was put to the vote and recorded as follows:

FOR: 47

Councillors: Boiles, Bolton, Branson, Briggs, Brooks, Carpenter, Carter, Chadd, Rod Cooper, Dibbs, Edgar, Evans, Fairhurst, Forster, Gibson, Glen, Grajewski, Harvey, Hayre, Heron, Hughes, Humby, Huxstep, Joy, Keast, Kemp-Gee, Kendal, Latham, Locke, Mans, McEvoy, McNair Scott, Mellor, Mocatta, Oppenheimer, Perry, Quantrill, Reid, Stallard, Still, Taylor, Thacker, Thierry, Vaughan, Warwick, White and Withers.

AGAINST: 21

Councillors: Chegwyn, Clarke, Collett, Mark Cooper, Craig, Dowden, Frankum, Harrison, Hiscock, House, Irish, Gavin, Kyrle, Porter, Price, Simpson, Tennent, Thornton, Tod, Wade, Westbrook.

ABSTAIN: 3

Councillors: Bennison, Burgess and Carew.

The vote on Recommendation (d) of the Council report was therefore carried.

The Additional Recommendation proposed by the Leader was put to the vote and recorded as follows:

FOR: 49

Councillors: Bennison, Boiles, Bolton, Branson, Briggs, Brooks, Carew, Carpenter, Carter, Chadd, Rod Cooper, Dibbs, Edgar, Evans, Fairhurst, Forster, Gibson, Glen, Grajewski, Harvey, Hayre, Heron, Hughes, Humby, Huxstep, Joy, Keast, Kemp-Gee, Kendal, Latham, Locke, Mans, McEvoy, McNair Scott, Mellor, Mocatta, Oppenheimer, Perry, Quantrill, Reid, Stallard, Still, Taylor, Thacker, Thierry, Vaughan, Warwick, White and Withers.

AGAINST: 20

Councillors: Chegwyn, Clarke, Collett, Mark Cooper, Craig, Dowden, Frankum, Harrison, Hiscock, House, Irish, Gavin, Kyrle, Price, Simpson, Tennent, Thornton, Tod, Wade, Westbrook.

ABSTAIN: 2

Councillors: Burgess and Porter.

RESOLVED:

That the County Council approved:

- a) The mid-year report on treasury management activity at Appendix 2 and note potential impact on the investment strategy of defaulting to a retail client with effect from 3 January 2018.
- b) The immediate commencement of applications for elected professional client status with all relevant institutions in order to ensure the County Council can continue to implement an effective investment and acknowledge that in electing for professional client status the County Council are agreeing to forgo the protections available to retail clients attached at Annex 1 of Appendix 2.
- c) That responsibility be delegated to the Section 151 Officer (the Director of Corporate Resources) for the purposes of completing the applications.

- d) The savings proposals in Appendix 3, subject to further consultation and executive decision making where necessary.
- e) The remainder of the spending required, totalling £22.5m, to complete the IT enabling and EPP programmes, following the £16.1m that was approved in July this year.
- f) Recurring funding from 2018/19 onwards of £10.25m to cover the increased costs of social workers, Home to School Transport and payments for Special Guardianship Orders.
- g) A one-off sum of £1.4m from the Invest to Save Reserve to fund additional resource within the in-house Transformation Team until the end of 2019/20.
- h) Up to £35m of capital spend (funded through prudential borrowing) to invest in the purchase of land and development of the Manydown site.
- i) An initial sum of £3m is transferred from capital to revenue between the County Council and Enterprise M3 LEP as outlined in this report and that delegated authority be given to the Director of Corporate Resources to agree further transfers if required.
- j) Capital spend of £1.23m to implement improvements whereby specialist equipment will be installed to improve the quantity and quality of data collection and monitoring in relation to water bacteria risk management. To be funded from the savings in non-departmental budgets in the current year as identified in Section 4.
- k) An increase in the capital programme of £1m per annum from 2017/18 to raise the provision for the general replacement of and additions to the fleet managed by HTM to £3m per annum, to be funded through prudential borrowing.
- l) The addition of schemes associated with the development of land at Woodhouse Lane to the value of £41.695m to the capital programme as outlined in paragraph 11.10.
- m) Hampshire County Council calls on the Government to permit Councils responsible for administering the national Concessionary Travel Scheme, to levy modest charges on older persons' passes, e.g. 50p for each use and £10 for issuing and renewing permits with the balance of revenue raised after costs to be used to support uncommercial, public or community transport services serving vulnerable or disadvantaged residents or areas.

41. **STATEMENT OF COMMUNITY INVOLVEMENT**

The Council considered the report of the Chief Executive (Item 11 in the Minute Book) seeking approval of a revised Statement of Community Involvement required as a result of legislative changes.

RESOLVED:

- a) That the revised Statement of Community Involvement be approved and resolved to adopt it as a statutory planning document in accordance with

the Planning and Compulsory Purchase Act 2004.

- b) That authority be delegated to the Director of Economy, Transport and Environment, in consultation with the Executive Member for Environment and Transport, to make any further amendments to the Statement of Community Involvement that may be required to comply with new guidance or legislation, provided that these do not significantly change the County Council's stated approach in respect of the scope, emphasis or opportunities for participation.

42. NOTICE OF MOTION

There were no Notices of Motion on this occasion.

43. HAMPSHIRE FIRE AND RESCUE AUTHORITY

- a) HFRA Questions

No questions had been submitted in accordance with Standing Order 16.3.

- b) HFRA Report

The Council received the report of the Hampshire Fire and Rescue Authority (Item 13b in the Minute Book) as presented by the Chairman of the Fire Authority, Councillor Chris Carter. In addition, Councillor Carter informed Members that Dave Curry, retiring Chief Fire Officer, would receive the Queens Service Medal which would be presented in December.

44. EXECUTIVE AND COMMITTEE REPORTS

The Council received the reports of the following Executive Members:

- a) The Leader/Cabinet

- i) Adult Safeguarding
- ii) Annual Safeguarding Report – Children's Services
- iii) Supporting (Troubled) Families Programme (STFP) Annual Update

- b) Executive Member for Economic Development

- i) Energy Strategy and Carbon Reduction Programmes

- c) Executive Member for Environment and Transport

- i) M27 Junction 9 and Parkway South Roundabout Scheme, Whiteley
- ii) Strategic Transport – Hampshire's Priorities

- d) Executive Member for Public Health

- i) Appointment to Solent Sea Rescue Organisation

- ii) Approval to spend for Substance Misuse Services
- e) Executive Member for Culture, Recreation and Countryside
 - i) Calshot Camping Pods

Chairman,

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COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Chief Executive
PART I

1. COMMITTEE APPOINTMENTS

- 1.1 The following appointments are proposed by the Leader of the Council:
- a) That Councillor Lance Quantrill be appointed to the Audit Committee to replace Councillor Floss Mitchell and that Councillor Zilliah Brooks be appointed as the Conservative Group Substitute Member.
 - b) That Robert Sanders be appointed as a Co-opted Member of the Children and Young People Select Committee, replacing Jeff Williams, representing the Church of England.
 - c) That Gareth Davis be appointed as a Co-opted Member of the Children and Young People Select Committee, replacing Caroline Edmondson, representing Primary Schools.

2. APPOINTMENT OF INDEPENDENT REMUNERATION PANEL

- 2.1 The County Council is required by virtue of the provisions of the Local Authorities (Members' Allowances) (England) Regulations 2003 to appoint an Independent Remuneration Panel (IRP) to make recommendations to the County Council in respect of allowances paid to Members and Co-opted Members of the County Council pursuant to the Members' Allowances Scheme. It is a legal requirement under the Members Allowances Regulations that an IRP must comprise of at least three members, independent of the County Council.
- 2.2 Appointment of the IRP is a County Council function. Assistance in respect of recruitment of the IRP, and recommendations to the County Council in respect of appointment of members of the IRP is delegated in the Constitution to the Conduct Advisory Panel.
- 2.3 Tenure of the current IRP which comprises four members expires in February 2018. Interviews in respect of a new IRP were undertaken by a sub-committee of the Conduct Advisory Panel on 1 December 2017. It is considered sensible that there should be four members to ensure there is always a quorum and to reduce the necessity to interview further should any member of the IRP step down in the future.
- 2.4 The sub-committee of the Conduct Advisory Panel recommends the appointment of Julia Abbott, David Heck, Richard Kinch and Martin James for a four year term of office commencing on 1 March 2018 and expiring on 28 February 2022.

- 2.5 Mrs Abbott, Mr Heck and Mr Kinch are members of the existing IRP, and Mr James would be a new appointment to the position.

RECOMMENDATION

That the County Council:

- a) approve the appointments set out in Paragraph 1 above.
- b) approve the recommendations of the sub-committee of the Conduct Advisory Panel and that Julia Abbott, David Heck, Martin James and Richard Kinch be appointed as the County Council's Independent Remuneration Panel for a four-year term of office commencing on 1 March 2018, expiring on 28 February 2022.

COUNCIL MEETING, 22 February 2018

REPORT OF THE
Cabinet
PART I

**REVENUE BUDGET AND PRECEPT 2018/19 AND CAPITAL PROGRAMME
2018/19 – 2020/21**

1. REVENUE BUDGET AND PRECEPT 2018/19

- 1.1. The Cabinet considered the proposed Revenue Budget and Precept for 2018/19 at its meeting on 5 February 2018 and resolved to make a number of recommendations to the County Council. The report considered by Cabinet is attached as Annex A to this Part I report and is referenced in recommendations a to m below.
- 1.2. The main changes that have been made to the figures presented to Cabinet are technical and relate to notifications from District Councils of final tax base, business rates and collection fund figures, together with the final local government finance settlement announced on 6 February.

Changes from District Councils

- 1.3. Various changes to figures have been notified by District Councils, which have been reflected in an amended Summary Revenue Budget for 2018/19 presented at Appendix 1 to this Part I report. In addition, the tax base as notified by the Districts has informed the final Flood Protection Levy which has now been updated in Annex 1 to this Part I report.
- 1.4. Overall there is a net increase in income of £2.627m which can be used to reduce the draw from the Grant Equalisation Reserve from £29.062m to £26.435m.

Final Local Government Finance Settlement

- 1.5. The Secretary of State for Housing, Communities and Local Government announced the final local government finance settlement to the House of Commons on 6 February 2018.
- 1.6. The expectation was for limited changes to the figures that were released in December last year, and the main changes at a national level between the provisional and final 2018/19 settlements are one-off in nature and are as follows:
 - An additional one-off allocation of £150m for an Adult Social Care Support Grant in 2018/19 only.
 - An additional one-off allocation of £16m has been added to the Rural Services Delivery Grant in 2018/19 only.

- 1.7. Hampshire County Council has therefore been allocated one-off Adult Social Care Support Grant of £2,971,560 as a result of the final settlement announcement. This grant income and the consequent increase in the budget for Adults' Health & Care have been reflected in an amended Summary Revenue Budget for 2018/19 presented at Annex 1 to this Part I report.
- 1.8. The recommendations from Cabinet to Full Council are not changed, although final figures reflect the technical adjustments that have been made.

2. CAPITAL PROGRAMME 2018/19 – 2020/21

- 2.1. The Capital Programme report was presented to Cabinet on 5 February 2018 and recommendations were made to the County Council. The report is attached as Annex B to this Part I report and is referenced in recommendations n and o below. There have been no changes to the report since Cabinet.

The full reports to Cabinet can be found at the following link:

[Cabinet 5 February 2018](#)

RECOMMENDATIONS

A. Revenue Budget and Precept 2018/19

That the County Council approve:

- a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 7 to Annex A) and take this into account when determining the budget and precept for 2018/19.
- b) The Revised Budget for 2017/18 set out in Appendix 1 to Annex A.
- c) The Revenue Budget for 2018/19 as set out in Annex 1 to this Part I report.
- d) Funding for one off revenue priorities linked to the development of capital investment totalling £3.045m as set out in paragraphs 5.25 to 5.36 of Annex A.
- e) The strategy for dealing with new capital investment priorities as set out in Section 6, together with the addition of new schemes totalling £15.78m (net) as detailed in Appendix 2 to Annex A.
- f) The changes to ETE savings proposals as outlined in paragraphs 9.8 to 9.14 of Annex A, together with the proposed increase in corporate housekeeping savings that will be met from additional council tax income generated from the 1% increase in 2018/19.
- g) Recurring funding from 2018/19 onwards of £3.2m rising to £3.7m per annum, to be held within contingencies, to partly cover the forecast increased costs for Children Looked After.

- h) That the total **budget requirement** for the general expenses of the County Council for the year beginning 1 April 2018, be £751,701,377.
- i) That the **council tax requirement** for the County Council for the year beginning 1 April 2018, be £608,452,465.
- j) That the County Council's band D council tax for the year beginning 1 April 2018 be £1,200.96, an increase of 5.99% of which 3% is specifically for adults' social care.
- k) The County Council's council tax for the year beginning 1 April 2018 for properties in each tax band be:

	£
Band A	800.64
Band B	934.08
Band C	1,067.52
Band D	1,200.96
Band E	1,467.84
Band F	1,734.72
Band G	2,001.60
Band H	2,401.92

- l) Precepts be issued totalling £608,452,465 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authorities area as determined by them and as set out below:

Basingstoke and Deane	64,085.00
East Hampshire	49,459.56
Eastleigh	44,805.97
Fareham	42,605.30
Gosport	26,524.90
Hart	40,392.40
Havant	40,704.00
New Forest	70,621.00
Rushmoor	30,971.38
Test Valley	48,079.00
Winchester	48,389.90

- m) The Treasury Management Strategy and the Annual Investment Strategy for 2018/19 (and the remainder of 2017/18) as set out in Appendix 8 to Annex A be approved, including:

- The Prudential Indicators for 2018/19, 2019/20 and 2012021 (Appendix 8 - Annex C).
- The Minimum Revenue Provision (MRP) Statement (Appendix 8 - Annex D).
- The delegation of authority to the Director of Corporate Resources to manage the Council's investments according to the risk assessment process in the Investment Strategy as appropriate.
- Investments of up to £35m for up to 20 years in the Manydown joint venture in which the County Council has a significant interest.
- The delegation of authority to the Director of Corporate Resources to approve investments in the Manydown joint venture in consultation with the Executive Member for Policy and Resources.

B. Capital Programme 2018/19 – 2020/21

That the County Council approve:

- n) The capital programme for 2018/19 and the provisional programmes for 2019/20 and 2020/21 as set out in Appendix 3 to Annex B.
- o) The new capital schemes contained in Appendix 4 to Annex B.

Revenue Budget 2018/19

	Original Budget 2017/18 £'000	Adjustment £'000	Proposed Budget 2018/19 £'000
<u>Departmental Expenditure</u>			
Adults' Health and Care	355,587	43,368	398,955
Children's – Schools	786,892	19,993	806,885
Children's – Non Schools	150,067	16,974	167,041
Economy, Transport and Environment	108,014	4,492	112,506
Policy and Resources	87,564	3,957	91,521
	1,488,124	88,784	1,576,908
<u>Capital Financing Costs</u>			
Committee Capital Charges	135,264	(223)	135,041
Capital Charge Reversal	(136,489)	160	(136,329)
Interest on Balances	(8,395)	800	(7,595)
Capital Financing Costs	51,775	(11,474)	40,301
	42,155	(10,737)	31,418
<u>RCCO</u>			
Main Contribution	14,034	(3,452)	10,582
RCCO from Reserves	8,529	(8,529)	0
	22,563	(11,981)	10,582
<u>Other Revenue Costs</u>			
Contingency	35,880	22,533	58,413
Dedicated Schools Grant	(732,102)	(15,168)	(747,270)
Specific Grants	(159,861)	(13,453)	(173,314)
Pensions – Non Distributed Costs	18,526	1,765	20,291
Apprenticeship Levy	0	1,350	1,350
Flood Protection Levy	623	25	648
Coroners Expenditure	1,650	97	1,747
Business Units (Net Trading Position)	164	54	218
	(835,120)	(2,797)	(837,917)
Net Revenue Budget	717,722	63,269	780,991
<u>Contributions to / (from) Earmarked Reserves</u>			
Transfer to / (from) Earmarked Reserves	19,520	(47,733)	(28,213)
Trading Units Transfer to / (from) Reserves	(242)	165	(77)
RCCO from Reserves	(8,529)	8,529	0
	10,749	(39,039)	(28,290)
Use of General Balances	900	(1,900)	(1,000)
BUDGET REQUIREMENT	729,371	22,330	751,701

	Original Budget 2017/18 £'000	Adjustment £'000	Proposed Budget 2018/19 £'000
BUDGET REQUIREMENT	729,371	22,330	751,701
Funded by			
Business Rates and Government Grant	(156,274)	17,723	(138,551)
Business Rates Collection Fund Deficit / (Surplus)	696	(767)	(71)
Council Tax Collection Fund Deficit / (Surplus)	(6,963)	2,336	(4,627)
COUNCIL TAX REQUIREMENT	566,830	41,622	608,452

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	5 February 2018
Decision Maker:	County Council
Date:	22 February 2018
Title:	Revenue Budget and Precept 2018/19
Report From:	Director of Corporate Resources

Contact name: Carolyn Williamson

Tel: 01962 847400

Email: Carolyn.Williamson@hants.gov.uk

1. Recommendations

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

- 1.1. Notes the current position in respect of the financial resilience monitoring for the current financial year.
- 1.2. Approves the allocation of up to £7.6m in 2017/18, from within existing contingencies, to provide for the forecast growth in Children Looked After numbers.
- 1.3. Approves the council tax increase for 2018/19 of 5.99% in line with the details set out in paragraphs 7.6 to 7.15.
- 1.4. Approves the Revised Budget for 2017/18 contained in Appendix 1.
- 1.5. Gives in principle approval to transfer any spare resources on the 2017/18 winter maintenance budget to the highways maintenance budget for 2018/19.
- 1.6. Approves the updated cash limits for departments for 2018/19 as set out in Appendix 3.
- 1.7. Approves the proposed service budgets for 2018/19 as set out in Appendix 4.
- 1.8. Approves the overall budget for the County Council for 2018/19 as set out in Appendix 5.
- 1.9. Delegates authority to the Director of Corporate Resources, following consultation with the Leader and the Chief Executive to make changes to

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

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

- a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 7) be taken into account when the Council determines the budget and precept for 2018/19.
- b) The Revised Budget for 2017/18 set out in Appendix 1 be approved.
- c) The Revenue Budget for 2018/19 (as set out in Appendix 4 and Appendix 5) be approved.
- d) Funding for one off revenue priorities linked to the development of capital investment totalling £3.045m as set out in paragraphs 5.25 to 5.36 be approved.
- e) The strategy for dealing with new capital investment priorities as set out in Section 6 is approved together with the addition of new schemes totalling £15.78m (net) as detailed in Appendix 2.
- f) The changes to ETE savings proposals as outlined in paragraphs 9.8 to 9.14 are agreed together with the proposed increase in corporate housekeeping savings that will be met from additional council tax income generated from the 1% increase in 2018/19.
- g) Recurring funding from 2018/19 onwards of £3.2m rising to £3.7m per annum, to be held within contingencies, is approved to partly cover the forecast increased costs for Children Looked After.
- h) The total **budget requirement** for the general expenses of the County Council for the year beginning 1 April 2018, be £751,001,384.
- i) The **council tax requirement** for the County Council for the year beginning 1 April 2018, be £608,175,704.
- j) The County Council's band D council tax for the year beginning 1 April 2018 be £1,200.96, an increase of 5.99% of which 3% is specifically for adults' social care.
- k) The County Council's council tax for the year beginning 1 April 2018 for properties in each tax band be:

	£
Band A	800.64
Band B	934.08
Band C	1,067.52
Band D	1,200.96
Band E	1,467.84
Band F	1,734.72
Band G	2,001.60
Band H	2,401.92

- l)** Precepts be issued totalling £608,175,704 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authorities area as determined by them and as set out below:

Basingstoke and Deane	64,085.00
East Hampshire	49,459.56
Eastleigh	44,805.97
Fareham	42,605.30
Gosport	26,524.90
Hart	40,185.80
Havant	40,680.15
New Forest	70,621.00
Rushmoor	30,971.38
Test Valley	48,079.00
Winchester	48,389.90

- m)** The Treasury Management Strategy and the Annual Investment Strategy for 2018/19 (and the remainder of 2017/18) as set out in Appendix 8 be approved, including:
- The Prudential Indicators for 2018/19, 2019/20 and 2020/21 (Appendix 8 - Annex C).
 - The Minimum Revenue Provision (MRP) Statement (Appendix 8 - Annex D).
 - The delegation of authority to the Director of Corporate Resources to manage the Council's investments according to the risk assessment process in the Investment Strategy as appropriate.

- Investments of up to £35m for up to 20 years in the Manydown joint venture in which the County Council has a significant interest.
- The delegation of authority to the Director of Corporate Resources to approve investments in the Manydown joint venture in consultation with the Executive Member for Policy and Resources.

1.11. **RECOMMENDATIONS TO COUNTY COUNCIL**

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

County Council is recommended to approve:

- a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 7) and take this into account when determining the budget and precept for 2018/19.
- b) The Revised Budget for 2017/18 set out in Appendix 1.
- c) The Revenue Budget for 2018/19 (as set out in Appendix 4 and Appendix 5).
- d) Funding for one off revenue priorities linked to the development of capital investment totalling £3.045m as set out in paragraphs 5.25 to 5.36.
- e) The strategy for dealing with new capital investment priorities as set out in Section 6, together with the addition of new schemes totalling £15.78m (net) as detailed in Appendix 2.
- f) The changes to ETE savings proposals as outlined in paragraphs 9.8 to 9.14, together with the proposed increase in corporate housekeeping savings that will be met from additional council tax income generated from the 1% increase in 2018/19.
- g) Recurring funding from 2018/19 onwards of £3.2m rising to £3.7m per annum, to be held within contingencies, to partly cover the forecast increased costs for Children Looked After.
- h) That the total **budget requirement** for the general expenses of the County Council for the year beginning 1 April 2018, be £751,001,384.
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Winchester	48,389.90

- m)** The Treasury Management Strategy and the Annual Investment Strategy for 2018/19 (and the remainder of 2017/18) as set out in Appendix 8 be approved, including:
- The Prudential Indicators for 2018/19, 2019/20 and 2012021 (Appendix 8 - Annex C).
 - The Minimum Revenue Provision (MRP) Statement (Appendix 8 - Annex D).
 - The delegation of authority to the Director of Corporate Resources to manage the Council's investments according to the risk assessment process in the Investment Strategy as appropriate.

- Investments of up to £35m for up to 20 years in the Manydown joint venture in which the County Council has a significant interest.
- The delegation of authority to the Director of Corporate Resources to approve investments in the Manydown joint venture in consultation with the Executive Member for Policy and Resources.

2. Executive Summary

- 2.1. The purpose of this report is to set out the County Council's proposals for the revenue budget and precept for 2018/19.
- 2.2. The deliberate strategy that the County Council has followed for dealing with grant reductions since 2010 is well documented. It involves planning ahead of time, making savings in anticipation of need and using those savings to help fund transformational change to generate the next round of savings.
- 2.3. In line with the financial strategy that the County Council operates, which works on the basis of a two year cycle of delivering departmental savings to close the anticipated budget gap, no savings targets were set for departments in 2018/19 and a net draw in the order of £29m will need to be taken from the Grant Equalisation Reserve (GER) to balance the budget. Any early achievement of resources from proposals during 2018/19 as part of the Transformation to 2019 (Tt2019) Programme will be retained by departments to use for cost of change purposes, to cash flow the delivery of savings or to offset service pressures.
- 2.4. Financial performance in the current year remains strong, but the cumulative impact of numerous savings programmes, coupled with a relentless business as usual agenda and rising demand and expectations from service users means that pressures are being felt in all departments.
- 2.5. The pressures within social care departments are well known and the sustained pressure on social care spending means that these services continue to be the highest risk and most volatile area of the County Council's budget. For Adults' Services, a combination of a more stable service position and increased resources from government and the social care precept mean that short term pressures are under control.
- 2.6. In Children's Services however, despite the significant extra corporate resources that were put into the budget for 2017/18, a continued growth in Children Looked After (CLA) numbers coupled with other projected pressures in Home to School Transport and agency staff mean that the year end position is forecast to be an over spend of £7.6m. Since Children's Services have no remaining cost of change reserves this will need to be met from contingencies that were set aside for this purpose and the ongoing impact of increasing CLA numbers will need to be assessed as part of the next update of the Medium Term Financial Strategy (MTFS).
- 2.7. The provisional Local Government Finance Settlement was announced on 19 December 2017 but it should be noted that the settlement published in 2016 covered four years from 2016/17 to 2019/20 and, following the

acceptance by the Department for Communities and Local Government (DCLG) of the County Council's Efficiency Plan for the period, the expectation was for minimal change to the figures previously published.

- 2.8. In 2016/17 the Government implemented a clear shift in council tax policy and presumed that local authorities would put up their council tax by the maximum allowed each year in the period to 2020. For Hampshire County Council this was 3.99% per annum, which included an extra 2% flexibility to pay for the increasing costs of adults' social care. Further flexibilities were announced last year to bring forward some of this increase and to raise the precept by 3% in 2017/18 and 2018/19 within the cap of 6% over the next three years to 2019/20.
- 2.9. In addition, in the provisional Local Government Finance settlement in December 2017 the Government announced an increase in the referendum limits for 'core' council tax which for the County Council rose from 2% to 3%.
- 2.10. The report recommends that council tax is increased by 5.99% in 2018/19, reflecting this change in the referendum limits and recognising the shift in government policy and the fact that the Government have presumed that local authorities will put up their council tax by the maximum they are allowed.
- 2.11. This additional 1% increase, over and above the assumptions set out within the MTFs, will generate additional income of £5.7m in 2018/19 rising to £11.9m in 2019/20 if the referendum limit stays the same and the maximum increase is again approved.
- 2.12. In 2018/19 this additional income will allow provision to be made to meet pay cost pressures and to begin to meet the further pressures within Children's Services. In 2019/20 the additional council tax income raised from the extra 1% increase in 2018/19 will, along with other additional resources identified, also enable a limited number of savings to be mitigated.
- 2.13. Savings proposals were agreed by Cabinet and County Council during October and November this year and at the time it was agreed that officers should continue to explore all viable options to revise or refine these proposals with particular regard to service continuity in areas such as community transport, school crossing patrols and household waste recycling centres, while recognising that any modification to any proposal must be consistent with the financial and time imperatives of the overall programme
- 2.14. The identification of alternative savings proposals together with the additional council tax flexibility will enable the full savings proposals associated with the services mentioned in the paragraph above to be withdrawn and will also allow a £2m reduction in the proposed saving in bus subsidies.
- 2.15. During January individual Executive Members have been considering their revenue budget proposals with the Leader and Cabinet and this report consolidates these proposals together with other items that make up the

total revenue budget for the County Council in order to recommend a budget, precept and council tax to the meeting of full County Council on 22 February 2018.

- 2.16. This report also considers a number of revenue items that are linked to the development of capital investment priorities and following a review of capital need across departments presents a strategy for dealing with the capital investment priorities identified. Immediate capital priorities requiring net funding of £15.78m have also been outlined for approval.
- 2.17. It should be noted that the figures in this report in respect of government grant levels and figures notified to the County Council by District Councils are provisional at this stage and will be subject to change. Revised figures will therefore be presented to full County Council and this report seeks delegated authority for the Director of Corporate Resources in consultation with the Leader and Chief Executive to make these changes as appropriate.

3. Contextual Information

- 3.1. The current financial strategy which the County Council operates works on the basis of a two year cycle of delivering departmental savings targets to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Grant Equalisation Reserve (GER) and any early achievement of resources from proposals being retained by departments to use for cost of change purposes, to cash flow the delivery of savings or to offset service pressures.
- 3.2. The County Council's early action in tackling its forecast budget deficit since 2010 and providing funding in anticipation of further reductions, has placed it in a very strong position to produce a 'steady state' budget for 2018/19, giving itself the time and capacity to develop and implement the Transformation to 2019 (Tt2019) Programme to deliver the next phase of savings totalling £140m. This also avoids the worst effects of sudden and unplanned decisions on service delivery and the most vulnerable members of the community. Consequently, there are no departmental savings targets built into the 2018/19 budget. However, other factors will still affect the budget, such as council tax decisions and inflation.
- 3.3. In 2016 the Local Government Finance Settlement provided definitive figures for 2016/17 and provisional figures for local authorities for the following three years to aid financial planning for those authorities who could 'demonstrate efficiency savings'. Following acceptance by the Department for Communities and Local Government (DCLG) of the County Council's Efficiency Plan for the period to 2019/20 the expectation was for minimal change for 2018/19 and 2019/20. No figures have been published beyond this date and implementation of the Fair Funding Review and the potential for 75% Business Rate Retention has been delayed to 2020/21.
- 3.4. The Medium Term Financial Strategy (MTFS) approved by the County Council in November 2017 flagged that the Budget in November might

contain some additional information that could impact our planning assumptions, for example around public sector pay and council tax referendum limits.

- 3.5. In overall terms, the announcements in the Budget had very little impact on the revenue position reported in the MTFS, although there were some welcome announcements in respect of the Community Infrastructure Levy and Section 106 Developer Contributions.
- 3.6. Since the Budget was announced there has been a two year pay offer for local government workers, which includes a 'core' increase of 2% and changes to the lower pay scales to reflect the impact of the National Living Wage (NLW). The overall increase in the pay bill could be in the region of 6% over the two years, and is above the allowances made within the MTFS. Depending on the final pay award that is agreed this could mean additional recurring costs of circa £5m need to be met.
- 3.7. Although the offer of a four year settlement provided greater but not absolute funding certainty, the provisional Local Government Settlement announced on 19 December confirmed the grant figures for 2018/19 in line with the four year settlement. The key announcement related to the new referendum limit for council tax and this and other elements of the provisional settlement are described in more detail in Section 7.
- 3.8. The final grant settlement for 2018/19 is not due out until this report has been dispatched, however it is not anticipated that there will be any major changes to the figures that were released in December 2017.
- 3.9. In December 2017 Cabinet received a budget update report that set provisional cash limit guidelines for departments, taking into account inflation, savings and base changes. This report confirms the cash limits that will be applied to departments next year and the individual reports approved by Executive Members during January all show that the proposed budgets are within the cash limit guidelines that have been set.

4. Third Quarter Budget Monitoring

- 4.1. Strong financial management has remained a key focus during the year to ensure that all departments stay within their cash limits, that no new revenue pressures are created and that they deliver the savings programmes that have been approved. Enhanced financial resilience monitoring, which looks not only at the regular financial reporting but also at potential pressures in the system and the early achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.
- 4.2. The table below summarises the latest forecast position for each department as at the end of December (Month 9) and indicates that with the exception of Children's Services all departments will be able to manage the large-scale investment required to deliver their planned transformation activity and to meet service pressures through the use of cost of change and other reserves, along with currently agreed corporate funding:

	Adults' Health and Care	Children's Services	ETE, CCBS & Corporate Services
	£'000	£'000	£'000
Investment / Cost of Change Used	6,275	2,812	19,554
Pressures	690	12,866	316
Tt2017 Late Delivery	6,861	989	2,170
Subtotal	13,826	16,667	22,040
To Be Met From:			
Tt2019 Early Delivery	(716)	(636)	(3,278)
Other Savings	(2,555)	(3,075)	(10,690)
Other Departmental Reserves	(4,239)		(1,001)
Unallocated Corporate Support			(4,960)
Departmental Cost of Change	(6,316)	(5,356)	(2,111)
Total (Under) / Over Spend	0	7,600	0

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

Adults' Health and Care

- 4.4. It was agreed with Cabinet for Adults' Health and Care to defer achievement of £13.1m of Transformation to 2017 (Tt2017) savings to 2018/19 with the shortfall in 2017/18 being covered from the Departments' cost of change reserves. It is currently forecast that the cash saving shortfall in 2017/18 will only be £6.9m with full achievement expected for 2018/19. This has enabled the Department to retain a greater than expected proportion of the cost of change reserve to meet future Tt2019 costs. In light of the Departments' highly positive Tt2017 position to date and the level of confidence that the full saving will accrue in 2018/19 work is currently being undertaken to formally close the Adults' Health and Care Tt2017 Programme before the close of the year.
- 4.5. The Department has continued to experience growth pressures as a result of demographic increases in the numbers of people requiring care and rising costs due to the increased complexity of clients needs however, the forecast outturn for 2017/18 is breakeven, although there are some key variances outlined below in the paragraph below.
- 4.6. The main recurrent pressures in 2017/18 relate to the provision of care, both purchased and provided in house with pressures of £3.0m and £1.7m respectively. However, in year these have been offset by non-recurrent funding of £4.0m made available through the "Meeting Social Care Needs"

work stream from the increased Integrated Better Care Fund (IBCF). The balance of £0.7m is offset from various savings across the Departments' non-care budgets.

- 4.7. In addition, to reach this reported position the Department have utilised £2.1m of the £10m available recurrent corporate support and £4.8m from the one-off Adult Social Care Support grant in 2017/18.
- 4.8. Looking further ahead, it is anticipated that further care provision pressures will arise from both increases in demand and complexity of clients and from care costs to ensure market stability. In addition, non-recurrent funding provided through both the IBCF and the Adult Social Care Support grant will cease over the same period. Together this provides a major budgetary challenge to the Department that will require close monitoring and corporate support in future years.
- 4.9. For Public Health specifically, the expected outturn forecast for 2017/18 is a budget under spend of £0.4m. This under spend has been achieved through planned work to deliver efficiencies and innovation within existing services in advance of future reductions in funding, including holding vacancies in the Public Health team and making reductions in contractual and non-contractual spend.
- 4.10. The 2017/18 closing balance of the Public Health Reserve, after budgeted use of approaching £1.3m was anticipated to be £6.1m. In light of the early realisation of savings plans it is now forecast that the balance at year end will be circa £6.5m.

Children's Services

- 4.11. The pressures within Children's Services and the exhaustion of the Department's cost of change reserves were anticipated in the medium term through the monitoring completed in 2016/17.
- 4.12. Nationally there is growing attention being focused on the pressures facing children's services and analysis by the Local Government Association (LGA) published in the summer highlighted that growing demand for support is leading to over spends in an increasing number of authorities.
- 4.13. The expected outturn forecast for 2017/18 is a net budget over spend of £7.6m and whilst there are a range of ups and downs across the budget, the pressure primarily equates to the growth in spending on Children Looked After (CLA), including Unaccompanied Asylum Seeking Children (UASC), which has continued to rise since the baselining exercise was undertaken in December 2016 and corporate funding of £9.5m per annum was agreed.
- 4.14. Other challenges faced by the Department relate to the short supply of qualified social workers, an increase in the numbers of care leavers and the costs associated with the provision of school transport, mainly relating to those with special educational needs.

- 4.15. Further corporate support has been agreed to help alleviate the pressures being felt in these areas which is already accounted for in full in the forecast pressure noted above.
- 4.16. The forecast pressure above relies on the success of a series of agreed management actions. Children's Services have, for a long time only authorised essential spend and such messages are being and will be continuously reinforced by senior managers.
- 4.17. As reported to Cabinet previously, the projections of the growth in the costs of CLA used to baseline corporate funding in December 2016, 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 has informed a review of the recurring funding previously agreed.
- 4.18. Updated projections indicate that there will be growing financial pressure over and above that previously anticipated which in 2017/18 is currently forecast to reach £7.6m if the growth continues at the same rate for the remainder of the year. This additional cost can be met from corporate contingencies in 2017/18 but there remain concerns about the future financial impact of the continued growth in CLA, particularly with the added complexities of the Tt2019 programme which seeks to significantly reduce the number of children in care over the next five years.
- 4.19. More detailed work is required to understand the continued growth in numbers and whilst some of this additional cost can be met in part from existing contingencies, it should be noted that this will reduce flexibility in 2018/19, and it is likely that a further injection of additional recurring funding will be required. This forecast continues to be based on a wide range of assumptions and predictions and given the unpredictability of CLA numbers it is proposed to retain these sums in contingencies and to continue to monitor activity and spend closely during the year, releasing funding only as required. A more detailed analysis will then be provided as part of the update of the MTFS.
- 4.20. Additional investment in a range of areas within Children's Services was approved as part of the updated MTFS, including funding to cover costs to grow social worker capacity through increased recruitment and improved retention. These amounts, together with the revised funding for growth in CLA numbers (and in turn the knock on impact for care leavers), alongside continued management focus on the other pressure areas, will help the Department to operate from a firmer financial base as work on the challenging transformation programme progresses.

Economy, Transport and Environment

- 4.21. This Department has two major demand led services which create pressures during the year, albeit these are effectively managed through corporate allocations, early delivery of savings and use of cost of change reserves.

- 4.22. Highways revenue maintenance, particularly in the area of reactive maintenance, is a constant pressure with the number of calls received by the service doubling in the last ten years to over 100,000 each year. The weather is obviously a key factor that impacts both on the condition of the roads and levels of activity around winter maintenance.
- 4.23. The highways maintenance budget in 2017/18 has benefitted from £1.7m of additional one-off funding following Cabinet's decision to incorporate the spare resources from the 2016/17 winter maintenance budget which arose from the relatively mild winter last year. This allowed an additional programme of highway works to proceed during the year. Third quarter forecasts indicate potential spare resources within the 2017/18 winter maintenance budget, though the current prolonged very cold and wet period could reduce or even eliminate this sum. However, in the light of the current outturn forecast, approval in principle is sought to again add any spare resources from the 2017/18 winter maintenance budget to the 2018/19 highways maintenance budget to continue to give this much needed flexibility.
- 4.24. After a period of relative stability, the level of waste collected for disposal has increased by 5.3% over the last three years impacting not only the direct costs of waste disposal but also adversely affecting the income that is received by the County Council from Veolia for the utilisation of spare capacity in our plants.
- 4.25. The waste disposal budget is affected by falling recycling rates (reflecting national trends) and is also sensitive to changes in statutory waste definitions and fluctuations in markets or currencies which impact the value of recycled materials such as metal or paper or the treatment costs of materials like wood. These pressures are currently effectively managed through corporate allocations.
- 4.26. Overall the outturn forecast for the Department for 2017/18 is a planned saving towards Tt2019 of £5.9m, recognising that not all of the Department's required savings will be achieved in full by 2019/20 and that cash flow support needs to be built up in advance. This has been an effective strategy to date although the increased requirement for investment in assets and resources to generate the next phase of savings places further pressure on the Department during the lead into 2019/20. The forecast saving is at least in part dependent on weather conditions in the final quarter of the year and a period of severe winter or wet weather would reduce this figure.
- 4.27. Experience from previous years where the Department has implemented or proposed savings, particularly in 'universal' service areas such as Highways, indicates that there will be an increase in contact from members of the public and also from MPs and others who expect previous service levels to continue and challenge responses that indicate that service levels have been reduced or withdrawn. Looking to 2018/19 and beyond the combination of reduced staffing levels (since 2010 the Department has reduced its core permanent staff numbers by around 25%) and the lower

operational budget provision mean it will be increasingly challenging to respond to these demands.

Culture, Communities and Business Services

- 4.28. CCBS have been very successful to date in delivering major transformation programmes across Libraries, Outdoor Centres, Hillier Gardens and the Countryside service which have produced savings in excess of the required targets and implemented them earlier than required.
- 4.29. For 2017/18 this has placed the Department in a strong position, enabling them to invest in the resources needed to develop the next phase of transformation and ensure there is provision within their cost of change reserves to fund future activity to deliver the required Tt2019 savings. CCBS is in a better position than some other departments to be able to encourage use of its services in order to generate external income, but this does increase the risk in the budget moving forward as the reliance on that income becomes ever greater.
- 4.30. Successive budget reductions also mean there is less scope to generate savings across the services and ever greater levels of investment and resources are required to generate further savings as is the case with other departments.

Corporate Services

- 4.31. Since 2010, Corporate Services have been required to deal with increasing work pressures at a time when staffing resources and other budgets are reducing significantly. Furthermore, as savings become harder and more complex to deliver (linked for example to IT system changes) the cost and timeframes to deliver savings increase, placing additional strain on the resources available to deliver business as usual.
- 4.32. Corporate Services have also been using their cost of change reserves to fund additional capacity in their departmental transformation teams and the corporate Transformation Team. The potential longer timeframes for delivering the Tt2019 Programme will also mean that these teams will be in place for longer placing an additional burden on available resources.
- 4.33. The forecast position for 2017/18 is that savings will allow a small contribution to cost of change balances after substantial transformation costs have been met in year. Early delivery of savings in the current year will help as part of the overall strategy for delivering savings in the longer term, but the continued need for additional resources against a backdrop of reducing budgets should not be underestimated.

Schools

- 4.34. Financial pressures on schools are increasing, both at an individual school level and within the overall schools' budget and the expected 2017/18 outturn forecast is an over spend of £10.3m which was reported to Schools

Forum in December 2017. These pressures relate to both high needs and early years.

- 4.35. Pressures on the High Needs Block have mainly arisen due to significant increases in the number of pupils with additional needs. This is a pressure that is mirrored nationally and has been seen since the SEND reforms in 2017. There are also increases in the amount of funding being provided 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 further education colleges. There is also significant pressure due to more pupils requiring placements in independent and non-maintained schools.
- 4.36. Further funding for high needs is due to be received through the National Funding Formulas and a transfer of funds equivalent to 0.5% of the Schools Block has been requested to help meet these pressures in 2018/19. Management actions are also being developed to reduce expenditure through a number of centrally held budgets.
- 4.37. There is a further over spend forecast within the early years budget due to an unexpected decline in the number of children recorded on the census.
- 4.38. Any year end over spend is usually met from the Dedicated Schools Grant (DSG) Reserve however the balance is not sufficient to cover these pressures, but the allocation of the schools budget will address this in 2018/19.
- 4.39. The next section outlines the expected general outturn position for the current year in more detail.

5. Revised Budget 2017/18

- 5.1. During the current financial year there have been a number of changes to the original budget that need to be taken into account, some of which have already been reported to Cabinet. In addition, it is also timely to review some of the high-level numbers contained within the revenue budget in order to assess the likely impact on the outturn position for the end of this year.
- 5.2. Appendix 1 provides a summary of the original budget that was set for 2017/18 together with adjustments that have been made during the year. The proposed Revised Budget for 2017/18 is then set out for information. The variance between the adjusted and revised budget gives an indication of any one-off resources that may be available at the end of the year that could be used to fund one-off investment or provide additional contributions to the GER.
- 5.3. The paragraphs below explain the main adjustments that have been made to the budget during the year:

Adjusted Budget 2017/18

- 5.4. **Departmental Spending** – Budgeted departmental spending has increased by more than £60.9m and the reasons for this are highlighted in the table below:

	£M
Adults' social care draw from central contingency	2.1
Children's Service's draw from central contingency	11.9
Impact of increase in superannuation to 14.1%	2.2
Approved funding for Strategic Land Development	3.5
Net increase in grants	11.6
Use of cost of change reserves	25.2
Other Net Changes	<u>4.4</u>
Total	<u>60.9</u>

- 5.5. The increases in budgeted departmental spending are mainly as a result of increased government grants, the allocation of approved funding (for example from contingencies) or the one-off use of cost of change reserves. The true value of recurring increases is £16.2m relating to the increase in superannuation and the allocation of funding to the social care departments, but both of these represent transfers from contingencies rather than new spend.
- 5.6. The paragraphs below outline changes to the other items that make up the overall revenue account.
- 5.7. **Capital Financing Costs** – The decrease reflects the Minimum Revenue Provision (MRP) payment 'holiday' as described in the MTFS.
- 5.8. **Revenue Contributions to Capital Outlay (RCCO)** – The decrease in RCCO reflects changes made to the capital programme and financing during the year and the impact of the £3m transfer from capital to revenue resources on behalf of the Enterprise M3 LEP (as approved in MTFS) which are both offset by amounts in other sections of the revenue account and therefore have no impact on the overall budget.
- 5.9. **Contingencies** – The reduction in contingencies is mainly the result of transfers made to departmental budgets during the year.
- 5.10. **DSG and Specific Grants** – The decrease in DSG reflects amendments that have been made to the final grant during the year. The increase in specific grants is mainly due to the announcement of funding for adults' social care in the form of the Improved Better Care Fund along with some changes in known grants; including the UASC Grant and the PE and Sports Grant.
- 5.11. **Apprenticeship Levy** – The Apprenticeship Levy, which amounts to 0.5% of an organisation's pay bill in excess of £3m, came into force on 6 April

2017 and the budget which was held initially in contingencies when the budget was approved for 2017/18 has now been separately identified.

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

Revised Budget 2017/18

- 5.13. The fourth column of figures shown in Appendix 1 outlines the proposals for the revised revenue budget for the County Council for 2017/18. At this stage the revised budget for departments matches the adjusted cash limits that they have been given for the year and therefore no variances are shown for the end of the year.
- 5.14. As set out in Section 4 it is anticipated that there will be under spends in the majority of departmental budgets by the end of the year. However, in line with current policy this can be transferred to departmental earmarked reserves to be used to fund the cost of change in future years and will therefore have no impact on the bottom-line position of the revenue account.
- 5.15. For all departments with the exception of Children's Services, the forecast position has been presented as break even against the revised cash limits reflecting this policy and the fact that departments are managing their bottom line positions to contain spending pressures and are using cost of change in the year as required. Within Children's Services, subject to approval of the use of contingencies of up to £7.6m, it is anticipated that the end of year position will be a balanced budget; after any required draw.
- 5.16. **Interest on Balances** – The County Council adopts a prudent approach to estimating for interest on balances given the number of different variables involved. For 2017/18 current forecasts anticipate that performance in the year will exceed this figure and an additional return of £0.5m is therefore assumed in the revised budget.
- 5.17. **Capital Financing Costs** – As in previous years, the estimates for this heading are prepared on the basis of taking out new planned borrowing during the year. However, since the County Council has sufficient cash reserves there is no need to actually take out this long term borrowing at this stage, particularly since this would attract a high 'cost of carry' when comparing short term to longer term interest rate levels.
- 5.18. The estimates for 2017/18 have therefore been revised taking this into account and show a saving of £1m in the overall capital financing costs for the year.
- 5.19. **Contingencies** – The key items within this budget relate to risk contingencies set aside to reflect the pressures in social care, the major change and savings programmes that were being embarked on during the year, allowance for waste disposal inflation and disposal costs, together

with some other centrally held contingencies in respect of pay and price increases.

- 5.20. In considering the revised estimates position, it is timely to review these contingencies in light of the current financial position highlighted in monitoring reports.
- 5.21. Given the position outlined for the social care departments in the current year it is anticipated that the requirement for up to £7.6m of additional support for Children's Services can be met from within the overall sums held for social care. This is mainly due to the fact that Adults' Health and Care have benefited from additional funding in the form of the one off Adult Social Care Grant and also from the Improved Better Care Fund in 2017/18.
- 5.22. At this stage of the year, it is also considered prudent to release contingency items in respect of pay and price inflation that have not been used, together with other sums set aside for income risk and the general risk contingency. In total, these items amount to £2m which can be declared as savings against the adjusted budget.
- 5.23. Taking this £2m, together with the £1.5m available from capital financing and interest on balances gives a grand total of £3.5m that can be used on a one-off basis.
- 5.24. It is proposed that this total of £3.5m is used to provide funding for a number of revenue purposes linked to the development of capital investment priorities (as described in more detail in the next section) which total £3.045m and that the balance of £455,000 is added to the GER to begin to make provision for the period beyond 2020.

Development of Capital Investment Priorities

- 5.25. The rules that govern capital expenditure within local government are well defined and in more recent years flexibilities that have previously been allowed within accounting definitions have been tightened. In particular this includes early feasibility or development works that do not necessarily lead to an identifiable new capital asset.
- 5.26. In recent years therefore, the County Council has changed its approach and has been setting aside provisions within the revenue budget that allow officers to take forward capital investment proposals that are in their early stages or require significant technical resources due to their complexity (for example Manydown and other strategic land schemes). Last year a revised approach for dealing with new school design and delivery was also approved which funds Property Services input from revenue where we pursue free schools or other funding from the Education Skills and Funding Agency.
- 5.27. Given the changing nature of these programmes funding for each year is considered as part of the budget setting process and the requests for 2018/19 for these areas is shown below:

	£'000
Strategic Land Development	665
New Schools Design & Delivery Strategy	1,030
Total	1,695

- 5.28. **Strategic Land Development** – In 2017 additional funding was approved to support the achievement of ongoing capital receipts and this funding was in part to support the submission of an Outline Planning Application at Manydown. At that time it was flagged that a further separate case for Manydown revenue resource funding would be brought forward later in 2017 on the back of a detailed business case which could lead to capital and revenue financial returns from the intended joint venture delivery 'vehicle' (as opposed to traditional capital receipts) of up to £50m over an extended period.
- 5.29. A joint venture with a private sector partner to develop and deliver the site, has been agreed as the best option on the basis that this provided the opportunity to make the best long-term returns whilst maintaining strategic control of the site. A strategic development partner has now been selected subject to both Councils formal approval but additional funding is required next year to continue to progress the joint venture. The funding also includes the progression of other strategic sites such as Swing Swang lane.
- 5.30. **New Schools Design and Delivery Strategy** – All new schools are required to be established as Academies. The County Council has chosen to take an active role to ensure they are set up on a firm footing and that sponsors are selected to provide a high standard of education and in July 2017 details of the strategy to design and deliver new schools were included in the 2016/17 – End of Year Financial Report.
- 5.31. At that point it was agreed that funding for the professional resources within Property Services required to take this forward would be approved on an annual basis as the programme of works and timing of delivery became clearer with indicative amounts for future years taken into account as part of the development of the MTFS.
- 5.32. The latest estimates of the revenue funding requirements for both strategic planning and feasibility costs are as follows:

Financial Year	Original Estimate	Updated Estimate	
	£'000	£'000	
2017/18	1,230	780	
2018/19	880	1,480	
2019/20	600	1,630	Indicative
2020/21	220	870	Indicative

- 5.33. Funding for the first years' costs was approved in July 2017 and so for 2018/19 after taking into account the rephrased activity an additional sum of £1.03m is required.
- 5.34. This revenue funding will provide the necessary planning and feasibility resources in Property Services to shape, oversee and deliver the future major programme of new schools. The scale of the investment in Hampshire schools that can be secured from both Government Grant and Developers' Contributions is good evidence of the need to continue to maintain capacity and skills in this area.
- 5.35. In addition to these two areas additional funding is also being sought to create a separate strategic development and feasibility fund that can be used to progress other capital investment priorities where multiple departments may be involved. The infrastructure works at Botley would be a good example of this where significant input in terms of planning and design have been undertaken by the County Council as landowner, LEA and Highway Authority. The County Council also wants to continue to develop and design 'oven ready' schemes that can be promoted and delivered at short notice should government or LEP funding become available.
- 5.36. A strategic infrastructure reserve of £4.65m already exists within the capital programme and the proposal is to move this to revenue and supplement it with further funding of £1.35m to provide a sum of £2m per year for the next three years.

6. Capital Investment Priorities

- 6.1. 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 the government or developers.
- 6.2. Whilst this has limited the ability to add significant numbers of new schemes to the Capital Programme, it has not diminished the need for new investment across a range of services within the County Council.
- 6.3. It was therefore considered important that there was a good corporate understanding of the key capital investment priorities to aid future planning in this area and departments were asked to identify their potential requirements over the medium term.
- 6.4. The submissions from departments have been analysed and separated into four main categories as outlined in the table overleaf:

	Gross Bid	Funding Available	Net Funding Required
	£'000	£'000	£'000
Schemes requiring immediate investment	21,580	(5,800)	15,780
Invest to Save Schemes	225,366	(6,366)	219,000
Stand Alone Schemes	138,000	(5,000)	133,000
Schools Programme	55,000	0	55,000
	439,946	(17,166)	422,780

6.5. The County Council clearly does not have over £420m available to fund this level of capital investment. The proposed strategy for dealing with each of the categories going forward is therefore outlined below.

6.6. **Schemes Requiring Immediate Investment** - The immediate capital priorities that are recommended to be added to the capital programme are outlined in Appendix 2 and total £21.580m. Existing funding of £5.8m is already contained within the approved capital programme leaving a balance of £15.780m which can be met as follows:

	£'000
Historic un-earmarked grants	7,000
Historic un-earmarked capital receipts	3,654
Current un-earmarked capital receipts	5,126
	15,780

6.7. **Invest to Save Schemes** – A large proportion of the schemes relate to capital investment that will lead to savings in revenue expenditure. Examples of this are projects within Adults' Services who will work with health to produce short term stay hubs for re-abling clients so that they can return to their own homes. Other schemes look to re-model our existing nursing and residential estate to make it fit for the changing nature of care models in respect of the increasing instances of dementia.

6.8. For all of the schemes, the expectation is that they would be funded from prudential borrowing, the financing costs of which would need to be met by departments from the savings that are generated by the schemes.

6.9. Each scheme will need to produce a business case in its own right and depending on the value of the scheme this will need to be approved by Cabinet or County Council before it can proceed.

6.10. **Stand Alone Schemes** – These are similar in nature to the invest to save schemes but cover significant projects with a large degree of complexity

and therefore the business case is likely to evolve over time. There are three schemes covered in this section, namely the development of the Manydown site, a new Materials Recovery Facility and the potential for a fourth Energy Recovery Facility in partnership with Veolia.

- 6.11. Each of these schemes will be subject to future outline and full business cases and due to the scale of the investment required will need to be approved by full County Council.
- 6.12. **Schools Programme** – The MTFS approved last November outlined that a detailed update of the overall schools programme had been undertaken in light of a range of changes that had happened since the previous longer term assessment of the impact of the Secondary Schools Programme had been completed.
- 6.13. The revised modelling showed that over the period to 2020/21 there were still sufficient resources to meet liabilities in respect of school place provision but that after that date a deficit of £55m was predicted in the overall programme.
- 6.14. It was agreed that this deficit would be covered by prudential borrowing, provision for which already existed within the MTFS but that officers would continue to seek to mitigate the overall deficit through the continued pursuit of government and developer funding and aligning scheme design and cost to available resources wherever possible.

7. Local Government Finance Settlement

- 7.1. As previously noted, the settlement published in 2016 covered four years from 2016/17 to 2019/20 and, following the acceptance by the DCLG of the County Council's Efficiency Plan for the period, the expectation was for minimal change to the figures previously published and the implications of the four year settlement were incorporated into the MTFS in July 2016.
- 7.2. Although the offer of a four year settlement provided greater but not absolute funding certainty, the provisional Local Government Settlement announced on 19 December confirmed the grant figures for 2018/19 in line with the four year settlement. The other key elements of the provisional settlement were:
 - The 'core' council tax referendum limit was increased from 2% to 3% for all authorities for the next two years (each 1% increase in council tax equates to approximately £5.7m additional income). The arrangements for the social care precept remain unchanged.
 - Ten new 100% Business Rate Pilots were announced, one of which was for the three local unitary councils (Portsmouth, Southampton and Isle of Wight).
 - A Fair Funding Review consultation was announced as part of the settlement which is expected to be implemented in 2020/21.
 - A potential move to at least 75% Business Rate Retention is also planned for 2020/21, but still on the basis of fiscal neutrality.

- No new announcements of funding for social care above those that we are already aware of but the Green Paper for adults' social care is due to be published in summer 2018.
- 7.3. The key announcement related to the new referendum limit for council tax although the business rate pilot for Portsmouth, Southampton and the Isle of Wight is of local interest. The County Council, along with all local authorities in Hampshire and the Isle of Wight jointly considered whether or not to submit a bid for a 100% Business Rate Retention pilot across the whole area.
- 7.4. For the County Council to have taken part it would have needed the agreement of all the Districts in its area, but at least two authorities immediately indicated their clear intention not to want to take part. In essence therefore the County Council was unable to submit a bid.
- 7.5. There are however several other factors which make the pilot less attractive in any event:
- The pilot only allows authorities to keep an extra 50% of the growth in business rates in the year. The extra 50% of existing business rates is clawed back by the Government by withdrawing other grants.
 - Business Rates is a volatile source of income and there was no indication at the point bids had to be submitted that there were likely to be significant gains in business rate income for 2018/19.
 - The pilot was for 2018/19 only and does not therefore offer any sort of solution to the long term funding problems that we have.
 - Whilst some additional income could have been received, in the context of the County Council's overall budget it is minimal and pilot areas are required to agree between them how the extra income will be distributed and experience from our early work on a potential combined authority indicated that this would place a significant and complex burden on those authorities taking part.

Council Tax

- 7.6. In 2016/17 the Government implemented a clear shift in council tax policy following five years of freezing council tax, supported by the allocation of council tax freeze grant. The Government ended this support and presumed that local authorities would put up their council tax by the maximum they are allowed each year in the period to 2020. For Hampshire County Council this was 3.99% per annum, which included an extra 2% flexibility to pay for the increasing costs of adults' social care.
- 7.7. In 2017/18 they granted local authorities the flexibility to bring forward some of this increase and to raise the precept by up to 3% that year and the year after within the cap of 6% over the next three years to 2019/20.
- 7.8. Given the continued pressures within Adults' Health and Care and the challenges presented by the Tt2019 Programme the County Council

agreed to increase council tax by 4.99% in 2017/18 in line with government policy (including the further flexibilities granted in the provisional settlement) in recognition of the pressures facing local authorities due to the growing cost of adults' social care.

- 7.9. In addition, in the provisional Local Government Finance settlement in December 2017 the Government announced an increase in the referendum limits which for the County Council rose from 2% to 3%.
- 7.10. This report recommends that council tax is increased by 5.99% in 2018/19, reflecting this change in the referendum limits and recognising the shift in government policy and the fact that the Government have presumed that local authorities will put up their council tax by the maximum they are allowed.
- 7.11. This proposed increase which will see the council tax for a Band D property increase by £67.86 per annum to £1,200.96 will still mean that council tax is at a far lower level than it might have been. If Council tax had gone up by the Retail Price Index (RPI) every year since 2010/11 it would now be £1,295.48, £94.52 more than the amount being proposed. The table below shows the level of council tax being proposed for a Band D property and compares this to the level which council tax would have been across a range of scenarios, demonstrating the relative position for 2018/19:

Scenario	Band D Council Tax 2018/19 £	Variance to Proposed Council Tax 2018/19 £
Proposed council tax for 2018/19	1,200.96	
Increase by RPI per annum since 2010/11	1,295.48	+94.52
Increase by the referendum threshold each year since 2010/11 (inc. 5.99% in 2018/19)	1,352.47	+151.51

- 7.12. The additional 1% increase, over and above the assumptions set out within the MTFs, will generate additional income of £5.7m in 2018/19 rising to £11.9m in 2019/20 if the maximum increase is again approved.
- 7.13. In 2018/19 this additional income will allow provision to be made to meet pay cost pressures as described in paragraph 3.6 and to begin to meet the further pressures within Children's Services as detailed in Section 4 and paragraph 9.12.
- 7.14. For 2019/20, the additional council tax income raised from the extra 1% increase in 2018/19 will, along with other additional resources identified, enable a limited range of savings to be mitigated, as described in Section 9.
- 7.15. The final Local Government Finance Settlement for 2018/19 is still awaited at the time of the publication of this report, however, it is not anticipated

that there will be any major changes to the figures that were released in December last year, which confirmed that the County Council will have a further reduction in grant of £23m in 2018/19.

8. Service Cash Limits 2018/19

- 8.1. In December 2017 Cabinet considered a budget update report which set provisional cash limit guidelines for Departments for 2018/19.
- 8.2. Appendix 3 sets out the cash limits agreed for 2018/19 in December and provides information on adjustments that have been made subsequently, which are the result of changes to grants within the local government finance regime. Overall, cash limits have increased by £26.3m, some of the reasons for which have been outlined in the individual budget reports to Executive Members. The reasons for the increase are summarised in the following table and explained in more detail in Appendix 3:

	£M
Increase in Dedicated Schools Grant	25.2
Changes in other schools' grants	0.6
Changes in non-schools' grants	0.5
Total	26.3

- 8.3. In a similar way to the changes for 2017/18 these amendments have not had a bottom-line impact on the revenue budget as they are all the result of changes in grants.

9. Savings Proposals

- 9.1. In line with the current financial strategy, there are no new savings proposals presented as part of the 2018/19 budget setting process. Savings targets for 2019/20 were approved as part of the MTF5 in July 2016 and savings proposals have been developed through the Tt2019 Programme which were agreed by Cabinet and County Council during October and November last year.
- 9.2. The Tt2019 Programme will look to deliver new income or further savings of £140m, bringing the cumulative total of savings to £480m over a 10 year period.
- 9.3. In line with previous major cost reduction exercises, progress is being closely monitored and is subject to monthly review by CMT. This ensures that issues, concerns and risks are dynamically responded to and dealt with. It also means that benefits realisation and the timely delivery of savings is consistently in focus, which for this programme, given its later cash flow support demands, is ever more important. Furthermore, it is almost certain that there will be a continued squeeze on public sector funding into the next decade. This puts an added premium on Tt2019

being delivered in full, and in the most timely manner possible, to put the Council in the best position possible at the commencement of any successor programme.

- 9.4. It is recognised that each successive savings programme is becoming harder to deliver and the updated MTFS referenced clearly the challenges associated with the Tt2019 Programme and made clear that delivery would extend beyond two years and provision has been made to ensure one-off funding is available both corporately and within departments to enable the programme to be safely delivered. Taking up to four years to safely deliver service changes, rather than being driven to deliver within the two year financial target, requires the careful use of reserves as part of our overall financial strategy to allow the time to deliver and also to provide resources to invest in the transformation of services. This further emphasises the value of our reserves strategy.
- 9.5. The County Council has also invested heavily in technology to underpin the Tt2019 programme and provided funding for the implementation of Digital 2 and the Enabling Productivity Programme. Approved funding at this stage is only one off to support implementation of the programmes, but it is recognised that there will be significant additional ongoing costs associated with the new technology that will need to be built into the next update of the MTFS once a better idea of running costs and technology refresh has been produced.
- 9.6. The last report to Cabinet in December 2017 indicated that early implementation progress of the Transformation to 2019 Programme has been positive with some £26m of the £140m target secured by October; which includes the full achievement of the £20m of corporate housekeeping savings alongside some modest early delivery across the departmental programmes.
- 9.7. It should be noted that County Council agreed that officers would continue to explore all viable options to revise or refine the savings proposals agreed with particular regard to service continuity in areas such as community transport, school crossing patrols and waste and recycling centres, while recognising that any modification to any proposal must be consistent with the financial and time imperatives of the overall programme.
- 9.8. Since that point officers have been considering other potential options for meeting the savings and two further options have been identified:
 - **Street Lighting PFI** – The PFI contract has been in place for around eight years and the original financial model relied on both departmental and corporate contributions towards the contract costs during the early capital investment period. Following a re-financing of the PFI contract and a recent review of assumptions in respect of the remaining contract period it has been possible to put forward a reduction in the budget of £1.1m at this stage, albeit that this will need to be kept under review as the contract progresses and variables such as energy costs are better understood.

- **Bus Services Operators Grant (BSOG)** – Each year, the Government provides one-off funding of around £1m in the form of BSOG to help develop and improve local bus services in partnership with the bus operators. Whilst the grant has been in place for some time, there is no published commitment from the Government to continue with this funding in the future and the County Council has therefore agreed with bus operators in the past that it will be used for one-off investment in areas such as contactless payment and wi-fi technology on buses. Given the financial constraints and the request to look at options for service continuity in community transport, it is recommended that the BSOG be used to fund existing bus services, which will replace savings that have been put forward by ETE.

As the grant is only given on an annual basis, the County Council will effectively need to underwrite the use of this grant for three years in order to allow bus subsidies and contracts to be let on a three year basis. Should the grant be withdrawn during this time, corporate contingencies will be used to fund the subsidies which would then cease after the three year contract has ended.

- 9.9. In addition to these savings, Section 7 highlighted that in the provisional local government finance settlement released in December 2017, the council tax referendum limit for 'core' council tax was increased to 3% for 2018/19 and 2019/20 (with arrangements for the social care precept remaining the same).
- 9.10. This report recommends that should the flexibility remain in place for the next two years that the County Council increase council tax in line with its current strategy which is to increase by the maximum permissible in any year. This would give additional resources of £5.7m in 2018/19 and £11.9m recurring from 2019/20 onwards.
- 9.11. Taking all of these items together provides additional funding totalling £14m in 2019/20, some of which can be used to mitigate the impact on the service areas outlined in paragraph 9.7. However, there are other pressures in the system that also need to be considered. Firstly, a pay offer consisting of 2% for all employees for the next two years plus changes to the pay structure to accommodate the impact of the NLW has been made by employers. The overall impact of this on cash limited service could equate to increases of around 3% per year for the next two years, which is above the provisions contained within the MTFs and leads to a recurring pressure of £5.0m by 2019/20.
- 9.12. In addition, Section 4 outlined the continuing growth pressure within CLA (with a knock on impact on care leavers). The current MTFs allows for increased growth of £3.0m per annum within contingencies and therefore an increased provision will be required on an ongoing basis, but at this stage it is not clear at what level. It is also likely that a further base adjustment may be required to Children's Services budget to reflect the higher than anticipated growth during 2017/18. At this stage additional

resources will be added to contingencies with a full review being reported in the next update of the MTFS.

- 9.13. Taking all of these issues together, the following table summarises the planned use of the available funding:

	2018/19	2019/20
	£M	£M
<i>Additional Resources</i>		
Council Tax 1% (Increase in Referendum Limit)	5.7	11.9
Street Lighting PFI - Savings in Corporate Contribution		1.1
Bus Services Operators Grant		1.0
	5.7	14.0
<i>Use of Resources</i>		
Withdraw School Crossing Patrol Saving		1.2
Withdraw Community Transport Saving		0.9
Withdraw HWRC Saving		1.2
Reduce Bus Subsidy saving (currently £3.1m to £1.1m)		2.0
Increased Pay Offer (high level estimate)	2.5	5.0
Children Looked After (Increased growth)	3.2	3.7
	5.7	14.0

- 9.14. The figures in this report assume that this allocation of resources is approved along with the additional 1% flexibility in council tax. This also has the net impact of reducing the total savings from the ETE Department, which will reduce their target by £3.2m to £15.8m and increase the corporate housekeeping saving by the same amount which will effectively be met from increased council tax income. Cabinet recommends these changes to County Council as part of this report.

10. Service Budgets 2018/19

- 10.1. As explained in Section 8 departments have been set cash limit guidelines for 2018/19 which include allowances for inflation, pressures, approved savings and other agreed changes.
- 10.2. Appendix 4 provides a summary for each department of the main services under their control and shows the original budget for 2017/18, the revised budget for 2017/18 and the proposed budget for 2018/19. All departments are proposing budgets that are within their cash limits.

11. 2018/19 Overall Budget Proposals

- 11.1. Whilst service budgets make up the vast majority of the total budget there are several other items that need to be taken into account before the overall budget and council tax can be set for the year.
- 11.2. Appendix 5 sets out a summary of the overall revenue account starting with the cash limited expenditure for departments that have been discussed above. The following paragraphs outline the other items that make up the overall revenue account and provide explanations for any significant variances compared to the 2017/18 budget.
- 11.3. **Interest on Balances and Capital Financing Costs** – The reduction of £10.7m in capital financing costs primarily reflects the impact of the agreed MRP ‘holiday’.
- 11.4. **Revenue Contributions to Capital Outlay (RCCO)** – Each year, revenue contributions are made to help fund the capital programme. The decrease of approaching £12m is due to the change in the amount of RCCO drawn down from reserves and the impact of the £3m transfer from capital to revenue resources on behalf of the Enterprise M3 LEP (as approved in MTF5) which are both offset by amounts in other sections of the revenue account and therefore have no impact on the overall budget.
- 11.5. **Contingencies** – The budget for contingencies has increased by more than £22.5m compared to the 2017/18 original budget. This mainly reflects the increase in contingency amounts held for social care, the potential impact of the pending pay award and NLW in line with the approved MTF5 and, as described in paragraphs 9.11 to 9.12, additional provision for children’s social care pressures and pay costs.
- 11.6. Existing contingency provisions in respect of key risk items such as inflationary pressures; including the NLW, and demand pressures (notably for social care) have been retained in the base budget. These provisions represent the recommendation by the Director of Corporate Resources of a prudent approach to budgeting given the potential pressures the County Council faces. In addition to these contingencies, the County Council has access to sufficient reserves as part of an on-going strategy for the management of the County Council’s financial resources over the medium term.
- 11.7. **DSG** –The increase in the DSG reflects national formula changes, growth in pupil numbers across mainstream and high needs and the full year effect of funding for new items such as additional hours of childcare and education for 3 and 4 year olds and the transfer of funding for statutory duties from the Education Services Grant.
- 11.8. **Specific Grants** – This income budget has been updated following grant notifications for 2018/19 and the increase is largely due to additional funding for adults’ social care through the Better Care Fund, offset by the end of the one-off Adult Social Care Support Grant and also the Transitional Grant which was awarded for two years as part of the 2016/17 Local Government Settlement.

- 11.9. **Pension Costs** – Pension costs for past deficit payments are now accounted for centrally. The increase of approaching £1.8m reflects the agreed recovery plan for the current actuarial valuation of the fund the cost for which will continue to increase by 8% per annum until 2019/20.
- 11.10. **Earmarked Reserves** – Changes to earmarked reserves mainly reflect changes to other budgets elsewhere in the revenue account. However, the significant draw from earmarked reserves in 2018/19 is due to the use of the GER to balance the budget in 2018/19, as explained briefly in the paragraphs below.
- 11.11. The current financial 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 GER. Hence the use of the GER is cyclical and helps the County Council to dampen the impact of significant and unexpected grant reductions; allowing a planned approach to the delivery of savings.
- 11.12. The comprehensive Reserves Strategy, updated to include the figures at the end of March 2017, was presented to Council as part of the MTFS in November 2017 and is set out in Appendix 6.
- 11.13. The County Council holds reserves for many different reasons, but not all of these are available for general usage. Schools balances are for schools' exclusive use and other reserves such as the Insurance Reserve are set aside as part of the Council's overall risk management strategy or are already planned to be used as is the case with the GER which will be drawn on in 2018/19.
- 11.14. The Reserves Strategy highlights the point that the majority of reserves are set aside for specific purposes and are not available in general terms to support the revenue budget or for other purposes and only in the region of 15% of reserves are truly available to be used to support revenue spending and to help fund the cost of the change programmes across the County Council. In addition, the GER which comprises the majority of these 'Available Reserves', standing at £40.7m at the end of 2016/17 is in reality committed to balance the budget in 2018/19 with the remainder planned to be utilised in the following years to cash flow the safe delivery of the Tt2019 Programme.
- 11.15. **Use of General Balances** –The 2017/18 original budget assumed a net contribution to general balances of £0.9m and this amount has been amended for 2018/19 to make a one-off contribution to the GER in line with the MTFS.
- 11.16. Appendix 7 represents the Director of Corporate Resources view of the overall budget and the adequacy of reserves which must be reported on as part of the main budget proposals in accordance with Section 25 of the Local Government Act 2003. In particular, it considers risks within the budget and in the MTFS going forward, updated to reflect the impact of the

settlement, and places this in the context of the recommended contingencies and balances set out in this report.

12. Budget and Council Tax Requirement 2018/19

- 12.1. The report recommends that council tax is increased by 5.99% in 2018/19, reflecting the announcement in the provisional Local Government Finance Settlement of the change in the referendum limits and recognising the shift in government policy and the fact that the Government have presumed that local authorities will put up their council tax by the maximum they are allowed.
- 12.2. This additional 1% increase, over and above the assumptions set out within the MTFs, will generate additional income of £5.7m in 2018/19 rising to £11.9m in 2019/20 if the maximum increase is again approved.
- 12.3. In 2018/19 this additional income will allow provision to be made to meet pay cost pressures and to begin to meet the further pressures within Children's Services. In 2019/20 if the maximum increase is approved the additional council tax income raised will, along with other additional resources identified, also enable a range of savings to be mitigated, as described in Section 9.
- 12.4. In addition to the recommended increase for council tax, there are other changes within the council tax calculation that have an impact on the budget. The council tax base represents the estimated number of houses eligible to pay council tax and the latest forecasts provided by the Districts which take into account expected growth and any adjustments for the impact of their Council Tax Reduction Schemes result in additional income of £4.1m over and above that assumed previously, albeit that these forecasts may change before the budget is finally set.
- 12.5. The County Council is also notified by Hampshire Districts, of the estimated level of collection fund surpluses or deficits that needs to be taken into account in setting the council tax for 2018/19. In addition to the figures for council tax, Districts are required to provide estimates of their surplus or deficit on the Business Rates collection fund, following the introduction of Business Rates Retention in April 2014.
- 12.6. For 2017/18 a net council tax collection fund surplus approaching £3.9m is anticipated of which only £1.5m was assumed in the original forecast. This has mainly arisen due to general increases in the council tax base during the year.
- 12.7. The current prediction for business rate collection funds is a deficit of approaching £0.2m across all Districts, although there are varying levels of surpluses and deficits that make this up. This reflects the fact that there remain risks around appeals and volatility and uncertainty continues such that this position could still be subject to change after this report has been dispatched.
- 12.8. Similarly, Districts have provided estimates of what Business Rate income they expect to receive for 2018/19 based on their experience during the

current financial year. These estimates have yet to be finalised and, given continuing experience about the risk and volatility surrounding this income, at this stage have not been built into the budget position. We will await confirmation of final figures and any adjustment will be reported at County Council.

- 12.9. Final details of the compensation grant that Hampshire is due to receive following the caps and reliefs granted by government in past budgets have yet to be notified and will therefore change the anticipated income from this source in the final budget so again we will await confirmation and any adjustment will be reported at County Council.
- 12.10. Taking account of all the budget changes outlined in this and previous sections of this report, the County Council is able to set a balanced 2018/19 budget as follows:

	£M	£M
Additional 1% Increase in Council Tax @ 5.99%	5.7	
Provision for CLA growth	(3.2)	
Provision for pay cost pressures (pay award)	(2.5)	
	<u>0.0</u>	
One-off Business rates collection fund deficit		(0.2)
One-off Council tax collection fund surplus		2.4
Taxbase Growth		4.1
Contribution to GER		(6.3)
Balanced Budget		<u>0.0</u>

- 12.11. The table above shows that in 2018/19, as a result of the changes, the County Council is able to make provision for identified pressures and also make a contribution to the GER to begin to build the sum available for future years in line with the MTFS.
- 12.12. Local authorities are required to report a formal council tax requirement as part of the budget setting process and the recommendations to Council later in this report show that the Council Tax Requirement for the year is £608,175,704.

13. Treasury Management Strategy and Investment Strategy for 2018/19

- 13.1. The County Council is required to adopt a Treasury Management Strategy (TMS) and an Annual Investment Strategy for 2018/19 and these are set out in Appendix 8 for approval. The strategy has been reviewed in light of current and forecast economic indicators and remains broadly unchanged from last year.

- 13.2. Although not classed as treasury management activities the Council may also make loans and investments for service purposes, for example loans to Hampshire based businesses or the direct purchase of land or property. Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this TMS. The Council's existing non-treasury investments are listed in Annex B of Appendix 8.
- 13.3. Authority is requested in the strategy to allow the County Council to invest in joint ventures or similar arrangements in which we have a significant interest up to a maximum value of £35m for up to 20 years. At this stage any investment would be limited to the Manydown development and given the significantly different risk profile and financial arrangements, it is proposed that any decisions to invest are delegated to the Director of Corporate Resources in consultation with the Executive Member for Policy and Resources and a full report will be produced in due course to explore the risks and issues associated with such an investment.
- 13.4. The County Council's higher yielding investment strategy continues to perform well and figures reported for the first half year are outlined in the table below:

	2017/18 Value £M	2017/18 Return %
Local Authorities	20.0	3.96
Government Bonds	10.0	3.78
Registered Providers	5.0	3.40
Pooled Property Funds	55.0	4.10
Pooled Equity Funds	20.0	6.45
Pooled Multi-Asset Funds	10.0	4.52
Higher Yielding Investments	120.0	4.45

- 13.5. There continues to be national debate about local authorities investing in commercial property and a consultation was released in November last year that looked amongst other things to increase the level of transparency of such investments, to understand the extent to which they contributed to core local authority functions and for local authorities to highlight the level of risk exposure and whether or not this was proportionate to the overall activities of the authority. The proposals stop short of some of the potential measures that were hinted at prior to the Autumn Budget.
- 13.6. For the County Council our strategy towards external investments was clearly set out in the MTFS presented last November and our current approach is still considered to be appropriate and prudent and continues to deliver good returns.

14. Prudential Indicators

- 14.1. The prudential code that applies to local authorities ensures that:
- Capital programmes are affordable in revenue terms
 - External borrowing and other long-term liabilities are within prudent and sustainable levels
 - Treasury management decisions are taken in line with professional good practice
- 14.2. Some of the limits have been altered to reflect the revised treasury management and investment strategy although this does not expose the County Council to any greater levels of risk.
- 14.3. Appendix 8 also contains the prudential indicators required by the code for the County Council which will now be submitted for approval by the full County Council in setting the budget for 2018/19.

15. Consultation

- 15.1. A consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, *Transformation to 2019*, in order to inform the overall approach to balancing the budget by 2019/20 and making the anticipated £140m additional savings required by April 2019.
- 15.2. The '*Serving Hampshire – Balancing the Budget*' Consultation that was carried out between 3 July and 21 August 2017 sought to understand the extent to which residents and stakeholders support the County Council's financial strategy and also sought residents' and stakeholders' views on options for managing the anticipated budget shortfall.
- 15.3. The findings from the Consultation were provided to Executive Members and Directors during September 2017, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2017 on the MTFs and Tt2019 Savings Proposals. The results were also reported to Cabinet and County Council as part of the final decision making process and a summary is contained in Appendix 9.
- 15.4. Following the '*Serving Hampshire – Balancing the Budget*' Consultation any specific changes to services will be subject to further, more detailed consultation. It is intended that the outcome of this second round of consultation will help to inform further detailed Executive decisions in the coming months.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

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.)

DocumentLocation

Medium Term Financial Strategy and Transformation to 2019 Savings Proposals (County Council and Cabinet)

2 November 2017
and
16 October 2107

<http://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments>

Budget Setting and Provisional Cash Limits 2018/19 (Cabinet)

11 December 2017

<http://democracy.hants.gov.uk/documents/s9665/Budget%20Report.pdf>

IMPACT ASSESSMENTS:

1. Equality Duty

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

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

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

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

1.2. Equalities Impact Assessment:

The budget setting process for 2018/19 does not contain any new proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2019 Programme were considered in detail as part of the approval process carried out in Cabinet and County Council during October and November 2017 and full details of the Equalities Impact Assessments (EIAs) relating to those changes can be found in Appendices 4 to 7 in the October Cabinet report linked below:

<http://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments>

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.

2. Impact on Crime and Disorder:

2.1 The proposals in this report are not considered to have any direct impact on the prevention of crime, but the County Council through the services that it provides through the revenue budget and capital programme ensures that prevention of crime and disorder is a key factor in shaping the delivery of a service / project.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

There are no specific proposals which impact on the County Council's carbon footprint or energy consumption.

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

There are no specific proposals which directly relate to climate change issues

REVENUE BUDGET – LIST OF APPENDICES

1. Revised Budget 2017/18
2. Capital Investment Priorities - Schemes Requiring Immediate Investment
3. Final Cash Limit Calculation 2018/19
4. Proposed Departmental Service Budgets 2018/19
5. Proposed General Fund Revenue Budget 2018/19
6. Reserves Strategy
7. Section 25 Report from Chief Financial Officer
8. Treasury Management Strategy and Investment Strategy 2018/19 to 2020/21
9. Consultation

Revised Budget 2017/18

	Original Budget 2017/18 £'000	Adjustment £'000	Adjusted Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Variance £'000
<u>Departmental Expenditure</u>					
Adults' Health and Care	355,587	42,615	398,202	398,202	0
Children's - Schools	786,892	(7,840)	779,052	779,052	0
Children's – Non Schools	150,067	15,988	166,055	166,055	0
Economy, Transport and Environment	108,014	4,127	112,141	112,141	0
Policy and Resources	87,564	6,025	93,589	93,589	0
	1,488,124	60,915	1,549,039	1,549,039	0
<u>Capital Financing Costs</u>					
Committee Capital Charges	135,264	(223)	135,041	135,041	0
Capital Charge Reversal	(136,489)	160	(136,329)	(136,329)	0
Interest on Balances	(8,395)	0	(8,395)	(8,895)	(500)
Capital Financing Costs	51,775	(10,674)	41,101	40,101	(1,000)
	42,155	(10,737)	31,418	29,918	(1,500)
<u>RCCO</u>					
Main Contribution	14,034	(3,097)	10,937	10,937	0
RCCO From Reserves	8,529	(7,971)	558	558	0
	22,563	(11,068)	11,495	11,495	0
<u>Other Revenue Costs</u>					
Contingency	35,880	(7,452)	28,428	26,428	(2,000)
Dedicated Schools Grant	(732,102)	10,073	(722,029)	(722,029)	0
Specific Grants	(159,681)	(21,690)	(181,551)	(181,551)	0
Pensions - Non Distributed Costs	18,526	93	18,619	18,619	0
Apprenticeship Levy	0	1,350	1,350	1,350	0
Flood Protection Levy	623	8	631	631	0
Coroners	1,650	167	1,817	1,817	0
Business Units (Net Trading Position)	164	96	260	260	0
	(835,120)	(17,355)	(852,475)	(854,475)	(2,000)
Net Revenue Budget	717,722	21,755	739,477	735,977	(3,500)
<u>Contributions to / (from) Earmarked Reserves</u>					
Transfer to / (from) Earmarked Reserves	19,520	(26,486)	(6,966)	(3,466)	3,500
Trading Units Transfer to / (from) Reserves	(242)	(1,314)	(1,556)	(1,556)	0
RCCO from Reserves	(8,529)	7,971	(558)	(558)	0
	10,749	(19,829)	(9,080)	(5,580)	3,500
Contribution to / (from) Balances	900	0	900	900	0
BUDGET REQUIREMENT	729,371	1,926	731,297	731,297	0

	Original Budget 2017/18 £'000	Adjustment £'000	Adjusted Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Variance £'000
BUDGET REQUIREMENT	729,371	1,926	731,297	731,297	0
Funded by:					
Business Rates and Government Grant	(156,274)	(1,926)	(158,200)	(158,200)	0
Business Rates Collection Fund Deficit / (Surplus)	696	0	696	696	0
Council Tax Collection Fund Deficit / (Surplus)	(6,963)	0	(6,963)	(6,963)	0
COUNCIL TAX REQUIREMENT	566,830	0	566,830	566,830	0

Capital Investment Priorities - Schemes Requiring Immediate Investment

Dept.	Title	Scheme Summary	Total Gross Cost £'000	Funding Available £'000	Net Funding Required £'000
CCBS	Basingstoke Canal	Essential infrastructure works to ensure that the canal remains in good working order and the County Council meets its obligations as part owner of the canal	1,500		1,500
CCBS	Repairs and Maintenance	Extending the planned repairs programme to 2019/20 and 2020/21 to reduce the day to day revenue demand over the medium to long term. Without a suitable programme of planned repairs the backlog liability will continue to grow putting continuity of service delivery at risk.	3,000		3,000
CCBS	Winchester Leisure Centre	Potential County Council contribution to a new Winchester Leisure Centre that would support the development of a Hampshire wide Institute of Sport and regional sporting facilities	1,000		1,000
ETE	Structures - Holmsley Bridge	The bridge carries the A35 over the C10 in the New Forest. If the work doesn't go ahead weight restrictions will be needed, ultimately followed by closure. Total scheme cost estimated at £5.5m of which £2m is already held within the Structural Maintenance & Bridges capital programme.	5,500	(2,000)	3,500
ETE	Structures – Redbridge Causeway	Major structural works are required to the Causeway that have been the subject of failed bids to DfT and Solent LEP in the past. Phase 1 works now need to be completed, some funding has been set aside from past allocations.	8,000	(3,800)	4,200
ETE	Highways - Traffic Management infrastructure	Replacement of life-expired traffic management assets. This would reduce the impact of these life-expired assets on the revenue budget, the likelihood of a complete failure (requiring unplanned replacement work) and congestion/avoidable delay arising through sub-standard performance due to unreliability and/or component failure	2,580		2,580
			21,580	(5,800)	15,780

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Final Cash Limit Calculation 2018/19

	December Cash Limit Guideline £'000	Other Changes £'000	Final Cash Limit 2018/19 £'000
Adults' Health and Care	395,983	0	395,983
Children's – Schools	781,076	25,809	806,885
Children's – Non Schools	166,541	500	167,041
ETE	112,506	0	112,506
Policy & Resources	91,521	0	91,521
	1,547,627	26,309	1,573,936

Notes:Other Changes

- The increase for Children's - Schools is primarily due to an increase in DSG as announced in the Schools' revenue funding settlement on 19 December 2017. In 2018/19 the increase reflects National Funding Formula changes, growth in pupil numbers across mainstream and high needs and the full year effect of funding for new items such as additional hours of childcare and education for 3 & 4 year olds and the transfer of funding for statutory duties from the Education Services Grant.
- The increase for Children's - Non-Schools is due to an increase in the SEND Reform & Implementation Grant

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Adults' Health and Care Budget Summary 2018/19

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Director:			
Director	1,535	1,312	1,277
Strategic Commissioning and Business Support:			
Strategic Commissioning	17,399	18,884	18,061
Transformation			
Transformation	2,917	3,949	3,443
Older People and Physical Disabilities:			
Older People and Physical Disabilities Community Services	123,829	119,041	125,609
Learning Disabilities and Mental Health Services:			
Learning Disabilities Community Services	103,194	104,255	105,474
Mental Health Community Services	17,742	16,795	16,947
Contact Centre	0	706	665
Internal Provision:			
Internal Provision	34,176	35,492	36,696
Reablement	10,868	11,341	11,408
Governance, Safeguarding and Quality:			
Safeguarding	3,455	3,637	3,591
Centrally Held:			
Centrally Held	(12,968)	29,350	19,936
Total Adults' Services Budget	302,147	344,762	343,107
Public Health:			
Central (*)	2,595	2,595	2,710
Information & Intelligence	32	32	22
Nutrition	1,188	1,188	959
Drugs & Alcohol	9,357	9,357	9,278
Tobacco	2,109	2,109	2,109
Dental	180	180	180
Children 5 - 19	4,036	4,036	4,036
Children Under 5 (*)	16,566	16,566	16,566

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Health Checks (*)	1,447	1,447	1,447
Miscellaneous Health Improvement & Wellbeing (**)	5,771	5,771	5,697
Sexual Health (*)	10,130	10,130	9,843
Health Protection (*)	29	29	29
Total Public Health Budget	53,440	53,440	52,876
Adults' Health and Care Cash Limited Budget	355,587	398,202	395,983

* Includes mandated services

** Specific services include

- Domestic abuse services
- Mental Health promotion
- Some Children's and Youth PH services

Children's Services Budget Summary 2018/19

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Early Years	73,378	70,729	80,115
Individual Schools Budgets	543,050	535,673	546,797
Schools De-delegated Items	2,114	2,102	2,102
Central Provision Funded Through Maintained Schools Budget Share	1,318	1,302	2,250
Growth Fund	5,000	5,000	5,165
Schools Block	551,482	544,077	556,314
High Needs Block ISB	31,667	31,469	30,534
Central Provision Funded Through Maintained Schools Budget Share	29	29	47
High Needs Top-Up Funding	58,112	58,291	63,461
SEN Support Services	5,543	5,543	4,808
High Needs Support for Inclusion	3,361	3,361	3,286
Hospital Education Service	589	589	589
High Needs	99,301	99,282	102,725
Central Block	7,941	7,941	8,116
Other Schools Grants	54,790	57,023	59,615
Total Schools Budget	786,892	779,052	806,885
Young Peoples Learning & Development	578	803	725
Adult & Community Learning	532	334	389
Asset Management	557	84	86
Central Support Services	52	(77)	(227)
Educational Psychology Service	1,388	1,485	1,565
Home to School Transport	28,186	30,641	32,180
Insurance	38	38	39
Monitoring of National Curriculum Assessment	142	93	51
Parent Partnership, Guidance and Information	199	221	203
Pension Costs (includes existing provisions)	3,204	2,626	2,600
Premature Retirement / Redundancy Costs	0	241	0
School Improvement	2,718	1,736	1,634

Service Activity	Original Budget 2017/18	Revised Budget 2017/18	Proposed Budget 2018/19
	£'000	£'000	£'000
SEN Administration, Assessment, Co-ordination & Monitoring	2,337	2,847	2,092
Statutory/Regulatory Duties	1,328	820	709
Service Strategy & Other Ed Functions	40,149	40,755	40,932
Management & Support Services (Including facilities management and overheads)	2,910	2,507	2,318
Early Achievement of Savings	(2,453)	236	773
Other Education & Community	41,716	44,635	45,137
Services for Young Children	1,721	1,760	1,595
Adoption Services	3,475	3,577	3,682
Asylum Seekers	2,000	2,761	3,487
Education of Children Looked After	311	313	125
Fostering Services	27,375	27,943	28,034
Leaving Care Support Services	3,135	5,133	5,209
Other Children Looked After Services	1,177	2,674	2,740
Residential Care	20,827	26,540	26,896
Special Guardianship Support	1,987	2,154	2,206
Children Looked After	60,287	71,095	72,379
Other Children & Families Services	2,022	1,349	1,384
Direct Payments	1,059	1,587	1,625
Other Support for Disabled Children	216	237	241
Short Breaks (Respite) for Disabled Children	5,554	5,886	5,504
Targeted Family Support	5,789	5,946	4,539
Universal Family Support	109	58	42
Family Support Services	12,727	13,714	11,951
Youth Justice	1,418	2,036	1,577
Safeguarding & Young Peoples Services	19,443	19,189	19,564
Services for Young People	1,151	690	658
Management & Support Services (Including government grants and legal costs)	9,460	11,065	10,792
Early Achievement of Savings	0	400	1,882
Non-Distributed Costs	122	122	122
Children's Social Care	108,351	121,420	121,904
Total Non-Schools Budget	150,067	166,055	167,041

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Children's Services Cash Limited Budget	936,959	945,107	973,926

ETE Budget Summary 2018/19

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Highways Maintenance	12,346	14,133	11,392
Street Lighting	9,741	9,899	9,969
Winter Maintenance	5,996	5,996	6,144
Concessionary Fares	13,886	13,236	13,118
Other Public Transport	5,117	5,117	5,297
Road Safety	1,767	1,558	1,292
Other Highways, Traffic & Transport Services	(43)	(48)	(48)
Staffing & Operational Support	8,889	8,862	9,405
Highways, Traffic and Transport	57,699	58,753	56,569
Waste Disposal Contract	44,187	46,373	46,315
Environment & Other Waste Management	680	667	319
Strategic Planning	865	934	967
Chichester Harbour Conservancy	193	193	193
Waste, Planning and Environment	45,925	48,167	47,794
Departmental and Corporate Support	3,356	3,530	3,546
Early achievement of savings	289	950	3,840
Total Environment and Transport Budget	107,269	111,400	111,749
Economic Development	745	741	757
Total Economic Development Budget	745	741	757
ETE Cash Limited Budget	108,014	112,141	112,506

Policy & Resources Budget Summary 2018/19

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Legal	2,267	2,390	2,495
Transformation	893	1,771	1,012
Governance	2,449	2,458	2,463
Transformation and Governance	5,609	6,619	5,970
Finance	3,645	3,514	3,717
HR	4,106	4,310	4,366
IT	18,777	20,663	21,341
Audit	660	644	661
Customer Business Services	3,512	2,307	2,404
Corporate Resources Transformation	37	806	854
Corporate Resources Management	867	170	183
Corporate Resources	31,604	32,414	33,526
Communication, Marketing & Advertising	535	555	565
Corporate Customer Services	2,125	2,813	2,824
Web Team	641	593	563
Insight & Engagement	651	568	722
Chief Executives Office	792	801	764
Customer Engagement Service	4,744	5,330	5,438
Corporate Services Budget	41,957	44,363	44,934
Corporate & Democratic Representation	66	66	66
Grants to Vol	222	222	227
Grants & Contributions to Voluntary Bodies	787	787	806
Southern Sea Fisheries	307	348	307
Members Devolved Budgets	390	624	390
Rural Affairs	200	110	200
Other Direct and Corporate Services	221	221	221
P&R Non-Departmental Budget (Direct)	2,193	2,378	2,217

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Members Support Costs	1,721	1,721	1,749
Corporate Contribution to Trading Units	105	0	0
Repair & Maintenance	7,565	7,621	7,812
Strategic Asset Management	1,501	5,051	1,254
Other Miscellaneous	323	323	331
P&R Non-Departmental Budget (Central)	11,215	14,716	11,146
Other Policy and Resources Budget	13,408	17,094	13,363
Transformation	57	507	210
Rural Broadband	243	244	250
CCBS IT Budget and Rural Funding	0	214	76
Transformation and Business Management	300	965	536
Regulatory Services	1,432	1,343	1,076
Business Support	774	766	833
Scientific Services	8	18	49
Asbestos	(1)	7	(21)
Community and Regulatory Services	2,213	2,134	1,937
Risk, Health & Safety	193	195	199
Sir Harold Hillier Gardens	312	220	87
Culture & Heritage	505	415	286
Corporate Estate	(189)	(196)	(194)
County Farms	(501)	(500)	(497)
Development Account	(417)	(417)	(415)
Sites for Gypsies and Travellers	54	54	55
Property Services	1,691	1,326	1,687
Office Accommodation / Workstyle	5,139	5,003	4,591
Facilities Management	3,037	3,065	3,337
Hampshire Printing Services	0	(139)	(136)
Caretaking & Cleaning Services	0	(11)	(11)
Segensworth Unit Factories	0	(12)	(12)
Print Sign Workshop	9	9	9

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Property Services and Facilities:	8,823	8,182	8,414
CCBS Planned Contribution to / (from) Cost of Change	(168)	(261)	1,093
CCBS P&R Services	11,673	11,435	12,266
Library Service	11,886	11,730	10,996
Energise Me Grant (Sport) and Talented Athletes Scheme	179	186	141
Community	160	198	164
Community and Regulatory Services	12,225	12,114	11,301
Countryside	2,821	2,953	2,862
Cultural Trust Grant and HCC Arts related costs	2,960	2,875	2,634
Archives	802	767	730
Outdoors Centres	234	243	195
Community Grants	977	763	977
Culture & Heritage	7,794	7,601	7,398
CRC Planned Contribution to / (from) Cost of Change	507	982	2,259
CCBS CRC Services	20,526	20,697	20,958
Total CCBS Cash Limited Budget	32,199	32,132	33,224
Policy and Resources Cash Limited Budget	87,564	93,589	91,521

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Revenue Budget 2018/19

	Original Budget 2017/18 £'000	Adjustment £'000	Proposed Budget 2018/19 £'000
<u>Departmental Expenditure</u>			
Adults' Health and Care	355,587	40,396	395,983
Children's - Schools	786,892	19,993	806,885
Children's - Non Schools	150,067	16,974	167,041
Economy, Transport and Environment	108,014	4,492	112,506
Policy and Resources	87,564	3,957	91,521
	1,488,124	85,812	1,573,936
<u>Capital Financing Costs</u>			
Committee Capital Charges	135,264	(223)	135,041
Capital Charge Reversal	(136,489)	160	(136,329)
Interest on Balances	(8,395)	800	(7,595)
Capital Financing Costs	51,775	(11,474)	40,301
	42,155	(10,737)	31,418
<u>RCCO</u>			
Main Contribution	14,034	(3,452)	10,582
RCCO from Reserves	8,529	(8,529)	0
	22,563	(11,981)	10,582
<u>Other Revenue Costs</u>			
Contingency	35,880	22,529	58,409
Dedicated Schools Grant	(732,102)	(15,168)	(747,270)
Specific Grants	(159,861)	(8,525)	(168,386)
Pensions – Non Distributed Costs	18,526	1,765	20,291
Apprenticeship Levy	0	1,350	1,350
Flood Protection Levy	623	0	623
Coroners	1,650	97	1,747
Business Units (Net Trading Position)	164	54	218
	(835,120)	2,102	(833,018)
Net Revenue Budget	717,722	65,196	782,918
<u>Contributions to / (from) Earmarked Reserves</u>			
Transfer to / (from) Earmarked Reserves	19,520	(50,360)	(30,840)
Trading Units Transfer to / (from) Reserves	(242)	165	(77)
RCCO from Reserves	(8,529)	8,529	0
	10,749	(41,666)	(30,917)
Contribution to / (from) General Balances	900	(1,900)	(1,000)
BUDGET REQUIREMENT	729,371	21,630	751,001

	Original Budget 2017/18 £'000	Adjustment £'000	Proposed Budget 2018/19 £'000
BUDGET REQUIREMENT	729,371	21,630	751,001
Funded by			
Business Rates and Government Grant	(156,274)	17,148	(139,126)
Business Rates Collection Fund Deficit / (Surplus)	696	(509)	187
Council Tax Collection Fund Deficit / (Surplus)	(6,963)	3,077	(3,886)
COUNCIL TAX REQUIREMENT	566,830	41,346	608,176

Reserves Strategy

Introduction

The level and use of local authority reserves continues to be a regular media topic often fuelled by comments from the Government that these reserves should be used to significantly lessen the impact of the austerity measures that have seen a greater impact on local government than any other sector.

The County Council has continually explained that reserves are kept for many different purposes and that simply trying to bridge the requirement for long term recurring savings through the use of reserves only serves to use up those reserves very quickly (meaning that they are not available for any other purposes) and merely delays the point at which the recurring savings are required.

At the end of the 2016/17 financial year the County Council's earmarked reserves together with the general fund balance stood at more than £524m an increase of approaching £27m on the previous year. This is in line with the Medium Term Financial Strategy (MTFS) as provision is built up in departmental cost of change reserves to enable support of transformation activity and of revenue spend whilst savings programmes are put in place, and in the Grant Equalisation Reserve (GER) ahead of a large planned draw in 2018/19. This Appendix sets out in more detail what those reserves are for and outlines the strategy that the County Council has adopted.

Reserves Position 31 March 2017

Current earmarked reserves together with the General Fund balance totalled £524.2m at the end of the 2016/17 financial year. The table below summarises by purpose the total level of reserves and balances that the County Council holds and compares this to the position reported at the end of 2015/16.

The narrative beneath the table explains in more detail the purpose for which the reserves are held and in particular why the majority of these reserves cannot be used for other reasons.

	Balance 31/03/2016 £'000	Balance 31/03/2017 £'000	% of Total %
General Fund Balance	20,598	21,498	4.1
<u>Fully Committed to Existing Spend Programmes</u>			
Revenue Grants Unapplied	35,530	17,751	3.4
General Capital Reserve	124,137	126,075	24.0
Street Lighting Reserve	9,237	26,087	5.0
Public Health Reserve	0	7,412	1.4
Other Reserves	2,091	1,977	0.4
	170,995	179,302	34.2

	Balance 31/03/2016 £'000	Balance 31/03/2017 £'000	% of Total %
<u>Departmental / Trading Reserves</u>			
Trading Accounts	15,671	12,753	2.4
Departmental Cost of Change Reserve	53,926	85,658	16.4
	69,597	98,411	18.8
<u>Risk Reserves</u>			
Insurance Reserve	25,423	20,571	3.9
Investment Risk Reserve	1,000	1,500	0.3
	26,423	22,071	4.2
<u>Corporate Reserves</u>			
Grant Equalisation Reserve	75,206	40,755	7.8
Invest to Save	16,979	31,100	5.9
Corporate Policy Reserve	5,109	4,632	0.9
Organisational Change Reserve	3,593	2,905	0.5
	100,887	79,392	15.1
<u>HCC Earmarked Reserves</u>			
	367,902	379,176	72.3
EM3 LEP Reserve	0	1,396	0.3
Schools Reserves	55,950	46,679	8.9
Total Revenue Reserves & Balances	444,450	448,749	85.6
Total Capital Reserves & Balances	52,844	75,415	14.4
Total Reserves and Balances	497,294	524,164	100.0

General Fund Balance

The General Fund Balance is the only reserve that is in effect not earmarked for a specific purpose. It is set at a level recommended by the Chief Financial Officer at around 2.5% of the budget requirement and in effect it represents a working balance of resources that could be used at very short notice in the event of a major financial issue.

The current balance stands at £21.5m, which is broadly in line with the current policy.

Fully Committed to Existing Spend Programmes

By far the biggest proportion of reserves are those that are fully committed to existing spend programmes and £126m of this funding is required to meet

commitments in the Capital Programme. These reserves really represent the extent to which resources, in the form of government grants or revenue contributions to capital, are received or generated in advance of the actual spend on the project.

These reserves increased significantly in recent years following a change to International Financial Reporting Standards which required unapplied government grants to be shown as earmarked reserves and due to the fact that significant revenue contributions were made to fund future capital investment using the surplus funds generated from the early achievement in savings (a deliberate strategy that is explained in more detail later in this Appendix).

These reserves do not therefore represent 'spare' resources in any way and will be utilised as planned in the coming years.

Specifically, the street lighting reserve represents the anticipated surplus generated by the financial model for this PFI scheme that is invested up front and then applied to the contract payments in future years. From 2016/17 elements that were previously included within the Revenue Grants Unapplied Reserve have been included to transparently identify the full amount held for this PFI scheme.

The Public Health reserve (which was previously included within the Revenue Grants Unapplied Reserve but has been separately identified from 2016/17 onwards) represents the balance of the ring-fenced government grant carried forward for future Public Health expenditure.

Departmental / Trading Reserves

Trading services within the County Council operate as semi-commercial organisations and as such they do not receive specific support from the County Council in respect of capital investment or annual pressures arising from spending or income fluctuations.

Given this position, any surpluses generated by the trading services are earmarked for their use to apply for example to equipment renewal, service expansion, service improvement, innovation and marketing. They are also used to smooth cash flows between years if deficits are made due to the loss of the customer base and provide the time and flexibility to generate new revenues to balance the bottom line in future years.

Departmental reserves are generated through under spends in annual revenue expenditure and Council policy was changed in 2010 to allow departments to retain all of their under spends in order to provide resources to:

- Meet any potential over spends in future years without the need to call on corporate resources.
- Manage cash flow funding issues between years where specific projects may have been started but not fully completed within one financial year.
- Meet the cost of standard redundancy and pension payments arising from the down sizing of the work force.
- Invest in new technology and other service improvements, for example the IT enabling activity associated with the Transformation to 2019 (Tt2019) Programme.

- Undertake capital repairs or improvements to assets that are not funded through the existing capital programme where this is essential to maintain service provision or maximise income generation.
- Meet the cost of significant change programmes and restructures.

By utilising reserves in this way, and allowing departments and trading areas to retain under spends or surpluses it encourages prudent financial management as managers are able to ensure that money can be re-invested in service provision without the need to look to the corporate centre to provide funding. This fosters strong financial management across the County Council and is evidenced by the strong financial position that the County Council has maintained to date.

All departments will be utilising their reserves to fund the activity to deliver the Tt2019 Programme and to cashflow the later delivery of savings if needed. The exception to this is Children's Services who will require some additional corporate support based on the current forecast of savings delivery, provision for which is made within the MTFs.

Risk Reserves

The Council holds specific reserves to mitigate risks that it faces. The County Council self insures against certain types of risks and the level of the Insurance Reserve is based on an independent valuation of past claims experience and the level and nature of current outstanding claims.

The Investment Risk reserve was established in 2014/15 to mitigate the slight additional risk associated with the revised approved investment strategy as a prudent response to targeting investments with higher returns.

Corporate Reserves

The above paragraphs have explained that the majority of reserves are set aside for specific purposes and are not available in general terms to support the revenue budget or for other purposes.

This leaves other available earmarked reserves that are under the control of the County Council and total nearly £79.4m at the end of last financial year. Whilst it is true to say that these reserves could be used to mitigate the loss of government grant, the County Council has decided to take a more sophisticated long term approach to the use of these reserves, that brings many different benefits both directly and indirectly to the County Council and the residents of Hampshire. These reserves are broken down into four main areas:

Grant Equalisation Reserve (GER) – This reserve was set up many years ago to deal with changes in government grant that often came about due to changes in distribution methodology that had an adverse impact on Hampshire compared to other parts of the country.

In 2010/11, the County Council recognised that significant reductions in local government spending were expected and built in contributions as part of the MTFs over the CSR 2010 period from the GER in order to smooth the impact of the grant reductions.

Over the last few years, it has become clear that the period of austerity will continue at least until the end of the decade and the County Council has taken the opportunity to increase the reserve in order to be able to continue the sensible policy of

smoothing the impact of grant reductions without the need to make 'knee jerk' reactions to offset large decreases in grant.

The GER currently stands at approaching £40.8m, but this reflects the fact that a significant contribution will be required in 2018/19 as part of the County Council's strategy of delivering savings over a two year cycle. Where possible, the County Council will continue to direct spare one off funding into this reserve as part of its overall longer term risk mitigation strategy, which has served it very well to date.

Invest to Save – These reserves are earmarked to provide funding to help transform services in order to make further revenue savings in the future. Rather than just prop up the budget on a short term basis, the County Council feels it is a far more sensible policy to use available reserves to generate savings and improve services over the longer term, by re-designing services and investing in technology and other solutions that make services more modern and efficient. These two reserves were merged at the end of 2016/17 as they are used for the intrinsically the same purpose.

Corporate Policy Reserve – This small reserve is available to fund new budget initiatives that are agreed as part of the overall budget. It offers the opportunity to introduce specific service initiatives that might not have otherwise gained funding and are designed to have a high impact on service users or locations where they are applied.

Organisational Change Reserve – The County Council is one of the largest employers in Hampshire and inevitably large reductions in government grant, leading to reduced budgets, means that there is a significant impact on the numbers of staff employed in the future.

The County Council, as a good employer, has attempted to manage the reduction in staff numbers as sensitively and openly as possible and introduced an enhanced voluntary redundancy scheme back in 2011. The scheme offered an enhanced redundancy rate for people who elected to take voluntary redundancy. This has been a highly successful way of managing the reductions in staff numbers, whilst maintaining morale within the rest of the workforce who are not required to go through the stress and uncertainty of facing compulsory redundancy.

In fact, since the scheme was introduced, voluntary redundancies account for around 98% of the total number of staff that have left the organisation as a result of specific restructures and service re-design.

A scheme is in place, albeit adapted since first introduced, to enable the continued reduction and transformation of the workforce required to deliver the significant savings needed in the medium term with the aim of minimising compulsory redundancies

Departments are still responsible for meeting the 'standard' element of any redundancy package, but the Organisational Change Reserve was put in place to meet the 'enhanced' element of the payment. The reserve has been reviewed in the context of the new scheme and the requirement for future organisational change and this will be revisited in line with the development of the Tt2019 Programme and the consequent requirement for future organisational change.

It should be highlighted that the total 'Corporate Reserves outlined above account for approximately 15% of total reserves and balances that the County Council holds and

these have largely been set aside as part of a longer term strategy for dealing with the significant financial challenges that have been imposed on the County Council. In addition, the GER which comprises the majority of these 'available' Corporate Reserves, standing at £40.8m at the end of 2016/17 and due to increase in 2017/18, is in reality fully committed as the MTFs included a planned net draw of approaching £46m to balance the budget in 2018/19 before any changes approved as part of budget setting for 2018/19.

The reserves detailed above represent the total earmarked revenue reserves of the County Council and amount to £448.7m as shown in the table on first page of this Appendix. In addition, the County Council is required to show other reserves as part of its accounts which are outlined below.

Enterprise M3 Local Enterprise Partnership (EM3 LEP) Reserve

The County Council is the accountable body for the funding of the EM3 LEP and has therefore included the EM3 LEP's income, expenditure, assets and liabilities, (including reserves) in its accounts. Prior to 2015/16 the County Council did not include transactions relating to the EM3 LEP in its accounts.

The County Council does not control the level or use of the EM3 LEP Reserve.

Schools Reserves

Schools reserves account for nearly £47m or 8.9% of total reserves and balances. These reserves must be reported as part of the County Council's accounts, but since funds are delegated to schools any surplus is retained by them for future use by the individual school concerned. Similarly, schools are responsible for any deficits in their budgets and they maintain reserves in a similar way to the County Council in order to smooth fluctuations in cash flow over several years.

The County Council has no control at all over the level or use of school reserves.

Capital Reserves

The capital grants unapplied reserve holds capital grants that have been received in advance of the matched spending being incurred. They are not available for revenue purposes.

Reserves Strategy

The County Council's approach to reserves has been applauded in the past by the Government and the External Auditors as a sensible, prudent approach as part of a wider MTFs. This has enabled the County Council to make savings and changes in service delivery in a planned and controlled way rather than having to make urgent unplanned decisions in order to reduce expenditure.

This approach is well recognised across local government and an article in the Municipal Journal by the Director of Local Government at the Chartered Institute of Public Finance and Accountancy stated

"What reserves do allow authorities to do is to take a more medium term view of savings and expenditure and make decisions that give the best value for money. This is better than having to make unnecessary cost reductions in the short term

because they do not have the money or funding cushion to allow for real transformation in the way they provide services.”

We are now in an extended period of austerity which will last longer than anyone had previously predicted and the medium term view highlights a continued need for reserves to smooth the impact of reductions in funding and enable time for the planning and implementation of change to deliver savings.

The County Council’s strategy for reserves was well established and operated effectively based on a cyclical pattern as follows:

- Planning ahead of time and implementing efficiencies and savings in advance of need.
- Generating surplus funds in the early part of the programme.
- Using these resources to fund investment and transformation in order to achieve the next phase of savings.

This cycle was clearly evident during the last four financial years, with surplus funds generated in advance of need as part of budget setting and then supplemented by further savings in the year. Savings in advance of need within departments and savings in contingency amounts due to the successful implementation of the full early savings programme meant that the Council was able to provide:

- Departmental reserves to pay for the cost of change associated with their own transformation programmes.
- Top up funding to the Organisational Change Reserve to provide resources to continue the very successful voluntary redundancy programme as a means of releasing staff in a sensitive and controlled manner that has helped maintain morale across the Council.
- Funding within the Invest to Save Reserve to help support the Tt2019 Programme and Digital 2 that will deliver the next phase of savings.
- Additional funds for the GER to help smooth the impact of grant reductions, including significant funding to bridge the unexpected budget gap in 2018/19, and give the County Council maximum flexibility in future budget setting processes.

The financial landscape has significantly shifted and looking ahead the indications are that the period to the end of the decade will be the most challenging of the prolonged austerity measures which increases the potential necessity to use reserves to alleviate the initial and ongoing financial shocks over the period to 2020

We will continue to review all reserves on an ongoing basis to ensure that there is sufficient financial capacity to cope with the challenges ahead.

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Section 25 Report from Chief Financial Officer

Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (the Director of Corporate Resources) to report to the County Council when setting its council tax on:

- the robustness of the estimates included in the budget, and
- the adequacy of the financial reserves in the budget.

The County Council is required to have regard to this report in approving the budget and council tax. It is appropriate for this report to go first to Cabinet and then be made available to the County Council in making its final decision.

Section 25 concentrates primarily on the risk, uncertainty and robustness of the budget for the next financial year rather than the greater uncertainties in future years. Given the significance of the Revenue Support Grant reductions announced to the end of the decade, this report considers not only the short term position but also the position to 2019/20 in the context of the County Council's current Medium Term Financial Strategy (MTFS) and the Transformation to 2019 (Tt2019) Programme.

Robustness of Estimates in the Budget

The budget setting process within the County Council has been operating effectively for many years and is based on setting cash limits for departments each year allowing for pay and price inflation and other marginal base changes in levels of service whether these be the increasing cost of social care or the requirement to make savings to balance the budget.

Individual departments are then required to produce detailed estimates for services that come within the cash limits that have been set. More recently, the requirement to make savings has dominated the budget setting process and major transformation programmes have been put in place to effectively and corporately manage the delivery of savings within the required timescales.

Appropriate provisions for pay and price inflation are assessed centrally with departmental input and are allocated to departmental cash limits. Specific inflationary pressures within the financial year are expected to be managed within a department's bottom line budget but contingencies are still held centrally in the event that inflationary pressures have a severe impact in any one area (e.g. energy costs).

Separate work is also undertaken to assess the demand led areas of service provision, which mainly relate to:

- Adults' Social Care
- Children's Social Care
- Waste Disposal

Any requirement to increase budgets in these areas is considered corporately and may require additional savings to be made across the board to meet the increased demand. This is seen as a more effective way of managing cost pressures and enables strategic decisions to be made about allocation of resources and the impact on service provision rather than all of those decisions potentially being made in isolation by each department.

Budget management within the County Council remains strong as demonstrated by the outturn position each year since austerity began and as reflected in the annual opinion of the External Auditors who has given an unqualified opinion on the annual accounts and in securing value for money / financial resilience.

A further £98m of savings were removed from the budget in 2017/18 and current monitoring indicates that most Departments are working effectively within the reduced resource envelopes including adult services where £13m of savings were approved to be deferred with the department required to meet the shortfall from reserves in the intervening period.

Of most significance is the continued increase in the number and cost of children looked after which shows a further pressure of £7.6m at the end of the year despite a £9.5m cash injection at the beginning of the year. This issue is explored in more detail later in this report.

Budget 2018/19

The budget for 2018/19 has been produced in line with the process outlined in the section above and therefore I am content that a robust, Council wide process has been properly followed and driven through our Finance Business Partners working with the Operational Finance Team. Further oversight is then provided by the Head of Finance and myself in presenting the final budget and council tax setting report to Cabinet and County Council.

The budget relies on a net draw from the Grant Equalisation Reserve (GER) of some £29.1m. Whilst significant this is entirely in line with the MTFs that has been put in place during this period of austerity and which provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the GER. The lack of any requirement for savings targets for 2018/19 also adds further confidence to the budget setting process.

Once again, the robustness of the budget is underpinned by adequate contingencies for volatile areas such as social care as well as by the existence of departmental cost of change reserves, which can be used to meet unforeseen costs during the year as well as providing funding for investment to achieve transformational savings, for 2018/19 this will include funding generated by the early delivery of Tt2019 savings.

Risks in the Budget 2018/19

In some respects the significant changes to local government finance since 2010 have changed the profile of risk faced by most authorities. In reality the biggest financial risks now relate purely to reductions in government funding, changes in government policy and social care demand and cost pressures. These items together with other traditional risks are outlined below:

- a) **Government Funding and Policy** – The MTFs includes the announced reductions in government grant over the current spending review period and plans are in place to deliver a balanced budget by 2019/20 based on the Tt2019 Programme . The four year settlement announced following the spending review had a massive impact on those projections, but these have

been incorporated in the MTFS and the Tt2019 Programme takes this into account.

Following acceptance by the Department for Communities and Local Government (DCLG) of the County Council's Efficiency Plan for the period to 2019/20, the expectation was for minimal change for 2018/19 when the Provisional Local Government Finance Settlement was announced in December; which was the case. Other significant changes to funding or policy during the year would have to be covered by contingencies or general balances, but generally once grant levels have been set in the final settlement due in January they do not change, although there have been in year changes implemented previously, for example reductions to the Public Health grant.

- b) **Social Care Demand Pressures** – Up to the end of 2014 there was a significant and sustained increase in the number of Children Looked After (CLA) across the County, mainly as a result of increases in referrals from other agencies. This was reflected in a £12.5m base budget increase for Children's Services in the 2015/16 budget. Since January 2015 positive management action underpinned by innovation grant monies from the DfE has changed the trajectory and generated a reduction in the numbers of children in care.

This has enabled the Department to meet its Transformation to 2017 (Tt2017) Programme savings target in respect of reduced placement costs, however over the Summer 2016, numbers began to rise again, partly due to Unaccompanied Asylum Seeking Children (UASC) and partly due to the courts placing more children at home (which still counts as a CLA). Inevitably with the overall increase in numbers of CLA cases, we are also dealing with higher numbers of care leavers who have greater expectations following legislative changes.

A further base budget increase of £9.5m was added to the budget for 2017/18 which took into account annual growth of around 5% in CLA numbers and a provision of around £3m a year was made in the MTFS. Continued higher growth in the current year coupled with increasing costs due to demand outstripping supply across the country has led to a predicted £7.6m pressure in the current year which will inevitably have an impact on the funding required for future years. At this stage, I am comfortable that the 2018/19 budget contains sufficient contingencies and flexibility to deal with the increased level of CLA costs, but a further review of this area will be undertaken in order to inform the next update of the MTFS over the summer.

In a similar process to Adults' Services, regular monthly meetings are now held with the Director of Children's Services to consider pressures and financial planning for the Department and this group will continue to look in detail at the CLA position as the year progresses.

Adults' social care is traditionally a far more volatile picture given the significant numbers involved and the significant ongoing changes to the client base. A major piece of work was undertaken as part of the 2016/17 budget setting process using detailed activity data to predict future activity and average costs. A long term strategy for managing social care finances alongside the delivery of savings and changes to the operating model was also approved at this time.

Additional funding has been made available to Adults' Services to reflect the increasing costs of care and adequate contingency provision has been provided centrally to cope with unexpected fluctuations in demand during the year. However past experience has shown that Adults' Services have been effective in managing demand against budget to achieve a balanced position by year end and enhanced monitoring in this area will continue to inform that process and highlight any early warning signs that may then need to be corrected.

This will include potential risks associated with the delivery of Tt2019 savings, early delivery of which is currently planned to provide resources in advance of need to help fund transformational change to generate the next round of savings and help to cash flow delivery of the Department's savings. Due to the nature of adult's social care in particular, it is not always possible to distinguish whether or not cost pressures arise due to further increased demand or the potential failure to have delivered a savings proposals and therefore it is necessary to manage the total budget against total activity and demand within the system, which is already in place and should highlight issues irrespective of how they have arisen.

- c) **Council Tax** – The government have granted additional flexibilities in relation to council tax that allow local authorities with responsibility for adult social care to raise the social care precept by up to 3% on top of the 3% general increase in 2018/19 and 2019/20 (increased from 2%) without the need to hold a referendum. The Cabinet is recommended to take up the offer of the extra flexibility for the social care precept as agreed within the MTFS and in addition to agree a general increase of 2.99% which will generate an additional sum of £5.7m.
- d) **Pay and Price Risk** – Pay inflation has been capped for some time and the MTFS contained provision for a general pay award of 1% and also allowance for the impact of the National Living Wage (NLW) in line with government policy. Subsequently there has been a two year pay offer for local government workers, which includes a 'core' increase of 2% and changes to the lower pay scales to reflect the impact of the NLW. The overall increase in the pay bill could be in the region of 6% over the two years, and is above the allowances made within the MTFS. Depending on the final pay award that is agreed this could mean additional recurring costs of circa £5m will need to be met by 2019/20.

Until the pay deal is concluded it is not possible to quantify the final impact but the budget includes provision within contingencies for an overall increase in the pay bill of 3% (a 'core' increase of 2% and changes to the lower pay scales to reflect the impact of the NLW) and the provision for future years will be reviewed when the MTFS is updated next year.

Increases in employer pension rates are also a factor that can impact on the budget and the results of the 2016 pension fund valuation and the increases have been built into the financial forecasts moving forward.

Similarly the impact of price inflation has been taken into account in setting the budget and it would take a major departure from the Council's assumptions to create a financial problem that we could not deal with. One exception to this is

the impact of the NLW on the costs of social care services in the private sector. It is difficult to predict at this stage what the eventual impact will be given the number of different variables involved and whilst some additional provision has been made for this in the budget this may be an area that affects the price of social care services in the market place during the year and would need to be managed alongside other social care pressures outlined above. To date the provision made has been sufficient.

- e) **Treasury Risk** – The County Council has limited exposure to interest rate risk as most long term borrowing is undertaken on a fixed rate. At the present time we are not undertaking any new or replacement long term borrowing due to the significant ‘cost of carry’ involved and our ability to internally borrow given our high level of reserves and cash balances. However, we do need to be mindful of the fact that we do not want to store up a large value of external borrowing that needs to be taken out in less favourable circumstances as our reserves reduce. Given current predictions on base rate levels and the fact that long term borrowing rates are based on the price of gilts rather than the underlying base rate, this is still considered low risk at this stage.

On the investments side, the absolute value of estimated income is circa £8m per annum, which is minimal against the County Council’s overall budget, however, the change in investment strategy which moved part of the portfolio to medium term investments has increased the risk in the portfolio overall. This has been mitigated by the creation of an Investment Risk Reserve which will deal with any changes in valuations of investment and provide a buffer against any significant drop in returns. Contributions to this reserve are regularly reviewed to ensure adequate provision is made.

The Adequacy of Reserves

The County Council’s policy on general balances is to hold a minimum prudent level which on the basis of the previous risk assessment is around 2.5% of net expenditure. The projected level of general fund balances will be 3.0% of net expenditure at the beginning of 2018/19. This in part reflects the declining level of spend, rather than an increase in the level of balances held. However, the level of general fund balances has been reviewed as part of the wider strategy to manage the budget in the medium term whilst the Tt2019 Programme is implemented and in 2018/19 a one-off draw of £1m is planned. After this, general fund balances will be around 2.5% of net expenditure at the beginning of 2019/20.

Overall the level of earmarked reserves and balances that the County Council holds stood at £524.2m (including schools and the Enterprise M3 LEP reserve) at the end of March 2017 and these reserves, the majority of which are held for specific purposes as set out in the Reserves Strategy in Appendix 6, underpin the overall MTFs and capital programme.

Those reserves that are available to support the revenue position are used sensibly to manage change and provide the time and capacity to properly implement savings plans that seek to minimise the impact on service users.

The GER currently stands at over £57m, but this reflects the fact that a net contribution of more than £29m is required to balance the budget in 2018/19 and the

fact that a further significant contribution will be required to cash flow the safe delivery of the Tt2019 Programme.

In addition, in order to continue the County Council's strategy of delivering savings over a two year cycle a further significant contribution will be required in 2020/21. As a consequence, where possible, the County Council will continue to direct spare one off funding into this reserve as part of its overall longer term risk mitigation strategy, which has served it very well to date.

Budget 2018/19 – Conclusion

Given the details outlined above, provided that the County Council considers the above factors and accepts the budget recommendations, including the level of earmarked reserves and balances, a positive opinion can be given under Section 25 on the robustness of the estimates and level of reserves for 2018/19.

The Position to 2019/20 and Beyond

Looking ahead to 2019/20, the County Council needs to address a budget gap of £140m by 2019/20. Bridging a gap of £140m after already removing £340m of expenditure is a massive undertaking particularly as each successive savings programme is becoming harder to deliver and many areas cannot be re-visited due to the nature of the revised service models or contractual arrangements that will have been put in place.

As in previous years, the County Council has responded positively to the transformation challenge and savings proposals to meet the £140m deficit were signed off by County Council in November last year subject to any further Stage 2 consultations that need to take place for some proposals.

What is different to previous years however is the fact that the profile of delivery for the savings programme is back loaded with some savings not being delivered at all until well after the 2019/20 financial year. Whilst sufficient resources have been set aside to cover this delayed implementation, it does increase the overall risk in the budget going forward as there will potentially be overlapping savings programmes.

Beyond 2020 the financial landscape will be significantly different and the County Council will no doubt face the biggest ever challenge to its overall financial sustainability which will be impacted one way or another by Government policy on fair funding, business rate retention and the future for adult social care and the growing pressure nationally on children's services.

At this stage however, the County Council must focus on delivery of savings towards 2019/20 and I believe it is well placed to do that at the same time as having realistic expectations around what can be achieved.

Carolyn Williamson

Director of Corporate Resources

17 January 2018

Treasury Management Strategy and Investment Strategy 2018/19 to 2020/21

1. Summary

- 1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA Code) and the Prudential Code require authorities to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis. The TMSS also includes the Annual Investment Strategy that is a requirement of the Department for Communities and Local Government's (DCLG) Investment Guidance.
- 1.2. As per the requirements of the Prudential Code, Hampshire County Council adopted the CIPFA Treasury Management Code at its meeting in February 2012. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DCLG Guidance.
- 1.3. The purpose of this TMSS is, therefore, to present for approval:
 - Treasury Management Strategy for 2018/19
 - Annual Investment Strategy for 2018/19
 - Prudential Indicators for 2018/19, 2019/20 and 2020/21 shown in Annex C
 - Minimum Revenue Provision (MRP) Statement shown in Annex D
- 1.4. The County Council has potentially large exposures to financial risks through its investment and borrowing activity, including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's TMS.

2. Introduction

- 2.1. In February 2012 the County Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the County Council to approve a Treasury Management Strategy (TMS) before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code.
- 2.2. In addition, the DCLG issued revised Guidance on Local Authority Investments in March 2010 that requires the County Council to approve an investment strategy before the start of each financial year.
- 2.3. This report fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DCLG Guidance.
- 2.4. The County Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the County Council's TMS.

3. External Context

- 3.1. The following paragraphs explain the economic and financial background against which the TMS is being set.

Economic background

- 3.2. The major external influence on the Council's TMS for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
- 3.3. Consumer Price Inflation (CPI) reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. Unemployment continued to fall and the Bank of England's Monetary Policy Committee (MPC) judged that the extent of spare capacity in the economy seemed limited and the pace at which the economy can grow without generating inflationary pressure had fallen over recent years. With its inflation-control mandate in mind, the MPC raised official interest rates to 0.5% in November 2017. Since this point, CPI hit 3.1% in November 2017.

Credit outlook

- 3.4. High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.
- 3.5. Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ring-fence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.
- 3.6. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

Interest rate forecast

- 3.7. The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.50% during 2018/19, following the rise from the historic low of 0.25%. The Monetary Policy Committee re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- 3.8. Future expectations for higher short term interest rates are subdued and on-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions. The risks to Arlingclose's

forecast are broadly balanced on both sides. The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

- 3.9. A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.

4. Balance Sheet Summary and Forecast

- 4.1. On 30 November 2017, the County Council held £294m of borrowing and £570m of investments. This is set out in further detail at Annex B. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 overleaf:

Table 1: Balance Sheet Summary and Forecast

	31/03/17	31/03/18	31/03/19	31/03/20	31/03/21
	Actual	Revised	Estimate	Estimate	Estimate
	£M	£M	£M	£M	£M
Capital Financing Requirement	756	772	791	809	810
Less: Other long-term liabilities					
- Street Lighting PFI	(112)	(108)	(104)	(100)	(96)
- Waste Management Contract	(59)	(56)	(53)	(50)	(46)
Borrowing CFR	585	608	634	659	668
Less: External borrowing					
- Public Works Loan Board	(257)	(243)	(236)	(227)	(217)
- Market Loans (incl. LOBOs)	(73)	(41)	(41)	(41)	(41)
Internal (Over) Borrowing	255	324	357	391	410
Less: Reserves and balances	(524)	(513)	(439)	(404)	(422)
Less: Allowance for working capital	(225)	(220)	(220)	(220)	(220)
Resources for Investment	(749)	(733)	(659)	(624)	(642)
New Borrowing or (Investments)	(494)	(409)	(302)	(233)	(232)

- 4.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The County Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 4.1. It is forecast that the County Council will take advantage of internal borrowing over the period forecast in Table 1, whilst paying off Public Works Loan Board (PWLB) debt as maturities arise. Reserves and balances are due to reduce over the forecast period due to the anticipated funding of the capital programme, repayment of external debt, and use of the Grant Equalisation Reserve as part of the County Council's financial strategy. These factors result in a reducing investment balance year on year over the forecast period, as shown in Table 1.
- 4.2. CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the County Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the County Council expects to comply with this recommendation during 2018/19.

5. Borrowing Strategy

- 5.1. The County Council currently holds £294m of loans, a decrease of £42m on the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the County

Council does not expect to need to borrow in 2018/19. The County Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £770m.

Objectives

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

Strategy

- 5.3. Given the significant cuts to public expenditure and in particular to local government funding, the County Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, if the County Council does need to borrow, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.
- 5.4. By internally borrowing, the County Council would be able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. If borrowing is required, the benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the County Council with this 'cost of carry' and breakeven analysis.
- 5.5. In addition, the County Council may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

Sources

- 5.6. The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
 - UK local authorities
 - Any institution approved for investments (see below)
 - Any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds (except Hampshire Pension Fund)
 - Capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other Sources of Debt Finance

- 5.7. In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- Operating and finance leases
 - Hire purchase

- Private Finance Initiative
- Sale and leaseback

5.8. The County Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, which may be available at more favourable rates.

Municipal Bonds Agency

5.9. UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full County Council.

LOBOs

5.10. The County Council holds £20m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the County Council has the option to either accept the new rate or to repay the loan at no additional cost. This holding is down from £60m due to the repayment of £32m of LOBO loan in July 2017, and the conversion to fixed rate and subsequent sale of £8m Royal Bank of Scotland LOBO loans to Phoenix Life Assurance Limited in August 2017. In the current low interest rate environment the County Council understands that lenders are unlikely to exercise their options, but there remains an element of refinancing risk. The County Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

Short-term and Variable Rate loans

5.11. These loans leave the County Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators at Section 7 of this strategy.

Debt Rescheduling

5.12. The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The County Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

6. Investment Strategy

- 6.1. The County Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the County Council's investment balance has ranged between £504 and £659m, and lower levels are expected in the forthcoming year, as shown in Table 1.

Objectives

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

Negative Interest Rates

- 6.3. If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

- 6.4. Given the increasing risk and very low returns from short-term unsecured bank investments, the County Council aims to further diversify into more secure and / or higher yielding asset classes during 2018/19. This is especially the case for the estimated £375m that is available for longer-term investment. Approximately 93% (up from 90% last year) of the County Council's surplus cash is invested so that it is not subject to bail-in risk, as it is invested in local authorities, supranational banks, pooled property, equity and multi-asset funds, and secured bank bonds.
- 6.5. Whilst of the remaining cash subject to bail-in risk, 13% is held in short-term notice accounts which produce a significant return commensurate with the bail-in risk, 32% is held in overnight money market funds which are subject to a reduced risk of bail-in, 32% is held in certificates of deposit which can be sold on the secondary market, and the remaining 2% of cash subject to bail-in risk is held in overnight bank call accounts for liquidity purposes. Further detail is provided at Annex B.
- 6.6. This diversification will represent a continuation of the new strategy adopted in 2015/16.

Investments Targeting Higher Returns

- 6.7. Given the stability of the County Council's cash balances there was the opportunity during 2016/17 to increase the allocation for investments targeting higher returns, which will allow further diversification, increase the overall rate of return and the income contributed to the revenue budget. It was approved

that the allocation targeting higher yields increase to £200m from £105m. This amount will be kept under review in the context of the Council's overall forecast cash balance.

- 6.8. Higher yields can be accessed through long-term cash investments (although this is currently less the case as yields have declined) and investments in other assets than cash, such as pooled property, equities and bonds. Non-cash pooled investments must be viewed as long-term investments in order that monies are not withdrawn in the event of a fall in capital values to avoid crystallising a capital loss.
- 6.9. As shown in Annex B the County Council has invested £138m of the £200m allocation. In addition, the County Council has committed a further £22m to investments in pooled funds. The County Council is continuing to work with its advisors, Arlingclose, to identify additional opportunities for the remaining £40m of allocation. Without this allocation the weighted average return of the Council's cash investments would have been 1.08%; the allocation to higher yielding investments has added 0.81% (£4.6m based on the cash balance at 30 November 2017) to the average interest rate earned by the remainder of the portfolio.
- 6.10. Although money can be redeemed from the pooled funds at short notice, the County Council's intention is to hold them for at least the medium-term. Their performance and suitability in meeting the County Council's investment objectives are monitored regularly and discussed with Arlingclose.

Table 2: Pooled fund investments capital value at 30 November 2017

Pooled fund investments	Principal Invested £M	Market Value 30/11/17 £M	Capital Yield (per annum) %
Pooled property	55.0	55.6	1
Pooled equity	32.0	33.8	4
Pooled multi-asset	16.0	16.0	0
Total	103.0	105.4	2

Investment Limits

- 6.11. The Council's resources for investment are forecast to be £733m on 31 March 2018. In order that no more than 10% of resources for investment will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £70m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, and investments in pooled funds, as they would not count against a limit for any single foreign country, since the risk is diversified over many countries.

Table 3: Investment Limits

	Cash limit
Any single organisation, except the UK Central Government	£70m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£70m per group
Any group of pooled funds under the same management	£70m per manager
Registered Providers	£70m in total
Money Market Funds	50% in total

Approved Counterparties

- 6.12. The County Council may invest its surplus funds with any of the counterparty types in Table 4 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 4: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers Unsecured	Registered Providers Secured
UK Govt	n/a	n/a	£ Unlimited 30 years	n/a	n/a	n/a
AAA	£35m 5 years	£70m 20 years	£70m 30 years	£35m 20 years	£35m 20 years	£35m 20 years
AA+	£35m 5 years	£70m 10 years	£70m 25 years	£35m 10 years	£35m 10 years	£35m 10 years
AA	£35m 4 years	£70m 5 years	£70m 15 years	£35m 5 years	£35m 10 years	£35m 10 years
AA-	£35m 3 years	£70m 4 years	£70m 10 years	£35m 4 years	£35m 10 years	£35m 10 years
A+	£35m 2 years	£70m 3 years	£35m 5 years	£35m 3 years	£35m 5 years	£35m 5 years
A	£35m 13 months	£70m 2 years	£35m 5 years	£35m 2 years	£35m 5 years	£35m 5 years
A-	£35m 6 months	£70m 13 months	£35m 5 years	£35m 13 months	£35m 5 years	£35m 5 years
None	£35m 6 months	n/a	£70m 25 years	n/a *	£35m 5 years	£35m 25 years
Pooled funds	£70m per fund					

*See paragraph 6.18

This table must be read in conjunction with the notes below

Credit Rating

- 6.13. Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks Unsecured

- 6.14. Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks Secured

- 6.15. Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

- 6.16. Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 30 years.

Corporates

- 6.17. Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.
- 6.18. The County Council will not invest in an un-rated corporation, except where it owns a significant interest in the corporation. Authority is requested in this report to allow the County Council to invest in joint ventures or similar arrangements in which we have a significant interest up to a maximum value of £35m for up to 20 years. At this stage any investment would be limited to the Manydown development and given the significantly different risk profile and financial arrangements, it is proposed that any decisions to invest are delegated to the Director of Corporate Resources in consultation with the Executive Member for Policy and Resources and a full report will be produced in due course to explore the risks and issues associated with such an investment.

Registered Providers Secured and Unsecured

- 6.19. Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds

- 6.20. Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 6.21. Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the County Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Depending on the type of pooled fund invested in, it may have to be classified as capital expenditure. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the County Council's investment objectives will be monitored regularly. Much of the allocation for investments targeting higher returns will be invested in pooled funds.

Operational bank accounts

- 6.22. The County Council may incur operational exposures, for example through current accounts, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept low. The County Council's operational bank account is with National Westminster; therefore the Fund does not hold unsecured investments in this bank, and aims to keep the overnight balances held in current accounts as positive, and as close to £0 as possible. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Risk Assessment and Credit Ratings

- 6.23. Credit ratings are obtained and monitored by the County Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,

- any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 6.24. Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments

- 6.25. The County Council understands that credit ratings are good but not perfect predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.
- 6.26. When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the County Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security.
- 6.27. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the County Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office, or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments

- 6.28. The DCLG Guidance defines specified investments as those:
- denominated in pound sterling,
 - due to be repaid within 12 months of arrangement,
 - not defined as capital expenditure by legislation, and
 - invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of “high credit quality”.
- 6.29. The County Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a

foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified Investments

- 6.30. Any investment not meeting the definition of a specified investment is classed as non-specified. The County Council does not intend to make any investments denominated in foreign currencies. Non-specified investments will therefore be limited to long-term investments, (i.e. those that are due to mature 12 months or longer from the date of arrangement), pooled funds that the County Council intends to hold as long-term investments (for more than one year) and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in Table 5 below.

Table 5: Non-Specified Investment Limits

	Cash limit
Total long-term investments	£375m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£200m
Total non-Sterling investments	£0m
Total investments in foreign countries rated below AA+	£0m
Total non-specified investments	£375m*

* Total non-specified investments is a limit in its own right, and is not meant to equal the aggregate of the limits for long-term investments, and investments without credit ratings or rated below A-.

- 6.31. Although the total long-term investments limit is greater than the expected investment balance at 31 March 2019 and in future years, as shown in Table 1, this limit has been set to allow for current long-term investments to mature, as well as to allow flexibility if capital expenditure is experienced to be slower than forecast.

Liquidity Management

- 6.32. The County Council has due regard for its future cash flows when determining the maximum period for which funds may prudently be committed. Historic cash flows are analysed in addition to significant future cash movements, such as payroll, grant income and council tax precept. Limits on long-term investments are set by reference to the County Council’s medium term financial position (summarised in Table 1) and forecast short-term balances.

7. Non-Treasury Investments

- 7.1. Although not classed as treasury management activities the Council may also make loans and investments for service purposes, for example loans to Hampshire based businesses or the direct purchase of land or property. Such

loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy. The Council's existing non-treasury investments are listed in Annex B.

8. Treasury Management Indicators

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

Interest Rate Exposures

- 8.2. This indicator is set to control the County Council's exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the amount of principal borrowed or invested will be:

Table 6: Interest Rate Exposures

	2018/19	2019/20	2020/21
Upper limit on fixed interest rate investment exposure	£375m	£300m	£300m
Upper limit on variable interest rate investment exposure	£700m	£700m	£700m
Upper limit on fixed interest rate borrowing exposure	£970m	£980m	£980m
Upper limit on variable interest rate borrowing exposure	£970m	£980m	£980m

- 8.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year or the transaction date if later. All other instruments are classed as variable rate.

Maturity Structure of Borrowing

- 8.4. This indicator is set to control the County Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Table 7: Maturity Structure of Borrowing

	Upper	Lower
Under 12 months	50%	0%
12 months and within 24 months	50%	0%
24 months and within 5 years	50%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	75%	0%
20 years and within 30 years	75%	0%
30 years and above	100%	0%

Principal Sums Invested for Periods Longer than 364 days

- 8.5. The purpose of this indicator is to control the County Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Table 8: Principal Sums Invested for Periods Longer than 364 days

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£375m	£300m	£300m

9. Other Items

- 9.1. There are a number of additional items that the County Council is obliged by CIPFA or DCLG to include in its TMS.

Policy on Use of Financial Derivatives

- 9.2. Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 9.3. The County Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the County Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 9.4. Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit. The use of financial derivatives is not planned as part of the implementation of the TMS and any changes to this would be reported to members in the first instance.

Investment Training

- 9.5. The needs of the County Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

- 9.6. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.
- 9.7. CIPFA's Code of Practice requires that the County Council ensures that all members tasked with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. All members were invited to a workshop presented by Arlingclose on 29 November 2017, which gave an update of treasury matters.

Investment Advisers

- 9.8. The County Council has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled through quarterly review meetings with the Director of Corporate Resources, her staff and Arlingclose.

Investment of Money Borrowed in Advance of Need

- 9.9. The County Council may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the County Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the County Council's overall management of its treasury risks. The total amount borrowed will not exceed the authorised borrowing limit of £770m.

Annex A - Arlingclose Economic & Interest Rate Forecast November 2017

Underlying assumptions:

- In a 7-2 vote, the Monetary Policy Committee (MPC) increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Quarter 3 2017 Gross Domestic Product (GDP) growth was 0.4%, after a 0.3% expansion in Quarter 2.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long term growth may prompt deterioration in the UK's fiscal position.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.
- Geo-political risks remains elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

Forecast:

- The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short term interest rates are subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.

- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arlingclose central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.15
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.22
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.20
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.27
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.33
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.38
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.32
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.39

Annex B - Existing Investment & Debt Portfolio Position at 30 November 2017

<u>Investments</u>	Asset Value on 31/08/2017 £M	Asset Value on 30/11/2017 £M	Average Rate/Yield on 30/11/2017 %	Average Life on 30/11/2017 Years
Short Term Investments				
- Banks and Building Societies:				
- Unsecured	60.2	26.0	0.51	0.25
- Secured	50.0	30.0	0.98	0.46
- Money Market Funds	23.5	12.0	0.36	0.00
- Local Authorities	160.8	171.3	1.05	0.46
- Registered Provider	20.0	20.0	1.79	0.16
Total Short Term Investments	314.5	259.3	1.01	0.39
Long Term Investments				
- Banks and Building Societies:				
- Secured	100.8	105.8	0.75	2.42
- Local Authorities	51.5	67.0	1.87	1.70
Total Long Term Investments	152.3	172.8	1.19	2.14
Long Term Investments – high yielding strategy				
- Local Authorities				
- Fixed deposits	20.0	20.0	3.96	16.35
- Fixed bonds	10.0	10.0	3.78	16.15
- Pooled Funds				
- Pooled property*	55.0	55.0	4.30	n/a
- Pooled equity*	20.0	32.0	5.18	n/a
- Pooled multi-asset*	10.0	16.0	4.50	n/a
- Registered Provider	5.0	5.0	3.40	1.41
Total Long Term Investments – high yielding strategy	120.0	138.0	4.41	14.16
Total Investments	586.8	570.1	1.89	2.07
Increase / (Decrease) in Investments £m		(16.7)		

* Yield represents the average of each investment class' most recent dividend payments as a percentage of the asset value.

	£M	%
<i>External Borrowing</i>		
PWLB Fixed Rate	(252.7)	(4.79)
LOBO Loans	(20.0)	(4.76)
Other Market Loans	(21.0)	(4.01)
Total External Borrowing	(293.7)	(4.73)
<i>Other Long-Term Liabilities:</i>		
Street Lighting PFI	(111.5)	
Waste Management Contract	(59.4)	
Total Other Long-Term Liabilities	(170.9)	
Total Gross External Debt	(464.6)	
Investments	570.1	1.89
Net (Debt) / Investments	105.5	
	Asset Value on 30/11/2017 £M	Average Rate/Yield on 30/11/2017 %
<i>Non-treasury investments</i>		
Loans to Hampshire based businesses	3.4	4.00
Total Non-treasury Investments	3.4	4.00
Total Investments	573.5	1.90

Annex C - Prudential Indicators 2018/19

The Local Government Act 2003 requires the County Council to have regard to the Chartered Institute of Public Finance and Accountancy's *Prudential Code for Capital Finance in Local Authorities* (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the County Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure

The County Council's planned capital expenditure and financing may be summarised as follows. Further detail is provided in the capital programme.

Capital Expenditure and Financing	2017/18 Revised £M	2018/19 Estimate £M	2019/20 Estimate £M	2020/21 Estimate £M
Total Expenditure	238	283	268	200
Capital receipts	6	12	8	4
Grants and other income	151	199	232	178
Revenue contributions	51	37	(8)	(3)
Contributions from / (to) reserves	1	-	-	0
Total Financing	209	248	232	179
Prudential borrowing	39	46	46	31
Less: repayments from capital receipts etc.	(10)	(11)	(10)	(10)
Total Funding	29	35	36	21
Total Financing and Funding	238	283	268	200

Estimates of Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the County Council's underlying need to borrow for a capital purpose.

Capital Financing Requirement	31/03/18 Revised £M	31/03/19 Estimate £M	31/03/20 Estimate £M	31/03/21 Estimate £M
General Fund	772	791	809	810
Total CFR	772	791	809	810

The CFR is forecast to rise by circa £38m over the next two years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement

In order to ensure that over the medium term debt will only be for a capital purpose, the County Council should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.

Debt	31/03/18 Revised £M	31/03/19 Estimate £M	31/03/20 Estimate £M	31/03/21 Estimate £M
Borrowing	284	277	268	258
PFI liabilities	164	157	150	142
Total Debt	448	434	418	400

Total debt is expected to remain below the CFR during the forecast period.

Operational Boundary for External Debt

The operational boundary is based on the County Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the County Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the County Council's debt.

Operational Boundary	2017/18 Revised £M	2018/19 Estimate £M	2019/20 Estimate £M	2020/21 Estimate £M
Borrowing	680	700	730	740
Other long-term liabilities	170	160	150	150
Total Debt	850	860	880	890

Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the County Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Revised £M	2018/19 Limit £M	2019/20 Limit £M	2020/21 Limit £M
Borrowing	740	770	790	800
Other long-term liabilities	210	200	190	180
Total Debt	950	970	980	980

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2017/18 Revised	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	%	%	%	%
General Fund	1.68	1.75	1.93	2.04

Incremental Impact of Capital Investment Decisions

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£	£	£
General Fund - increase in annual band D Council Tax	3.68	7.21	5.48

Adoption of the CIPFA Treasury Management Code

The County Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition in February 2012. It fully complies with the Code's recommendations.

Annex D - Annual Minimum Revenue Provision Statement 2018/19

Where the County Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the County Council to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the DCLG Guidance) most recently issued in 2012.

The broad aim of the DCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

The DCLG Guidance requires the County Council to approve an Annual MRP Statement each year, and whilst it provides a range of options for the calculation of MRP the guidance also notes that other options are permissible provided that they are fully consistent with the statutory duty to make prudent revenue provision.

MRP in 2018/19

Prior to 2015/16 the County Council calculated MRP for supported borrowing on a 4% reducing balance basis. It was agreed by Cabinet in December 2015 that the calculation of MRP from 2015/16 onwards would change to a 50 year straight line basis. To be more prudent the 50 years has been started from 2008 and the actual calculation is 1/43's. Had the County Council been applying the new policy of a 50 year straight line calculation starting in 2008 it would have made £67m less in MRP payments by 31 March 2016.

Starting in 2016/17 the County Council will pause in making MRP payments on supported borrowing until it has realigned the total amount of MRP payments with the new policy, which will be during 2021/22. This policy continues the County Council's prudent approach of repaying expenditure financed by borrowing sooner, on a straight line basis.

The County Council will continue to apply the Asset Life or Depreciation Method (which are Options 3 and 4 from the range provided by the DCLG) in respect of unsupported capital expenditure funded from borrowing. Where the borrowing is in effect a bridging loan from a guaranteed future income source, such as Section 106 Developers Contributions, MRP will not be applied.

MRP in respect of leases and Private Finance Initiative schemes brought on Balance Sheet under the International Financial Reporting Standards (IFRS) based Accounting Code of Practice will match the annual principal repayment for the associated deferred liability.

Capital expenditure incurred during 2018/19 will not be subject to a MRP charge until 2019/20.

Based on the Authority's latest estimate of its CFR on 31 March 2017, the budget for MRP has been set as follows:

	31/03/2018	2018/19
	Estimated	Estimated
	CFR	MRP
	£M	£M
Supported capital expenditure	454.6	0.0
Unsupported capital expenditure after 31/03/2008	125.2	8.4
Finance leases and Private Finance Initiative	164.1	7.2
Transferred debt	28.3	0.6
Loans to other bodies repaid in instalments	0.0	0.0
Total General Fund	772.2	16.2

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Consultation

Summary of ‘Serving Hampshire – Balancing the Budget’ Consultation

The Medium Term Financial Strategy (MTFS) report was presented to Cabinet on 16 October 2017 and contained a summary of the headline findings from the ‘Serving Hampshire – Balancing the Budget’ Consultation that was carried out by the County Council, between 3 July and 21 August 2017.

The Consultation was undertaken against the background of the next stage of the County Council’s transformation and efficiencies programme, *Transformation to 2019* in order to inform the overall approach to balancing the budget by 2019/20 and making the anticipated £140m additional savings required by April 2019.

The Consultation sought to understand the extent to which residents and stakeholders support the County Council’s financial strategy and also 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.

These additional options could help to inform the approach the County Council takes to delivering savings beyond 2019/20. With the squeeze on public finances anticipated to extend into the next decade and the general uncertainties that surround BREXIT, it is almost certain that further savings, beyond those required for *Transformation to 2019*, will be needed in the future.

The County Council carried out an open consultation designed to give residents and wider stakeholders the opportunity to have their say about ways to balance the County Council’s budget.

Responses could be submitted through an online Response Form, available at <https://www.hants.gov.uk/aboutthecouncil/haveyoursay/consultations/balancingthebudget> or by a paper version, which was made available from all Hampshire libraries, or on request. Alternative formats, such as Easy Read, were also made available on request. Unstructured responses sent through other means, such as email or as written letters, and received by the consultation’s close were also accepted. An Information Pack was produced alongside the consultation, providing information about each of the options presented.

3,764 members of the public and stakeholder organisations or groups completed the consultation questionnaire and 11 responses were submitted through channels outside of the consultation questionnaire.

Headline findings from the consultation are set out below and the full findings [report](#) is also available:

Headline Findings

- The majority of respondents (**65%**) **agreed** that the County Council should continue with its **financial strategy**.

- Responses were relatively evenly split between those who tended to support **changes to local services** and those who did not (50% agreed, 45% disagreed and 5% had no view either way). Of all the options, this was respondents' **least preferred**.
- Two thirds of respondents (**67%**) **agreed** that the County Council should raise existing **charges** or introduce new charges to help cover the costs of running some local services.
- Over half of respondents (**57%**) **agreed** that the County Council should **lobby the Government** to vary the way some services are provided, and enable charging where the County Council cannot levy a fee due to statutory restrictions.
- Of all the options presented, **generating additional income** was the **most preferred option**.
- On balance, the majority of respondents (**56%**) **agreed** that the County Council should retain its current position **not to use reserves** to plug the budget gap. Of all the options, this was respondents' **second least preferred**.
- Respondents would prefer the County Council to continue with its plans to **raise council tax** in line with Government policy (**50%** ranked this as their preferred approach to increasing council tax). Of all the options, increasing Council Tax was respondents' **second most preferred**.
- More than half of those who responded (**64%**) **agreed** that the County Council should explore further the possibility of **changing local government structures** in Hampshire.

An important element of the consultation was seeking residents and stakeholders views on the strategy for closing the County Council's budget deficit to 2019/20. The consultation outlined seven options for making anticipated savings and asked respondents to rank these in order of preference. Based on how many times each option was chosen by a respondent as one of their **top three** preferred options, the options were ranked as follows:

1. Generating additional income (73%)
2. Increasing council tax (47%)
3. Introducing and increasing charges for some services (45%)
4. Lobbying central government for legislative change (44%)
5. Changing local government arrangements in Hampshire (43%)
6. Using the County Council's reserves (28%)
7. Reducing and changing services (22%)

The findings from the Consultation were provided to Executive Members and Directors during September 2017, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2017 on the MTFs and Transformation to 2019 (Tt2019) Savings

Proposals. Any specific changes to services will be subject to further, more detailed consultation

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	5 February 2018
Decision Maker:	County Council
Date:	22 February 2018
Title:	Capital programme 2018/19 to 2020/21
Report From:	Director of Corporate Resources – Corporate Services

Contact name: Rob Carr

Tel: 01962 847508

Email: rob.carr@hants.gov.uk

1. Recommendation(s)

The following decisions are sought, based on the recommendations of the Leader and Cabinet to the County Council, for the capital programme for 2018/19 to 2020/21 and the revised capital programme for 2017/18 that:

1.1. The following variations to the 2017/18 capital programme are approved:

- Three Children's Services schemes with a total value of £11.369 million be deferred to the 2018/19 programme to allow completion of pre-work including statutory approvals, design and programming of projects.
- Owing to the difficult site conditions at Kings Furlong Infant and Junior Schools, additional funding of £0.9 million (including fees) is added to this scheme from unallocated funding within the 2017/18 programme.
- Owing to the difficult ground conditions and structural and site issues at Oakwood Infant and Greenfield Junior schools, additional funding of £0.8 million (including fees) is added to this scheme from unallocated funding within the 2017/18 capital programme.
- £0.511million revenue contributions to the 2017/18 capital programme be transferred to the Children's Services revenue budget.
- £0.73 million is transferred from the Winchester Road Roundabout (Basingstoke) scheme to the adjacent Thornycroft Roundabout scheme, with the budget for the Winchester Road scheme reducing to £2.68 million and the budget for Thornycroft scheme increasing to £8.92 million.

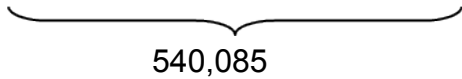
- 1.2. It be a recommendation by Cabinet to Council that:
- a) the capital programme for 2018/19 and the provisional programmes for 2019/20 and 2020/21 as set out in Appendix 3 be approved.
 - b) The new capital schemes detailed in Appendix 4 be approved.
- 1.3. Council is recommended to:
- a) approve the capital programme for 2018/19 and the provisional programmes for 2019/20 and 2020/21 as set out in Appendix 3.
 - b) approve the new capital schemes contained in Appendix 4.

2. Executive Summary

- 2.1. This report sets out for approval the proposed capital programme for 2018/19 to 2020/21 of £540 million.
- 2.2. Overall, the proposals in this report are in line with the medium term financial strategy which ensures that we continue to invest wisely in our existing assets and deliver a programme of new ones in line with overall priorities and need.
- 2.3. The report collates the service capital programmes prepared by Executive Members based on the existing cash limit guidelines for the locally resourced programme, together with schemes funded by Government grants and other external sources.
- 2.4. The programme delivers schemes totalling £540 million over the three years from 2018/19 to 2020/21. This follows a revised programme of £343 million for 2017/18, providing a total capital programme of £883 million over the four years. This is a very significant investment in the economy and infrastructure of Hampshire. It will provide:
- £146 million of investment in new and extended school buildings in Hampshire in the period 2018/19 to 2020/21 to ensure there is a school place for every child in Hampshire, providing a big boost for the local economy through jobs and construction materials
 - £120 million for structural maintenance of roads and bridges in Hampshire over the next three years
 - £133 million for integrated transport schemes including nine major infrastructure schemes, totalling £108.6 million, of which five are expected to start in 2018/19
 - £11 million on flood risk and coastal defence
 - £107 million for major improvement of school and other County Council buildings over the next three years.

- 2.5. The detailed capital programmes are included in Appendix 3. A summary of the programme is shown in the table below.

Table 1 - Proposed capital programme

	Revised				Total £'000
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	
Adult Social Care & Health	55,127	11,175	481	481	67,264
Children's Services	135,151	80,868	60,174	55,070	331,263
Environment & Transport	76,839	139,670	80,324	44,558	341,391
Policy & Resources	75,478	22,828	22,228	22,228	142,762
Total	342,595	254,541	163,207	122,337	882,680
					

- 2.6. The report shows that the projected payments arising from the capital programme can be financed within the resources available to the County Council including the planned use of prudential borrowing.
- 2.7. The proposals take account of the County Council's capital strategy and the Prudential Code for Capital Finance in Local Authorities including the capital financing position, the level of debt outstanding and the consequences for the revenue budget and council tax. The prudential indicators are included in Appendix 8 of the report on this Agenda on the Revenue Budget.
- 2.8. The capital programme is supported by Government grants for schools, highways and transport. The Secretary of State has previously announced details of individual local authority Basic Need allocations (to provide school places) for 2018/19 and 2019/20. In addition, Government funding for new Free schools is expected for 2018/19. However, the Secretary of State has not yet announced details of individual local authority Schools Condition Allocation (SCA) for 2018/19, 2019/20 and 2020/21. However, indications are that the 2018/19 Schools Condition Allocation (SCA) will be allocated to Local Authorities based on the same criteria as 2017/18. For planning purposes, a continuation of the 2017/18 allocation is being assumed. Devolved Formula Capital (DFC) has yet to be confirmed for 2018/19, but again, expectations are that it will be at a similar level to the 2017/18 allocation.
- 2.9. The Department for Transport (DfT) has confirmed the Integrated Transport Block (ITB) and Structural Maintenance allocations for 2018/19. The Government has recently announced that further pothole funding will be available nationally but it is not yet known how this will be allocated at a local level. Given this, the programme has been developed on the basis

that this value will remain consistent across the programme. In addition, the County Council has had a great deal of success in securing Highways England funding and Local Growth Funding (LGF) from both the EM3 and Solent Local Enterprise Partnerships (LEPs).

2.10. The other main technical points of this report are:

- the capital programmes proposed by Executive Members are in line with the guidelines for the locally resourced capital programme
- prudential borrowing will total £312 million by 2021/22. The repayment of the 'bridging loans' included in this total will depend in part on the continued recovery of the property market. The current assumptions are that the bridging loans will be fully repaid by 2022/23.
- the prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance
- the capital receipts assumed for this report are primarily for the sale of sites already earmarked to rationalisation schemes or to repay previously approved prudential borrowing, although some receipts have been utilised to fund the new capital priorities outlined in Section 14.

2.11. A strategy for dealing with a range of new capital priorities is outlined in the Revenue Budget report, presented elsewhere on this Agenda, but the immediate additions to the programme arising from this are also summarised in this report.

3. Contextual information

3.1. The cash limit guidelines for the new capital programme for 2018/19 to 2020/21 have been set at the same level as the current capital programme.

3.2. Executive members have now prepared proposals for:

- a locally resourced capital programme for the three-year period from 2018/19 to 2020/21 within the guidelines set and other resources available to services
- a programme of schemes supported by Government capital grants.

3.3. 'Locally resourced' schemes are those financed from the County Council's own resources such as capital receipts, contributions from the revenue budget, prudential borrowing, reserves and other funds. They do not include schemes supported by capital grant from the Government.

3.4. In general, the programmes proposed by Executive Members have been developed in accordance with the priorities and timescales of the capital strategy as reviewed by the corporate infrastructure group.

4. Capital Financing

- 4.1. The size of the capital programme takes account of forecast financing resources and the forecast level of capital expenditure (or 'payment') flows to be financed each year.
- 4.2. The sources of finance to support the capital programme are:
 - 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 would need 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 capital reserve and departmental reserves.
- 4.3. Appendix 2 includes details of the planned sources of funding to meet the forecast capital payments in each year. The forecasts are likely to change as schemes within the programme progress and the position will be reassessed at the next review of the capital programme.
- 4.4. Progress during the remainder of 2017/18 and throughout 2018/19 on all capital payments and resources will be closely monitored and reported to the Leader during the year. Executive members will also review progress on their capital programmes at regular intervals during the year.
- 4.5. Appendix 2 also includes details of the longer term implications of the proposed programmes for the revenue budget from any increased running costs and capital charges.

5. Prudential borrowing

- 5.1. Prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance.
- 5.2. The planned prudential borrowing will total £312 million, after deducting repayments to 31 March 2017. Of this, £198 million is being repaid from savings in the revenue budget, including the schemes from earlier years for the Enhance nursing care homes project, waste management infrastructure and the structural maintenance of highways, together with the prudential borrowing necessary to support the additions to the capital programme from 2012/13 onwards agreed in February 2012.

5.3. Further details of the current level of prudential borrowing are included in Appendix 2.

6. Capital programmes proposed by Executive Members

6.1. The following sections of the report deal with the proposals from Executive Members for the capital programme, in line with the guideline cash limits and allocations of capital grant announced by the Government.

7. Guideline cash limits for the capital programme

7.1. The guidelines for the locally resourced programme were set by Cabinet in December 2017 based on existing levels with no uplift for inflation. The guidelines and subsequent transfers to or from revenue proposed by Executive Members and other adjustments are shown in table 2.

Table 2 – Guidelines for locally resourced capital programmes

	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Adult Services original guideline	481	481	481	
Adult Services total	481	481	481	1,443
Children's Services original guideline	100	100	100	
Developers' and other contributions	7,235	31,462	24,807	
Carry forward to later years	-182	24,000	25,551	
Children's Services total	7,153	55,562	50,458	113,173
Environment and Transport	11,929	11,929	11,929	
Prudential borrowing subject to conditions previously agreed by Cabinet	8,500	6,000		
Developers' and other contributions	21,713	10,123	2,627	
Contribution from reserve	365			
Carry forward from previous years	4,449			
Environment and Transport total	46,956	28,052	14,556	89,564
Policy and Resources original guideline	4,692	4,692	4,692	
Contribution from business unit reserves	600			
Policy and Resources total	5,292	4,692	4,692	14,676
TOTAL	59,882	88,787	70,187	218,856

8. Government supported programme

- 8.1. The present Government has so far issued all its support for local authorities' capital expenditure in the form of capital grants and not as borrowing allocations. It is expected to continue that arrangement for 2018/19 onwards.
- 8.2. As mentioned earlier, the Government has announced details of individual local authority capital allocations for 2018/19 and 2019/20 for Basic Need. The Basic Need allocation for 2018/19 is £28.4 million and zero for 2019/20 reflecting the Government's assessment of the requirement and delivery of school places. There is the potential for a zero or low capital allocation in 2020/21 as the DfE assess the impact of the free school places they directly fund. At this stage, it is considered prudent to assume a zero allocation; further capital announcements by the Government are expected in March 2018. In addition, the 2018/19 proposed programme assumes £40.7 million Government funding for new Free schools.
- 8.3. Government funding for the School Condition Allocation (SCA) and for Devolved Formula Capital (DFC) for schools is expected to continue at the 2017/18 levels, £17.5 million and £3.35 million respectively. In addition, national funding of £215m has been announced by the DfE to support special educational needs and disability (SEND) projects at existing schools for which the County Council will receive £3.786m over the three financial years of this report.
- 8.4. The Department for Transport (DfT) has confirmed the Integrated Transport Block (ITB) and Structural Maintenance allocations for 2018/19 and for planning purposes, these grants are assumed to continue at a similar level in the two subsequent years of this programme. Together with the Pothole funding, Local Growth Funding (LGF) and the Highways England Housing and Growth Funding and Congestion Relief Funding, the proposed programme is based on £175 million Government grant for highways and transport over the three years.
- 8.5. From 2016/17, the Government has discontinued the Social Care capital grant and increased the Disabled Facilities Grant. This funding, £10.7 million for 2018/19, forms part of the Better Care Fund – Pooled budget which is overseen by the Hampshire Health and Wellbeing Board.

9. The programmes submitted

- 9.1. The total starts value of the three-year programme submitted by Executive Members is £540 million, as shown in Table 3. It includes £321 million of schemes supported by Government grants.

Table 3 - Starts programmes proposed 2018/19 to 2020/21

	Land	Works etc			Total
		Locally Resourced	Supported by Govt Allocations	Total	
	£'000	£'000	£'000	£'000	£'000
2018/19	646	59,236	194,659	253,895	254,541
2019/20	646	88,141	74,420	162,561	163,207
2020/21	646	69,541	52,150	121,691	122,337
Total	1,938	216,918	321,229	538,147	540,085

- 9.2. The proposed programmes are in line with the cash limit guidelines for the capital programme. A reconciliation between the guidelines and the proposed programme is included in Appendix 1.
- 9.3. The capital expenditure flows from these programmes and from the works currently in progress are summarised in Appendix 2, together with the resources available to finance those expenditure flows. The programmes themselves are set out in detail in Appendix 3.

10. Children's Services

- 10.1. The proposed three year programme provides sufficient school places to meet the forecast demand. During the period 2013 to 2017 the County Council will have delivered 8,088 new school places with projects contained within the 2018/19 to 2020/21 programme totalling a further 10,472 giving a total of 18,560 new school places by September 2021.
- 10.2. The current presumption (by the DfE) is that every new school will be an academy/free school. Hampshire's first free school, to meet the demand for additional school places, is scheduled to open in Botley in September 2019. Feasibility work is on-going for a further five to open by September 2021.
- 10.3. The proposed programme includes other improvement and modernisation projects relating to access to schools, special educational needs accommodation, relocation and replacement of children's homes, adaptations to properties of foster carers and disabled children and schools' devolved formula capital totalling £40 million over three years.

- 10.4. To manage the demand for schemes and the resources available, the Executive Lead Member for Children's Services proposes to carry forward resources between the years of the capital programme.
- 10.5. In contrast to the majority of local authorities across the country, the Children's Services capital programme has reached a balanced position between income and expenditure in recent years and this remains the case for the proposed three year programme. However, the ongoing primary pressure and secondary impact indicates a deficit of resources over a five year period beyond the scope of this report. This deficit was identified in the Medium Term Financial Strategy and Transformation report to Cabinet on 16 October 2017. Further work is being undertaken with potential funders, including the Government, Local Planning Authorities, Developers and Local Enterprise Partnerships (LEPs) to maximise contributions from sources other than the County Council.
- 10.6. A number of variations to the 2017/18 capital programme are proposed. This includes the deferral to 2018/19 three schemes totalling £11.369 million as it will not be possible to start the schemes during 2017/18. In many cases this is due to the need to obtain the necessary statutory approvals and sometimes as a result of changes in the scope, brief or programming of projects. The Executive Member proposes to use unallocated resources within the 2017/18 capital programme to increase the total value of schemes at Kings Furlong Infant and Junior Schools (£0.9 million including fees) and also at Oakwood Infant and Greenfield Junior Schools (£0.8 million including fees) owing to difficult ground conditions, structural and site issues. It is also proposed to transfer to the revenue budget £0.511 million revenue contributions originally intended for early years capital projects as these projects can instead be funded from contingency in the capital programme.

11. Environment and Transport

- 11.1. Proposals of the Executive Member for Environment and Transport amount to just over £264 million over the next three years. The programme includes £120 million of new investment in structural maintenance, £133 million in the Integrated Transport programme and £11 million in flood and coastal defence projects.
- 11.2. Government grants make up the bulk of the funding, with formula settlements and project specific grants, e.g. Local Growth Funding (LGF) through the Local Enterprise Partnerships (LEPs) (£175.1 million). The remainder is funded from a mix of local resources, (£55.1million), developer contributions (£33.1million), and other local authority contributions (£1.25million).
- 11.3. The Flood Risk and Coastal Defence programme includes two major infrastructure schemes that are scheduled to start construction in 2018/19. These are Buckskin in Basingstoke and Romsey Flood Alleviation Schemes. Detailed design and business cases prepared for both schemes have unlocked significant amounts of funding from Flood Defence Grant in

Aid and Local Levy. It is planned that further schemes from the Flood Risk and Coastal Defence programme will be brought forward for delivery in 2019/20 and 20/21 as business cases are approved.

- 11.4. The 2017/18 programme includes the £11.6million Basingstoke A30 Corridor schemes: Winchester Road Roundabout and Thornycroft Roundabout. Following agreement with the Enterprise M3 LEP and as notified in the January 2017 Capital Programme Monitoring report, £0.59million identified as no longer being required for the Winchester Road scheme will be reinvested in the adjacent Thornycroft Roundabout scheme. In addition, since January 2017, further savings have been made on the Winchester Road scheme, and it is proposed that a virement of £0.73million be made from the Winchester Road scheme to the Thornycroft scheme. This will result in revised scheme values of £2.68m (Winchester Road) and £8.92million (Thornycroft).

12. Policy and Resources

- 12.1. The proposed capital programme for Policy and Resources totalling £67.3 million, is largely based on the priorities for capital investment established in previous years, relating to the County Council's built estate, IT infrastructure and community buildings and village halls.
- 12.2. As agreed by Cabinet in December 2015, a number of maintenance programmes have been moved to the Policy and Resources revenue budget, as much of the work carried out does not meet the accounting definition of capital expenditure. The original source of funding for these schemes is revenue and so they can be combined with the revenue repairs and maintenance budgets.
- 12.3. The School Condition Allocation (formerly Capital Maintenance) was previously split between the Children's Services and Policy and Resources programmes to reflect a split between suitability and condition work. From 2016/17, the full grant is included in the Policy and Resources programme to allow the funding to be managed flexibly between condition and suitability works. Officers from Children's Services and Property Services will continue to work closely together to identify the highest priority strategic building condition issues along with the need for modernisation improvements.
- 12.4. The Executive Member for Policy and Resources proposes to supplement the 2018/19 locally resourced guideline set by Cabinet to incorporate investment of £0.6 million to refurbish vehicle workshops run by Hampshire Transport Management (HTM). This will be funded by transfers from earmarked HTM reserves which have been built up for this purpose.

13. Adult services

- 13.1. Following investment of £45 million in Extra-Care Housing as part of the capital review in 2014, the proposed programme for Adults Services now returns to a level of £0.481 million per year. This will be used for priority

works on residential and nursing care premises to meet the needs of residents and service users and satisfy the requirements of regulators including the Care Quality Commission, The Fire Service and the Health and Safety Executive.

- 13.2. In addition, projects within the revised capital programme for 2017/18 will continue to support the transformation of the Adult Learning Disability Service and also the housing programme for Adults with a disability which aims to transition around 600 service users with a learning and/or physical disability from an existing care home setting to a shared house or individual groups of flats.
- 13.3. From 2016/17, the Government has discontinued the Social Care capital grant and increased the Disabled Facilities Grant. This funding forms part of the Better Care Fund – Pooled budget which is overseen by the Hampshire Health and Wellbeing Board.
- 13.4. Disabled facilities grant (DFG) of £10.694 million is capital money made available to local authorities as part of their allocations to award grants for changes to a person's home. There is a statutory duty for local housing authorities to provide grants to those who qualify. This part of the fund will be governed by the disabilities facilities grant conditions of grant usage as made by the Department for Communities and Local Government (DCLG) under section 31 of the Local Government Act 2003. Therefore, although officially part of the fund, the money cannot be used for other things and will be paid back out of the fund to the relevant district councils.

14. Capital Investment Priorities

- 14.1. 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 the government or developers.
- 14.2. Whilst this has limited the ability to add significant numbers of new schemes to the Capital Programme, it has not diminished the need for new investment across a range of services within the County Council.
- 14.3. The Corporate Infrastructure Group (CIG) is chaired by the Director of Economy, Transport and Environment and includes representatives from his Department, together with officers from Children's, Adults' and Property Services. The aim of the group is to ensure a co-ordinated approach to capital investment and major developments across the County Council.
- 14.4. During 2017 the CIG was tasked with collating capital investment priorities across Departments, albeit that no specific additional funding had been identified at this stage. It was considered important that there was a good corporate understanding of the key capital investment priorities to aid future planning in this area.

- 14.5. Following submissions from Departments, a paper was considered by the Corporate Management Team around a strategy for dealing with the priorities that had been identified and this is explained in more detail in the Revenue Budget report presented elsewhere on this Agenda.
- 14.6. The immediate capital priorities that are recommended to be added to the capital programme are outlined in Appendix 4 and total £21.580 million. Existing funding of £5.8 million is already contained within the approved capital programme leaving a balance of £15.780 million which can be met as follows :

	£m
Historic unearmarked grants	7.000
Historic unearmarked capital receipts	3.654
Current unearmarked capital receipts	5.126
	<u>15.780</u>

- 14.7. The schemes outlined in Appendix 4 have not yet been added to the detailed capital programmes contained in Appendix 3 pending approval by County Council but will be incorporated should they be approved.

15. Conclusions

- 15.1. Executive Members have proposed capital programmes for the next three years in line with the Corporate Strategy and County Council priorities. The locally resourced guidelines set by Cabinet in December 2017 have been adjusted by transfers to revenue, transfers between portfolios and between programme years and supplemented by Government grants of £321 million, giving a total programme for the next three years of £540 million.
- 15.2. Regular monitoring will take place during the year on the implementation of the programme, including the progress of major projects, the level of capital expenditure and resources in 2018/19 and the progress on obtaining the capital receipts necessary to finance the capital programme.
- 15.3. The exercise to identify capital investment priorities across Departments has led to the development of a broader strategy in respect of those priorities and has also led to the addition of a number of smaller high priority capital schemes to the programme.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	yes
People in Hampshire live safe, healthy and independent lives:	yes
People in Hampshire enjoy a rich and diverse environment:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> http://democracy.hants.gov.uk/documents/s9665/Budget%20Report.pdf	<u>Date</u> 11 December 2017
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.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

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

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

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

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

1.2. Equalities Impact Assessment:

Equalities impact will be assessed as part of each project design as they are developed.

2. Impact on Crime and Disorder:

2.1. Crime prevention issues will be considered when individual project appraisals are developed.

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

When the County Council invests in new build, replacement or refurbishment works, an assessment of reductions in energy consumption (carbon use) is made in the design. In all new buildings and in the majority of refurbishment type investments, the latest technologies and materials are specified in order to maximise the impact on reducing carbon consumption. Many projects are also able to employ passive design approaches including natural ventilation

and improved insulation to actively reduce consumption in summer and winter conditions.

Capital projects will be planned and delivered in accordance with the County Council's Energy Strategy which aims to achieve carbon neutrality by 2050.

The Council's climate change programme is delivered through working in partnership and building relationships between the public, private and voluntary sectors.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Where appropriate, capital schemes are planned with adaptation to climate change in mind. Any new build or extensions will meet current building regulations standards for thermal performance. Where possible, appropriate sustainable materials will be employed together with the inclusion of passive cooling through building design, rain water and grey water harvesting, drought resistant planting etc to reduce the environmental impact of the proposals.

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Capital Programmes 2018/19 to 2020/21 proposed by Executive Members

1 Summary of the proposed programmes

- 1.1 The proposed three-year programme of £540 million can be reconciled with the cash limit guidelines, as Table 4 shows.

Table 4 – Capital programme 2018/19 to 2020/21 – funding sources

	£000
Guideline for the three-year locally resourced programme	51,606
Prudential borrowing	<u>14,500</u>
Adjusted locally resourced guidelines	66,106
Use of capital receipts, developers' contributions, reserves, etc	
- Children's Services	63,504
- Environment and Transport	34,828
- Policy and Resources	<u>600</u>
Total funding from local resources	165,038
Resources carried forward from previous years	
- Children's Services	49,369
- Environment and Transport	4,449
Government support	
- Capital grants	321,229
	<hr/>
Total programme 2018/19 to 2020/21	<u>540,085</u>

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Capital Expenditure Flows and Financing Resources 2017/18 to 2020/21

1 Capital expenditure flows

- 1.1 The level of capital expenditure (or 'payment') flows is one of the factors taken into account in determining the size of the capital starts programme, together with forecasts of financing resources.
- 1.2 Expenditure flows in 2017/18 and the following three years will result from works in progress (schemes started in 2017/18 and earlier years) plus those arising from the proposed programme for 2018/19 to 2020/21, as Table 5 below shows.

Table 5 – Capital expenditure flows

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Works in progress at 31 March 2017 and schemes starting in 2017/18	237,515	155,110	89,091	34,360
Programmes starting in 2018/19, 2019/20 and 2020/21	0	127,249	178,021	165,315
Land acquisition	559	646	646	646
Total expenditure flows	<u>238,074</u>	<u>283,005</u>	<u>267,758</u>	<u>200,321</u>

- 1.3 In practice, expenditure flows in the years after 2017/18 may vary from those shown in Table 5 if further developer and other external contributions become available to fund additional capital schemes, or if the levels of Government support differ from those currently assumed.

2 Resources available for capital financing

- 2.1 The following table shows the latest estimate of the resources available to finance capital expenditure.

Table 6 - Resources to fund capital expenditure

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Prudential borrowing	38,664	46,561	45,656	31,104
less repayments from capital	-10,199	-11,415	-9,957	-9,624
Capital grants	104,624	134,720	175,098	147,370
Contributions from other bodies including developers	46,601	64,373	56,933	31,542
Capital receipts	5,880	12,097	8,198	3,553
Contributions from reserves	558	0	0	0
Revenue contributions to capital *	10,937	10,582	8,215	7,582
New resources in the year	197,065	256,918	284,143	211,527
Use of the capital reserve: added to the reserve (-), or taken from the reserve (+)	41,009	26,087	-16,385	-11,207
Total resources available	238,074	283,005	267,758	200,320

* Including additions agreed by Executive Members in January 2017

- 2.2 Most of the capital receipts forecast in Table 6 are required to repay prudential borrowing for school and other rationalisation schemes started in advance of the site disposals.

3 Capital reserve

- 3.1 Resources previously identified in 2012/13 to fund the additions to the capital programme agreed in February 2012 have been added to the Capital Reserve until they are required to fund capital payments in 2013/14 onwards, as shown in Table 7.

Table 7 – Capital reserve

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Opening balance	126,075	85,066	58,979	75,364	86,571
Used in year	-41,009	-26,087			
Added in year			16,385	11,207	24,479
Closing balance	85,066	58,979	75,364	86,571	111,050

4 Revenue implications

4.1 The revenue implications of the new programme are shown in the following table.

Table 8 – Revenue effects

	Running costs £000	Capital charges £000	Total £000
2018/19 starts	1,238	7,988	9,226
2019/20 starts	563	5,553	6,116
2020/21 starts	62	3,676	3,738
Total	1,863	17,217	19,080

4.2 The capital charges represent depreciation over the estimated life of the asset for most schemes. The capital charges do not affect the County Council's overall expenditure as the charges to services will be counter-balanced by a corresponding credit to the centrally managed capital adjustment account.

4.3 Although the capital charges in Table 8 do not affect the County Council's overall expenditure, it will be increased by the capital financing costs on the loans raised to finance the programme. The full year revenue impact of the additional prudential borrowing over the proposed three-year programme will be £5.2 million.

5 Debt outstanding

5.1 Table 9 below shows the estimated debt to be financed by the County Council including the new borrowings necessary to finance the proposed three-year programme.

Table 9 – Debt outstanding

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Debt outstanding at the beginning of the year	756.0	772.2	791.2	809.0	810.3
New borrowings	38.7	46.6	45.7	31.1	14.0
Repayments from:					
- the revenue account	(13.8)	(16.2)	(18.1)	(20.1)	(28.2)
- capital receipts and developers' contributions	(8.6)	(11.4)	(9.8)	(9.6)	(5.6)
Debt outstanding at the end of the year	772.3	791.2	809.0	810.4	790.5

5.2 As the table shows, the amount of debt outstanding will increase by 2020/21 and then decrease.

6 Prudential borrowing

6.1 In November 2003, Cabinet agreed a framework for the use of prudential borrowing from 2004/05 onwards under the Prudential Code for Capital Finance introduced by the Local Government Act 2003. 'Prudential borrowing' does not attract Government revenue grants towards the loan charges. Instead, the loan repayments and interest charges have to be financed by the County Council from its own resources. Because of the potential impact on the County Council's overall financial position, it is important that the use of prudential borrowing is very closely controlled and monitored.

6.2 The framework, as updated by Cabinet in February 2006, includes:

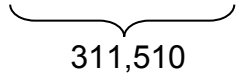
- borrowing for which loan charges are financed by virement from the Executive Member's revenue budget, including invest-to-save schemes that will generate revenue savings or additional revenue income
- 'bridging' finance that will be repaid by eventual capital receipts, capital grants or contributions, provided that the cost of interest and the statutory minimum revenue provision is met by services in the years that such costs are incurred
- capital investment by business units
- temporary borrowing to accommodate shortfalls in general capital resources.

6.3 The overall level of the County Council's prudential borrowing since 2004/05, including the proposals in this report, is summarised in the following table.

Table 10 – Prudential borrowing

	Borrowing £000	Repaid to date £000	Future repayments £000	Net total £000
2004/05 actuals to 2009/10	132,643	-29,648	-	102,995
2010/11 actuals	22,294	-7,851	-	14,443
2011/12 actuals	15,628	-27,558	-	-11,930
2012/13 actuals	13,078	-35,548	-	-22,470
2013/14 actuals	18,981	-1,730	-	17,251
2014/15 actuals	14,124	-5,147	-	8,977
2015/16 actuals	19,099	-5,088	-	14,011
2016/17 actuals	16,280	-4,041	-	12,239
2017/18 estimate	38,664	-	-10,199	28,465
2018/19 estimate	46,561	-	-11,415	35,146
2019/20 estimate	45,656	-	-9,957	35,699
2020/21 estimate	31,104	-	-9,624	21,480
2021/22 estimate	14,009	-	-5,576	8,433

Table 10 – Prudential borrowing

	Borrowing £000	Repaid to date £000	Future repayments £000	Net total £000
Total	428,121	-116,611	46,771	264,739
	 311,510			

6.4 The schemes funded by these advances are summarised in Table 11.

Table 11 – Summary of outstanding and planned prudential borrowing advances

	£000
Financed from savings in the revenue budget	198,478
'Bridging' loans on specific projects to be repaid from capital receipts and developer contributions	78,619
Capital investment to be financed from future charges to services	34,413
Total	<u>311,510</u>

6.5 The 'bridging loans' in advance of capital receipts or developers' contributions are expected to be fully repaid by 2022/23. In addition to these lump sum repayments, £198.5 million of the prudential borrowing will be repaid from savings in the revenue budget, including the Enhance nursing care homes, waste management infrastructure and structural maintenance of highways.

6.6 The prudential borrowing agreed to date and now proposed is in accordance with the framework for the use of prudential borrowing under the Prudential Code for Capital Finance. The prudential indicators used as part of the process of assessing compliance are included in Appendix 8 of the report on this Agenda on the Revenue Budget.

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Adult Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
2018/19 Schemes							
Schemes Supported from Local Resources							
1	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
2	Disabled Facilities Grants	-	-	10,694	10,694	-	-
Total Programme		241	40	10,894	11,175	-	26

Capital Programme - 2018/19

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
All schemes support the Corporate Priority of maximising wellbeing				
N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	1
N/A	1	12	Grant paid to district councils to fund adaptations to people's homes	2
+ Projects to be partly funded from external contributions.				

Adult Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes						
	Schemes Supported from Local Resources						
3	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
	Total Programme	241	40	200	481	-	26

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>		
N/A	1	12	<p>All schemes support the Corporate Priority of maximising wellbeing</p> <p>Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.</p> <p>+ Projects to be partly funded from external contributions.</p>	3

Adult Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2020/21 Schemes						
	Schemes Supported from Local Resources						
4	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26
	Total Programme	241	40	200	481	-	26

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
N/A	1	12	Continuation of programme for the provision / replacement of furniture and equipment in residential / day care establishments, and to upgrade establishments to contemporary standards.	4
			+ Projects to be partly funded from external contributions.	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2018/19 Schemes						
	Children's Social Care						
1	Children's Homes	1,067	176	-	1,243	-	25
2	Foster Carers	86	14	-	100	-	-
3	Adaptation Equipment	-	-	250	250	-	25
	Primary School Improvements						
4	Bursledon Junior, West End	339	56	-	395	-	8
5	Castle Hill Primary, Basingstoke	3,013	497	-	3,510	-	70
6	Church Crookham Junior, Fleet	1,288	212	-	1,500	-	30
7	Kings Copse Primary, Hedge End	1,717	283	-	2,000	-	40
8	Northern Junior, Portchester	343	57	-	400	-	8
9	Petersgate Infant, Clanfield	1,471	243	-	1,714	-	34
10	Whitchurch CE Primary, Basingstoke	1,777	293	-	2,070	-	41
	New Primary School Provision						
11	Barton Farm Primary, Winchester	8,219	1,356	-	9,575	-	-
12	Boorley Park Primary, Botley	4,932	814	-	5,746	-	-
	Secondary School Improvements						
	New Secondary School Provision						
13	Deer Park School, Hedge End	18,438	3,042	-	21,480	-	-
14	Special School Improvements	1,942	320	-	2,262	-	45
	New Special School Provision						
15	Chineham Park, Basingstoke	11,588	1,912	-	13,500	-	0

Capital Programme - 2018/19

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
Owned	Various	Various	Improvements to Children's Homes.	1
N/A	Various	Various	Improvements to foster carers' homes where necessary.	2
N/A	Various	Various	Access improvement equipment for homes.	3
Owned	2	12	1 classroom expansion	4
Owned	2	12	expansion to two form entry	5
Owned	2	12	expansion to six form entry	6
Owned	2	12	expansion to 1.5 form entry	7
Owned	2	12	2 classroom extension	8
Owned	2	12	expansion to three form entry	9
Owned	2	6	expansion to 2.5 form entry	10
Neg.	2	12	New two form entry primary school to meet housing demand.	11
Neg.	2	12	New two form entry primary school to meet housing demand.	12
Owned	2	24	New seven form entry secondary school	13
Owned	Various	Various	Rebuild and refurbishment of special schools.	14
Owned	2	24	New 125 place special school	15
			# controlled on an accrued expenditure basis	

Children's Services

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2018/19 Schemes (continued)						
16	Other Improvement Projects	1,717	283	-	2,000	-	40
17	Purchase of modular classrooms	1,852	148	-	2,000	-	67
18	Health and Safety	343	57	-	400	-	8
19	Schools Devolved Capital	3,350	-	-	3,350	-	67
20	Access Improvements in Schools #	429	71	-	500	-	10
21	Furniture and Equipment #	-	-	250	250	-	25
22	Contingency	5,685	938	-	6,623	-	132
	Total Programme	69,595	10,773	500	80,868	-	675

Capital Programme - 2018/19

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
	Various	Various	Various projects to meet identified needs.	16
	Various	Various	Various projects to be identified.	17
	Various	Various	Improvements to address health and safety issues.	18
	Various	Various	Allocations to schools through devolved formula capital.	19
	Various	Various	Improvements to school's buildings to improve accessibility.	20
	Various	Various	Provision of furniture and equipment for capital schemes.	21
	Various	Various	Provision for cost of increases arising from inflation.	22

controlled on an accrued expenditure basis

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes						
	Children's Social Care						
23	Foster Carers	86	14	-	100	-	0
24	Adaptation Equipment	0	-	250	250	-	25
	Primary School Improvements						
25	Bordon Infant & Junior, East Hants	2,953	487	-	3,440	-	69
26	Colden Common Primary, Winchester	1,545	255	-	1,800	-	36
27	Four Marks CE Primary, Alton	1,777	293	-	2,070	-	41
	New Primary School Provision						
28	Cornerstone CE (aided) Primary, Whiteley	10,987	1,813	-	12,800	-	-
29	Chestnut Avenue Primary, Eastleigh	5,322	878	-	6,200	-	-
	Secondary School Improvements						
30	Calthorpe Park, Fleet	7,880	1,300	-	9,180	-	184
31	Henry Beaufort, Winchester	3,605	595	-	4,200	-	84
32	Wyvern Secondary, Fair Oak	1,888	312	-	2,200	-	-
33	Special School Improvements	1,942	320	-	2,262	-	45
34	Other Improvement Projects	1,717	283	-	2,000	-	40
35	Purchase of modular classrooms	1,852	148	-	2,000	-	67
36	Health and Safety	343	57	-	400	-	8
37	Schools Devolved Capital	3,350	-	-	3,350	-	67
38	Access Improvements in Schools #	429	71	-	500	-	10
39	Furniture and Equipment #	-	-	250	250	-	25

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
N/A	Various	Various	Improvements to foster carers' homes where necessary.	23
N/A	Various	Various	Access improvement equipment for homes.	24
Owned	2	12	expansion to three form entry	25
Owned	2	12	expansion to two form entry	26
Owned	2	12	expansion to two form entry	27
Neg.	2	12	New three form entry primary school to meet housing demand.	28
Neg.	2	12	New 1.5 form entry primary school to meet housing demand.	29
Neg.	2	12	expansion to twelve form entry	30
Neg.	2	12	expansion to seven form entry	31
Neg.	2	12	STP & classroom re-modelling	32
Owned	Various	Various	Rebuild and refurbishment of special schools.	33
Owned	Various	Various	Various improvements to meet identified needs.	34
N/A	Various	Various	Various projects to be identified.	35
Owned	Various	Various	Improvements to address health and safety issues.	36
N/A	Various	Various	Allocations to schools through devolved formula capital.	37
N/A	Various	Various	Improvements to school's buildings to improve accessibility.	38
N/A	Various	Various	Provision of furniture and equipment for capital schemes.	39
			# controlled on an accrued expenditure basis	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes (continued)						
40	Contingency	6,156	1,016	-	7,172	-	143
	Total Programme	51,832	7,842	500	60,174	-	844

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	<i>Qtr</i>	<i>Months</i>		
N/A	Various	Various	<p>All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan Provision for cost of increases arising from inflation.</p>	40
				-
				-
				-
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				-
				-
				-
			# controlled on an accrued expenditure basis	

Children's Services

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2020/21 Schemes						
	Children's Social Care						
41	Foster Carers	86	14	-	100	-	0
42	Adaptation Equipment	0	-	250	250	-	25
	Primary School Improvements						
43	Four Lanes Infant & Junior, Basingstoke	4,292	708	-	5,000	-	100
44	Hamble Primary, Hamble	1,717	283	-	2,000	-	40
45	Morelands Primary, Havant	1,717	283	-	2,000	-	40
46	Overton Primary, Basingstoke	1,717	283	-	2,000	-	40
47	Rownham St Johns CE Primary	473	78	-	551	-	11
48	Sun Hill Infant & Junior, Winchester	3,433	567	-	4,000	-	80
	New Primary School Provision						
49	Hazelton Farm, Horndean	4,155	685	-	4,840	-	-
50	Manydown Primary, Basingstoke	6,721	1,109	-	7,830	-	-
51	Welborne Primary, Fareham	6,721	1,109	-	7,830	-	-
52	Special School Improvements	1,942	320	-	2,262	-	45
53	Other Improvement Projects	1,717	283	-	2,000	-	40
54	Purchase of modular classrooms	1,852	148	-	2,000	-	67
55	Health and Safety	343	57	-	400	-	8
56	Schools Devolved Capital	3,350	-	-	3,350	-	67
57	Access Improvements in Schools #	429	71	-	500	-	10
58	Furniture and Equipment #	-	-	250	250	-	25

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			All schemes support the Corporate Priority of maximising wellbeing and the Children and Young People's Plan	
N/A	Various	Various	Improvements to foster carers' homes where necessary.	41
N/A	Various	Various	Access improvement equipment for homes.	42
Owned	2	12	expansion to four form entry	43
Owned	2	12	expansion to 1.5 form entry	44
Owned	2	12	expansion to two form entry	45
Owned	2	12	expansion to 2.5 form entry	46
Owned	2	10	expansion to 1.5 form entry	47
Owned	2	12	expansion to three form entry	48
Owned	2	12	New one form entry primary school to meet housing demand.	49
Owned	2	12	New two form entry primary school to meet housing demand.	50
Owned	2	12	New two form entry primary school to meet housing demand.	51
Owned	Various	Various	Rebuild and refurbishment of special schools.	52
Owned	Various	Various	Various projects to meet identified needs.	53
N/A	Various	Various	Various projects to be identified.	54
Owned	Various	Various	Improvements to address health and safety issues.	55
N/A	Various	Various	Allocations to schools through devolved formula capital.	56
N/A	Various	Various	Improvements to school buildings to improve accessibility	57
N/A	Various	Various	Provision of furniture and equipment for capital schemes.	58
				-
				-
			# controlled on an accrued expenditure basis	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
2018/19 Schemes							
Schemes Supported from Local Resources							
1	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
2	Flood and Coastal Defence Management	88	18	-	106	-	2
Total Programme Supported by Local Resources		10,729	1,200	-	11,929	-	593
Schemes Supported by the Government and Other External Bodies							
3	M27 Junction 9 & R1 Roundabout, Whiteley, Fareham +	14,817	4,939	-	19,756	-	988
4	Stubbington Bypass +	25,500	8,500	-	34,000	-	1,700
5	Whitehill Bordon, A325 Integration Phase 1 - Gateways +	862	288	-	1,150	-	58
6	A33/Thornhill Way Junction Improvement, Basingstoke +	945	315	-	1,260	-	63
7	A30 Thornycroft Roundabout Improvements, Basingstoke +	6,690	2,230	-	8,920	-	446
8	Bus Rapid Transport Phase 1B +	5,272	1,758	-	7,030	-	352
9	Redbridge Lane Roundabout (Bakers Drive), Nursling *	1,875	625	-	2,500	-	125
10	Romsey Town Centre Improvements Phase 3 - Market Place +	1,198	399	-	1,597	-	80
11	Popley Area Improvements, Basingstoke *	195	65	-	260	-	13
12	A3090 Winchester Road/ Halterworth Lane, Romsey *	430	144	-	574	-	29
13	Access to Aldershot Railway Station +	251	84	-	335	-	17

Capital Programme - 2018/19

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
The following schemes all reflect the Corporate Priorities				
N/A	1	12	Structural maintenance to improve road conditions.	1
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies.	2
N/A	3	18	Junction improvements. Capacity improvements.	3
N/A	1	24	New road construction.	4
N/A	1	6	Improvement of connectivity between the east and west of the town.	5
N/A	3	4	Junction improvements and capacity enhancements.	6
N/A	4	12	Full signalisation and widening of roundabout to improve capacity and accessibility.	7
N/A	2	20	Dedicated busway	8
N/A	2	9	Junction improvements	9
N/A	1	4	Improvements to the public realm.	10
N/A	1	2	Improvements around Abbey Road and Shakespeare Road.	11
N/A	3	4	Junction improvements	12
N/A	2	3	Accessibility improvements	13
# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded				

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2018/19 Schemes (continued)						
14	Over Wallop Village - Traffic Management, Phase 2 *	249	83	-	332	-	17
15	Romsey Road/Clifton Terrace, Winchester - Pedestrian Crossing *	361	120	-	481	-	24
16	Horndean Access Improvements *	337	113	-	450	-	23
17	Bishops Waltham Village Access Improvements *	203	68	-	271	-	14
18	Whitchurch Access & Traffic Management *	291	97	-	388	-	19
19	Anstey Road, Alton Improvements *	225	75	-	300	-	15
20	Hook to Dilly Lane, Hartley Wintney Cycle Route *	334	111	-	445	-	22
21	Four Marks Traffic Improvements *	487	163	-	650	-	33
22	Town Mill, Andover Improvements +	637	213	-	850	-	43
23	Hayling Island (South Side) Accessibility Improvements *	351	117	-	468	-	23
24	Andover Railway Station *	244	81	-	325	-	16
25	Roman Way/Viking Way/Smanell Road Traffic Calming, Andover *	225	75	-	300	-	15
26	A27 Barnes Lane Junction, Fareham *	487	163	-	650	-	33
27	Jermyns Lane to Braishfield, Romsey *	262	88	-	350	-	18
28	Kings School, Winchester *	225	75	-	300	-	15
29	Schemes Costing Less than £250,000 +	1,666	556	-	2,222	-	113
30	Safety Schemes #	1,125	375	-	1,500	-	75
31	Minor Improvements (part #) +	563	187	-	750	-	38

Capital Programme - 2018/19

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	1	3	Traffic calming and reclassification of road.	14
N/A	1	3	A new puffin crossing, footways improvements, revised junction.	15
N/A	3	3	Pedestrian/cycle & accessibility improvements, traffic management	16
N/A	4	6	Accessibility improvements.	17
N/A	4	3	Accessibility improvements.	18
N/A	2	3	Junction and accessibility improvements	19
N/A	3	4	New cycle route and conversion of footway	20
N/A	3	6	Improvements to key junctions onto A31.	21
N/A	3	6	Moving entrance to Town Mills, cyclist/pedestrian accessibility improvements.	22
N/A	3	3	Pedestrian, cycling and accessibility improvements.	23
N/A	4	3	Accessibility and environmental improvements.	24
N/A	3	3	Accessibility improvements.	25
N/A	4	6	Junction improvements.	26
N/A	2	3	New footway	27
N/A	2	3	Accessibility improvements	28
N/A				29
N/A	1	12	Casualty reduction programme.	30
N/A	1	12	Improvement schemes costing less than £50,000 each.	31
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2018/19 Schemes (continued)						
32	Community Transport	-	-	365	365	-	4
33	Flood Alleviation - Buckskin, Basingstoke	5,179	1,061	-	6,240	-	100
34	Flood Alleviation - Romsey	3,752	768	-	4,520	-	72
35	Structural Maintenance of Roads and Bridges #	25,382	2,820	-	28,202	-	1,410
	Total Programme Supported by the Government and other bodies	100,624	26,752	365	127,741	1,238	6,013
	Total Programme				139,670	1,238	6,606

Capital Programme - 2018/19

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the Corporate Priorities	
N/A	1	12	Vehicle replacements for Community Transport Schemes	32
N/A	1	12	Flood alleviation measures at Buckskin, Basingstoke	33
N/A	1	7	Flood alleviation measures, Romsey	34
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	35
			# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded	

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
2019/20 Schemes							
Schemes Supported from Local Resources							
36	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
37	Flood and Coastal Defence Management	88	18	-	106	-	2
Total Programme Supported by Local Resources		10,729	1,200	-	11,929	-	593
Schemes Supported by the Government and Other External Bodies							
38	Whitehill Bordon - Sleaford Lights Junction *	750	250	-	1,000	-	50
39	Farnborough Corridor Improvements *	6,525	2,175	-	8,700	-	435
40	Botley Bypass Phase1	4,500	1,500	-	6,000	-	300
41	Whitehill Bordon, A325 Integration - Phase2 +	2,137	713	-	2,850	-	143
42	A30 Corridor Roundabout Improvements, Basingstoke +	14,121	4,707	-	18,828	-	941
43	High Street, West End Accessibility Improvements *	187	63	-	250	-	13
44	Schemes Costing Less than £250,000 *	236	79	-	315	-	16
45	Safety Schemes #	1,125	375	-	1,500	-	75
46	Minor Improvements (part #) +	563	187	-	750	-	38
47	Structural Maintenance of Roads and Bridges #	25,382	2,820	-	28,202	-	1,410
Total Programme Supported by the Government and other bodies		55,527	12,868	-	68,395	563	3,421
Total Programme					80,324	563	4,014

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
The following schemes all reflect the Corporate Priorities				
N/A	1	12	Structural maintenance to improve road conditions.	36
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with	37
N/A	1	6	Junction improvements.	38
N/A	3	24	Junction and capacity improvements along the whole corridor.	39
N/A	4	24	New road construction.	40
N/A	1	18	Improvement of connectivity between the east and west of the town.	41
N/A	3	24	Roundabout improvements	42
N/A	2	3	Pedestrian accessibility improvements	43
N/A				44
N/A	1	12	Casualty reduction programme.	45
N/A	1	12	Improvement schemes costing less than £50,000 each.	46
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	47
# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded				

Economy, Transport and Environment

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
2020/21 Schemes							
Schemes Supported from Local Resources							
48	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591
49	Flood and Coastal Defence Management	88	18	-	106	-	2
Total Programme Supported by Local Resources		10,729	1,200	-	11,929	-	593
Schemes Supported by the Government and Other External Bodies							
50	Walworth RAB/A3093/A3057, Andover	637	213	-	850	-	43
51	Sustainable Eastern Access, Andover	525	175	-	700	-	35
52	London Road/Eastern Avenue, Andover	229	77	-	306	-	15
53	London Road/The Middleway, Andover	241	80	-	321	-	16
54	Safety Schemes #	1,125	375	-	1,500	-	75
55	Minor Improvements (part #) +	563	187	-	750	-	38
56	Structural Maintenance of Roads and Bridges (part #)	25,382	2,820	-	28,202	-	1,410
Total Programme Supported by the Government and other bodies		28,703	3,926	-	32,629	62	1,632
Total Programme					44,558	62	2,225

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
The following schemes all reflect the Corporate Priorities				
N/A	1	12	Structural maintenance to improve road conditions.	48
N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with	49
N/A	2	6	Roundabout signalisation and pedestrian/cycle improvements	50
N/A	3	6	Sustainable access improvements to Andover town centre.	51
N/A	1	6	Junction improvements, signalisation, bus priority measures.	52
N/A	1	6	Safety improvements.	53
N/A	1	12	Casualty reduction programme.	54
N/A	1	12	Improvement schemes costing less than £50,000 each.	55
N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	56
# Projects controlled on an accrued expenditure basis + Projects partly funded from external contributions * Projects externally funded				

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2018/19 Schemes						
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
1	Office Accommodation Schemes	350	58	-	408	-	8
2	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
3	Hampshire Transport Management Vehicle Workshop	515	85	-	600	-	12
4	Community Buildings and Village Halls	-	-	125	125	-	-
5	CCBS Minor Works	328	-	-	328	-	7
	Corporate Services						
6	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	1,378	143	3,125	4,646	-	330

Capital Programme - 2018/19

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	1
N/A	-	-	Continuing programme of replacing vehicles	2
N/A	-	-	Refurbishment of Petersfield HTM vehicle workshop	3
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	4
N/A	1	12	Provision of minor works across the department including Library and Countryside services	5
N/A	-	-		6
			# controlled on an accrued expenditure basis	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2018/19 Schemes (continued)						
	Schemes Supported by the Government						
	Schools Condition Allocation (SCA)						
7	Alderwood School, Aldershot	800	132		932	-	19
8	Applemore School, Dibden Purliou	900	148		1,048	-	21
9	Westgate School, Winchester	900	148		1,048	-	21
10	Schools Condition Allocation (costing less than £250,000)	12,453	2,055	-	14,508	-	290
	Total Schemes Supported by the Government	15,052	2,484	-	17,536	-	351
	Total Excluding Land				22,182	-	681
	Advance and Advantageous Land Purchases				646	-	-
	Total Programme				22,828	-	681

Capital Programme - 2018/19

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
Owned	1	9	ROSLA block thermal upgrading, roof recovering and recladding	7
Owned	1	8	ROSLA block thermal upgrading, roof recovering and recladding	8
Owned	1	9	SCOLA recladding and window replacement	9
Owned	-	-	Major improvements to school buildings	10

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2019/20 Schemes						
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
11	Office Accommodation Schemes	350	58	-	408	-	8
12	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
13	Community Buildings and Village Halls	-	-	125	125	-	-
14	CCBS Minor Works	328	-	-	328	-	7
15	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	863	58	3,125	4,046	-	318
	Schemes Supported by the Government						
16	Schools Condition Allocation	15,052	2,484	-	17,536	-	351
	Total Schemes Supported by the Government	15,052	2,484	-	17,536	-	351
	Total Excluding Land				21,582		669
	Advance and Advantageous Land Purchases				646		
	Total Programme				22,228		669

Capital Programme - 2019/20

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	11
N/A	-	-	Continuing programme of replacing vehicles	12
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	13
N/A	1	12	Provision of minor works across the department including Library and Countryside services	14
N/A	-	-		15
Owned	-	-	Major improvements to school buildings	16
			# controlled on an accrued expenditure basis	

Policy and Resources

Ref	Project	Construct- ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year	
						Running Costs	Capital Charges
		£'000	£'000	£'000	£'000	£'000	£'000
	2020/21 Schemes						
	Schemes Supported from Local Resources						
	Culture, Communities and Business Services						
17	Office Accommodation Schemes	350	58	-	408	-	8
18	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300
19	Community Buildings and Village Halls	-	-	125	125	-	-
20	CCBS Minor Works	328	-	-	328	-	7
21	Contingency	185	-	-	185	-	3
	Total Programme Supported by Local Resources	863	58	3,125	4,046	-	318
	Schemes Supported by the Government						
22	Schools Condition Allocation	15,052	2,484	-	17,536	-	351
	Total Schemes Supported by the Government	15,052	2,484	-	17,536	-	351
	Total Excluding Land				21,582		669
	Advance and Advantageous Land Purchases				646		
	Total Programme				22,228		669

Capital Programme - 2020/21

Site Position	Contract Start		Remarks	Ref
	Date	Duration		
	Qtr	Months		
			The following schemes all reflect the current Corporate Priorities	
N/A	-	-	Various schemes throughout the County	17
N/A	-	-	Continuing programme of replacing vehicles	18
Owned	1	12	Grants and contributions towards the development of community buildings and village halls.	19
N/A	1	12	Provision of minor works across the department including Library and Countryside services	20
N/A	-	-		21
Owned	-	-	Major improvements to school buildings	22
			# controlled on an accrued expenditure basis	

Dept	Title	Capital investment priorities Scheme Summary	Total Gross Cost	Funding Available	Net Funding Required
			£'000	£'000	£'000
CCBS	Basingstoke Canal	Essential infrastructure works to ensure that the canal remains in good working order and the County Council meets its obligations as part owner of the canal	1,500		1,500
CCBS	Repairs and Maintenance	Extending the planned repairs programme to 2019/20 and 2020/21 to reduce the day to day revenue demand over the medium to long term. Without a suitable programme of planned repairs the backlog liability will continue to grow putting continuity of service delivery at risk.	3,000		3,000
CCBS	Winchester Leisure Centre	Potential County Council contribution to a new Winchester Leisure Centre would support the development of a Hampshire wide Institute of Sport and regional sporting facilities	1,000		1,000
ETE	Structures - Holmsley Bridge	The bridge carries the A35 over the C10 in the New Forest. If the work doesn't go ahead weight restrictions will be needed, ultimately followed by closure. Total scheme cost estimated at £5.5m of which £2m is already held within the Structural Maintenance & Bridges capital programme.	5,500	(2,000)	3,500
ETE	Structures – Redbridge Causeway	Major structural works are required to the Causeway that have been the subject of failed bids to DfT and Solent LEP in the past. Phase 1 works now need to be completed, some funding has been set aside from past allocations.	8,000	(3,800)	4,200
ETE	Highways - Traffic Management infrastructure	Replacement of life-expired traffic management assets. This would reduce the impact of these life-expired assets on the revenue budget, the likelihood of a complete failure (requiring unplanned replacement work) and congestion/avoidable delay arising through sub-standard performance due to unreliability and/or component failure	2,580		2,580
			21,580	(5,800)	15,780

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COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Employment in Hampshire County Council Committee
PART I

- 1. HAMPSHIRE COUNTY COUNCIL PAY STATEMENT FOR FINANCIAL YEAR 2018/19**
- 1.1 By virtue of Section 38 of the Localism Act 2011, ('the Localism Act'), the County Council is required to prepare a Pay Policy Statement ('Pay Statement') for each financial year. Section 39 of the Localism Act requires that a Pay Statement is prepared and approved by full Council prior to 31 March 2018.
- 1.2 The Pay Statement needs to set out the County Council's policies in respect of the remuneration of its Chief Officers, the remuneration of its lowest paid employees, and the relationship between the remuneration of its Chief Officers and the remuneration of employees who are not Chief Officers.
- 1.3 The Employment in Hampshire County Council Committee ('EHCC Committee') considered a draft Pay Statement for the financial year 2017/18 at its meeting on 22 November 2017. The draft Pay Statement considered by the EHCC Committee was based on that previously approved by the County Council for the financial year 2017/18.
- 1.4 The EHCC Committee resolved to recommend the draft Pay Statement to full Council for approval at its meeting on 22 February 2018. The EHCC Report and the draft Pay Statement is attached as an Annex and Appendix A to this Report.

RECOMMENDATION

That the County Council approve the Pay Statement for 2018/19 as detailed in the report to the Employment in Hampshire County Council Committee (Annex and Appendix A to this Report), and agrees that EHCC Committee remains the appropriate Committee to agree Chief Officer remuneration for Chief Officers above Grade K, including individual salary offers in respect of any new Chief Officer appointments, any changes to Chief Officer salaries after appointment and any severance packages for Chief Officers leaving the County Council, in accordance with the Pay Statement.

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Employment in Hampshire County Council Committee
Date:	22 November 2017
Title:	Hampshire County Council Pay Statement – Financial Year 2018/19
Report From:	Chief Executive

Contact name: Barbara Beardwell, Head of Law & Governance and Monitoring Officer

Tel: 01962 845157

Email: barbara.beardwell@hants.gov.uk

1. Executive Summary

- 1.1. This report outlines the requirements on the County Council in respect of pay accountability placed on the County Council in consequence of the Localism Act (“the Localism Act”), Chapter 8, Sections 38 to 43.
- 1.2. By virtue of Section 38 of the Localism Act, the County Council is required to prepare a Pay Statement (“Pay Statement”) for each financial year. This Pay Statement needs to set out the County Council’s policies in respect of the remuneration of its Chief Officers, the remuneration of its lowest paid employees, and the relationship between the remuneration of its Chief Officers and the remuneration of employees who are not Chief Officers.
- 1.3. Section 39 of the Localism Act requires that a Pay Statement required under the Localism Act is prepared and approved by full Council prior to 31 March immediately preceding the year to which it relates. The County Council must comply with the provisions of the approved Pay Statement when making any determinations in respect of the remuneration of Chief Officers in the financial year to which such Pay Statement relates. A copy of the proposed Pay Statement for 2018/19 is attached at Appendix A to this report.

2. Contextual information

- 2.1. “Chief Officer” is defined as Section 43 (2) of the Localism Act, and means each of the following:
 - The Head of Paid Service
 - The Monitoring Officer
 - A Statutory Chief Officer
 - A Non-Statutory Chief Officer

- A Deputy Chief Officer
- 2.2. Together with the Head of Paid Service, the terms “Statutory Chief Officer” and “Non-Statutory Chief Officer” include the County Council’s current Corporate Management Team (CMT), and the Director of Public Health.
 - 2.3. The Statutory definition of “Deputy Chief Officer” is however much wider and goes beyond the County Council’s local definition of how a Chief Officer post might be described, and includes not only Deputy Directors, but also Assistant Directors and Heads of Service, if reporting directly or are directly accountable to a member of CMT in respect of all or most of their duties.
 - 2.4. Section 38 (3) of the Localism Act also requires that the County Council includes within its Pay Statement a definition of its “lowest paid” employees, and the County Council’s reasons for adopting the definition. “Lowest paid” employees are defined at paragraph 5 of the Pay Statement to mean those members of staff employed at Grade A on the County Council’s main pay framework.
 - 2.5. Section 38 (4) of the Localism Act sets out a number of mandatory matters which must be included within a Pay Statement. These are:
 - The level and elements of remuneration of each Chief Officer
 - Remuneration of Chief Officers on appointment
 - Increases and additions to remuneration for each Chief Officer
 - The use of performance-related pay for Chief Officers
 - The use of bonuses for Chief Officers
 - The approach to the payment of Chief Officers on their ceasing to hold office under or to be employed by the County Council
 - The publication of an access to information relating to the remuneration of Chief Officers.
 - 2.6. There is discretion within the Localism Act for the County Council to also include within its Pay Statement, policies in respect of the remainder of its workforce. In the interests of openness and transparency, the County Council’s Pay Policy in respect of employees who are not Chief Officers for the purposes of the Localism Act is set out at Section 1 of the Pay Statement.

3. Statutory Guidance

- 3.1. Section 40 of the Localism Act requires that in performing its functions under the Localism Act and in preparation and approval of a Pay Statement the County Council must have regard to any guidance issued by the Secretary of State. Guidance (‘the Guidance’) has been issued by the Department of Communities and Local Government ‘Openness and Accountability in local pay’ dated February 2012 in this regard. Further

guidance ('the Supplementary Guidance') has been issued dated February 2013 supplementing the Guidance.

- 3.2. Under the provisions of the Guidance and the Supplementary Guidance the County Council is required to explain in its Pay Statement, its policies in respect of the employment of ex-Chief Officers in receipt of a redundancy payment, including its policy towards the re-engagement of Chief Officers previously employed by the County Council, under a Contract for Services.
- 3.3. The Guidance and the Supplementary Guidance also recommend that full Council should be offered the opportunity to vote before a salary or severance package of £100,000 or more is offered to any new Chief Officer appointee, or Chief Officer leaving the County Council.

4. Commentary

- 4.1. The draft Pay Statement attached at Appendix A is divided into three parts. These are an opening generic introduction covering the requirements of the Localism Act and specifically the definition of 'Chief Officers', followed by two policy sections. Section 1 describes the position in respect of employees who are not Chief Officers within the meaning of the Localism Act, and whose remuneration is covered by the County Council's main pay framework. Section 2 describes the position in respect of Chief Officers as defined by the Localism Act.
- 4.2. As indicated at paragraph 2.3 of this report, the Localism Act contains a wider definition than the traditional definition of 'Chief Officer'. Given the differing scale, size and responsibilities of the respective Chief Officer posts, it is sensible from an organisational perspective to group Chief Officers into four categories as set out below, and referred to at paragraphs 23–26 of the Pay Statement. In doing so the Pay Statement makes better sense of those existing post holders paid at or beyond grade K on the main pay framework. These four categories are:
 - a) the Head of Paid Service
 - b) Statutory Chief Officers and Non-Statutory Chief Officers
 - c) Deputy Directors, and
 - d) the Monitoring Officer, the Assistant Chief Executive, Assistant Directors and Heads of Service falling within the definition of 'Chief Officer'.
- 4.3. The County Council's Constitution requires that the salaries of Chief Officers on appointment outside the main pay framework require Chief Executive and EHCC Committee approval. For practical business reasons, and to remain in line with the Constitution, it is proposed that, as per the case in the 2017/18 Pay Statement, the EHCC Committee continue to exercise this responsibility with regard to all Chief Officer salaries outside the main pay framework, whether on appointment or otherwise. This point is covered at paragraph 22 of the Pay Statement.

- 4.4. In exercising these responsibilities, it is recognised that the EHCC Committee will continue to be the responsible Committee for salaries of all Chief Officer appointments arising from the implementation of any future structural management arrangements and/or any appointments (joint or otherwise) arising from the formalisation of any new shared services arrangements or legislative changes. In specific cases, salaries connected with future Chief Officer appointments will be in excess of £100,000. This function was delegated to EHCC Committee by the County Council at its meeting on 16 February 2017. It is recommended again for practical business reasons that the County Council should agree that the EHCC Committee determine remuneration in respect of all future Chief Officer appointment arrangements or changes to Chief Officer remuneration after appointment in accordance with the policies set out in the Pay Statement. It is also recommended for practical business reasons that the County Council should agree that EHCC Committee be responsible for approval of any severance packages in respect of Chief Officers leaving the County Council.
- 4.5. As Members of the EHCC Committee will recall the national pay award in 2016 was for a two year period of 1% per year, but with some higher increases at the lower end of the National Joint Committee (NJC) pay scales. (County Council Grades A-C). It should be noted that the salary ranges of staff on Grades A-K referred to at paragraphs 9 and 12 and detailed at Annex 1 of the Pay Statement are as per April 2017, and cover the period to 31 March 2018. Pay categories for Chief Officers referred to at paragraphs 23 to 26 of the Pay Statement are also as per April 2017 and cover the period to 31 March 2018. The question of a pay award for staff for 2018/19 has not yet been determined. This will be considered in due course nationally for staff on Grades A – G, and by the EHCC Committee for staff on Grades H and above. Should there be a pay award for staff for 2018/19, the table at Annex 1 and Paragraphs 23 – 26 of the Pay Statement, will be up-dated accordingly. The table will also be updated if required to reflect any changes to pay and number of steps at Grade A in consequence of the impact of the National Living Wage on this Pay Grade.

5. Recommendations

- 5.1. That the EHCC Committee recommends to the County Council approval of the Pay Statement as detailed in this report and at Appendix A, setting out the County Council's policies in respect of pay accountability for the financial year 2018/19 in accordance with the requirements of the Localism Act,
- 5.2. That the EHCC Committee recommends to the County Council that it remains the appropriate Committee to agree Chief Officer remuneration, for Chief Officers above Grade K, including individual salary offers in respect of any new Chief Officer appointments, any changes to Chief Officer salaries after appointment and any severance packages for Chief Officers leaving the County Council, in accordance with the Pay Statement.

- 5.3. That the EHCC Committee delegates authority to the Chief Executive, in consultation with the Chairman of the EHCC Committee, to make any changes to the draft Pay Statement consequential upon any changes to legislative requirements or other statutory guidance or changes to salaries of staff determined prior to consideration of the Pay Statement by full Council.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because of the statutory requirements of the Localism Act 2011.

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Hampshire County Council Pay Statement Financial Year 2012/13	23 February 2012
Hampshire County Council Pay Statement Financial Year 2013/14	21 February 2013
Hampshire County Council Pay Statement Financial Year 2014/15	20 February 2014
Hampshire County Council Pay Statement Financial Year 2015/16	19 February 2015
Hampshire County Council Pay Statement Financial Year 2016/17	18 February 2016
Hampshire County Council Pay Statement Financial Year 2017/18	16 February 2017
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
Localism Act	2011
DCLG Guidance 'Openness and Accountability in Local Pay'	February 2012
DCLG Supplementary Guidance 'Openness and Accountability in Local Pay'	February 2013

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.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

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

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

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

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

1.2. Equalities have been considered and no adverse impact identified.

2. Impact on Crime and Disorder:

2.1. The proposals will have no impact on crime and disorder

3. Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No impact has been identified.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific measures have been identified.

Hampshire County Council Pay Statement Financial Year 2018/19 (Draft)

1. The purpose of this Pay Statement (“Pay Statement”) is to set out Hampshire County Council’s pay policies relating to its workforce for the financial year 2018-19, including the remuneration of its Chief Officers and that of its lowest paid employees.
2. The responsibility for functions and delegated authority in respect of the determination of the terms and conditions of staff employed by the County Council is detailed in the County Council’s Constitution; in particular, Part 2: Chapter 2.1 and Part 2: Chapter 4, and this Pay Statement is subject to those provisions.
3. With the exception of teaching staff and associated school advisory roles where pay is governed by National consultation groups and apprentices on the National Minimum Wage, pay for all staff, including Chief Officers, is set by the Employment in Hampshire County Council (“EHCC”) Committee with annual pay awards below senior management level being determined by the outcome of the national local government award and customarily applied to senior managers, as referred to at Paragraph 12. The EHCC Committee is proportionally constituted and comprises elected County Councillors from the main political parties, and has responsibility for locally determined terms and conditions of employment for staff.
4. For the purposes of this Pay Statement and in accordance with the Localism Act 2011 (“Localism Act”), staff employed by the County Council have been separated into two groups:
 - (a) Employees who are not Chief Officers as defined by the Localism Act
 - (b) Chief Officers as defined by the Localism Act
5. An “employee who is not a Chief Officer” refers to all staff, who are not covered within the “Chief Officer” group as outlined below. This includes the “lowest paid employees”. In the context of the County Council other than apprentices the “lowest paid employees” are those employed at grade A on the County Council’s pay framework. This is because grade A is the lowest grade on the County Council’s pay framework.
6. Section 43(2) of the Localism Act defines Chief Officers for the purposes of the Localism Act. Currently, the following roles within the County Council fall within the definition of “Chief Officers”:
 - (a) Head of Paid Service (Chief Executive)
 - (b) Monitoring Officer

- (c) Statutory Chief Officers (Director of Corporate Resources as Section 151 Officer, Director of Children’s Services, Director of Adults’ Health and Care, and Director of Public Health)
- (d) Non-Statutory Chief Officers (Director of Culture, Communities and Business Services, Director of Economy, Transport and Environment, and Director of Transformation and Governance.
- (e) Deputy Chief Officers (Deputy Directors, Assistant Chief Executive, Assistant Directors and Heads of Service if reporting directly or are directly accountable to a Statutory or Non-Statutory Chief Officer in respect of all or most of their duties).

Section 1 - Employees who are not Chief Officers as defined by the Localism Act

7. These staff are subject to the County Council’s main pay framework. This was implemented in April 2007 in line with National guidance, with the grade for each role being determined by a consistent job evaluation process. This followed a national requirement for all Local Authorities, and a number of other public sector employers, to review their pay and grading frameworks to ensure fair and consistent practice for different groups of workers with the same employer. As part of this, the County Council determined a local pay framework.
8. There are 11 grades (A-K) in the pay framework, grade A being the lowest and grade K the highest. Each employee will be on one of the 11 grades based on the job evaluation of their role. Each grade consists of 5 steps, with the exception of grades A and B which consist of fewer steps. Employees can progress within the salary range of their grade, having regard to the County Council’s performance management arrangements.
9. All employees are paid within the salary range for their grade. Each “lowest paid employee” is paid within the salary range for grade A. All other employees are paid within the salary range for the grade of their role i.e. B-K. Details of the Council’s salary ranges are published on the County Council’s website, and a copy of those salary ranges currently as at 1 April 2017 is attached at Annex 1 to this Pay Statement.
10. Employees new to the County Council will normally be appointed to the first step of the salary range for their grade. Where the candidate’s current employment package would make the first step of the salary range unattractive or where the employee already operates at a level commensurate with a higher salary, a different starting salary may be considered by the recruiting manager. This will be within the salary range for the grade. The candidate’s level of skill and experience should be consistent with that of other employees in a similar position on the salary range.

11. Employees' performance during the course of the year is reviewed within the County Council's performance management arrangements, and pay progression within the grade is subject to satisfactory performance.
12. Pay awards are considered annually for staff. For those staff up to and including grade G the outcome of the national consultations by the Local Government Employers in negotiation with the Trades Unions is applied. For staff at grade H and above the value of any pay award is determined by the EHCC Committee. Since the implementation of the County Council's pay framework, the EHCC Committee has applied the same percentage award determined nationally. The question of a pay award for staff for 2018/19 has not yet been determined. Should there be a pay award for staff for the year 2018/19, then the table at Annex 1 will be updated accordingly.
13. There is a Special Recognition Scheme, under which a one-off payment may be awarded to a member of staff as a recognition for a particular piece of work or a substantial achievement above what is expected as part of their ordinary day-to-day work. All Special Recognition Scheme payments are subject to departmental governance arrangements, and where required Chief Officer approval, are not consolidated into base salary and are funded from within existing budgets.
14. Allowances such as relocation assistance or other payments, for example shift working, may be made to staff in connection with their role or the patterns of hours they work in accordance with the County Council's collective agreement ('EHCC 2007') and subsequent amendments thereto, and other governance arrangements.
15. The County Council recognises that employees sometimes incur necessary expenditure in carrying out their responsibilities, for example travel costs. Employees will be reimbursed for reasonable expenses incurred on County Council business in accordance with the County Council's collective agreement ('EHCC 2007') and subsequent amendments.
16. Other than where required in order to carry out specific requirements of a role, for example the provision of accommodation for care workers required to live on site, there will be no benefits in kind payable to employees of the County Council
17. All employees as a result of their employment are eligible to join the Local Government Pension Scheme. The County Council will not consider the purchase of additional pension for employees under the provisions of the Local Government Pension Scheme Regulations 2014. However, it will consider enabling employees to use part of any redundancy payment to buy additional pension, where they leave on the grounds of efficiency.
18. Redundancy payment arrangements will be based on the County Council's standard redundancy scheme. In support of efficient organisational change and transformation linked to the need for efficiencies and expenditure

reduction, the County Council also operates a voluntary redundancy scheme approved by EHCC Committee. The County Council remains committed to enabling workforce reductions through voluntary measures wherever possible and any future voluntary redundancy or other termination measures will be in accordance with approved County Council policies. Details of the standard and voluntary redundancy schemes are attached at Annex 2 to this Pay Statement.

19. Except in exceptional business circumstances, no employee who has left the County Council under the terms of the standard redundancy scheme or any voluntary redundancy scheme or severance arrangement, will be re-employed by the County Council in any capacity for a minimum period of 12 months from the dismissal date. If re-employment is sought within 12 months of the termination date, approval is required from the relevant Chief Officer, Director of Corporate Resources as Section 151 Officer and the Head of Human Resources and Workforce Development. In addition, if the ex-employee was previously employed at grade H and above and/or is seeking re-employment at grade H and above, Chief Executive approval is also required.
20. Except in exceptional business circumstances, no employee who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangements, will be re-engaged by the County Council under a contract for services within a minimum period of 12 months of the dismissal date. In this case the authorisation requirements set out at Paragraph 19 of this Pay Statement in respect of re-engagement of ex-employees will apply.

Section 2 - Chief Officers as defined by the Localism Act 2011

21. Chief Officers are paid either within the County Council's main pay framework, or on "spot" salaries. Salaries of Chief Officers on appointment have regard to the relative size and challenge of the role compared to other Chief Officer roles within the County Council and follows the same principles operated within the main pay framework. Account is also taken of other relevant available information, including the salaries of Chief Officers in other similar sized organisations.
22. The Constitution requires that salaries of Chief Officers on appointment outside the main pay framework require Chief Executive and EHCC Committee approval. The EHCC Committee will continue to exercise responsibility for all Chief Officer salaries outside the main pay framework, whether on appointment or otherwise. Chief Officer salaries payable from 1 April 2017 fall within four categories as outlined below.
23. The Head of Paid Service is paid a salary of £216,195.

24. Statutory Chief Officers and Non-Statutory Chief Officers are paid a salary within the range of £121,200 - £184,019.
25. Deputy Directors are paid a salary within the range of £92,829 - £125,105.
26. The Monitoring Officer, Assistant Chief Officers and Heads of Service falling within the definition of "Chief Officer" are paid a salary within the range £77,700 - £109,000.
27. The annual pay review for Chief Officers paid outside the main pay framework is considered by the EHCC Committee each year, alongside recommendations for staff paid between grades H and K in accordance with Paragraph 12 of this Pay Statement. Likewise to support the annual review of salaries of these Chief Officers, information may be provided on inflation, earnings growth, and any significant considerations from elsewhere in the public sector.
28. Typically, Chief Officers have received the same percentage pay award as other managers and staff groups within the County Council. In each year since implementation of the new pay framework, EHCC Committee has applied the same percentage award determined nationally for other grades of employees within the County Council. Chief Officers are subject to the same performance management arrangements as detailed for employees who are not Chief Officers. Chief Officers paid outside the main pay framework do not receive incremental pay progression. In years where a pay award is available, performance will be taken into account when determining whether any award will be made. Should there be a pay award for Chief Officers for the year 2018/19 then Paragraphs 23-26 will be updated accordingly.
29. Within the above Chief Officer categories any increase to the remuneration of Chief Officers outside the annual review process, for example as a consequence of increased responsibilities arising from the formalisation or implementation of new shared services arrangements, requires Chief Executive and EHCC Committee approval.
30. The Special Recognition Scheme referred to at Paragraph 13 of this Pay Statement is however also applicable to Chief Officers. Any proposed Special Recognition Payment in respect of CMT is subject to ratification by EHCC.
31. No other charges, fees or allowances or remuneration are payable to Chief Officers in connection with their responsibilities. No fees for election duties are included in Chief Officer salaries, nor are any additional fees payable for such responsibilities.
32. Chief Officers may where applicable receive allowances, such as relocation assistance in accordance with the County Councils collective agreement

(EHCC 2007), and subsequent amendments thereto, and other governance arrangements.

33. The County Council recognises that Chief Officers sometimes incur necessary expenditure in carrying out their responsibilities e.g. travel costs. Chief Officers will be reimbursed for reasonable expenses incurred on County Council business in accordance with the County Council's collective agreement (EHCC 2007) and subsequent amendments.
34. There are no benefits in kind, such as private health insurance, payable to Chief Officers.
35. Chief Officers as a result of their employment are eligible to join the Local Government Pension Scheme in the same way as other employees. The County Council will not consider the purchase of additional pension for employees under the provisions of the Local Government Pension Scheme Regulations 2014. However, it will consider enabling employees to use part of any redundancy payment to buy additional pension, where they leave on the grounds of efficiency.
36. Chief Officers are subject to the same redundancy payment and severance arrangements as other staff as outlined in Paragraph 18 of this Pay Statement.
37. Chief Officers, who have left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangements are subject to the same policy on re-engagement by the County Council outlined at Paragraph 19 of this Pay Statement as other employees.
38. Except in exceptional business circumstances, no Chief Officer who has left the County Council under the terms of the standard redundancy scheme, any voluntary redundancy scheme or severance arrangement, will be re-engaged by the County Council under a contract for services within a minimum period of 12 months of the termination date. In this case the authorisation requirements set out at Paragraph 20 of this Pay Statement in respect of re-engagement of ex-employees will apply. No Chief Officer, as defined at Paragraphs 23-26 of this Payment Statement, will be employed by the County Council on terms and conditions which allow such an officer to be an employee of the County Council whilst operating in practice as a limited company for taxation reasons.
39. Details of Chief Officer remuneration have been published annually since 2010 as an extract from the County Council's Statement of Accounts and according to accountancy standards, as soon after the end of the relevant financial year as is reasonably practical. At that time the County Council will also update the publication of its pay multiple, that is the ratio between the highest paid employee and the median average earnings across the organisation, based on base pay. Gender Pay Gap reporting information will

also be published as part of the County Council's Open Data in accordance with statutory requirements.

Pay Statement Annex 1

Hampshire County Council's Pay Framework**Salary Ranges – from April 2017**

		Grades	
		Step	A
Salary Range	3	15,267	16,074
	2	15,159	15,768
	1	15,015	15,669

		Grades								
		Step	C	D	E	F	G	H	I	J
Salary Range	5	17,955	22,338	27,672	35,430	43,755	51,003	60,057	75,543	87,453
	4	17,508	21,687	26,868	34,401	42,483	49,521	58,305	73,341	84,906
	3	17,073	21,057	26,085	33,399	41,244	48,078	56,607	71,205	82,434
	2	16,641	20,445	25,326	32,424	40,041	46,677	54,957	69,129	80,031
	1	16,209	19,848	24,588	31,479	38,877	45,318	53,358	67,116	77,700

Note:

Salary ranges for Grades A–G are subject to the outcome of national pay negotiations.

Pay Statement Annex 2

Hampshire County Council

Standard and Voluntary Redundancy Schemes

Payments Based on Actual Weekly Pay

Current Age Groupings	Standard Redundancy Scheme (Weeks per year of service)	Years of Service	Voluntary Redundancy Scheme (Single Payment)
Service accrued up to and inc. 21	0.5	Service accrued – less than 2	0
Service accrued between 22-40	1.0	Service accrued – 2+	20
Service accrued age 41 and above	1.5		
Max Number of Weeks	30		

COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Employment in Hampshire County Council Committee
PART I

1. MEMBERS' ALLOWANCES SCHEME 2017/18, 2018/19, 2019/20, 2020/21 AND 2021/22

- 1.1. The legislative framework governing the payment of Members' Allowances is set out in the Local Authorities (Members Allowances) (England) Regulations 2003 (as amended) ('the Members' Allowances Regulations').
- 1.2. Under the provisions of the Members' Allowances Regulations the County Council is required to make a Scheme ('Members' Allowances Scheme') for the payment of Members' Allowances each year. A Members' Allowances Scheme needs to make provision for Basic Allowances, Special Responsibility Allowances ('SRA's'), Dependents' Carers' Allowances, Travelling and Subsistence Allowances and Co-optees Allowances.
- 1.3. Once a Members' Allowances Scheme is made for any year it may be amended during the year in question in accordance with the Members' Allowances Regulations. It is also possible under the Members' Allowances Regulations for any amendment to the Members' Allowances Scheme to be backdated to the beginning of the financial year in which any such amendment is made.
- 1.4. By virtue of the Members' Allowances Regulations, before the County Council can make or amend a Members' Allowances Scheme, it is required to have regard to recommendations made in relation to it by an Independent Remuneration Panel ('IRP'). In this regard the IRP met on 10 October 2017.
- 1.5. The Employment in Hampshire County Council ('EHCC') Committee met on 22 November 2017 to consider the recommendations of the IRP, and to make recommendations to the County Council in respect of amendment (if appropriate) to the Members' Allowances Scheme for 2017/18, and a Members' Allowances Scheme for 2018/19, 2019/20, 2020/21, and 2021/22. A copy of the Report considered by the EHCC Committee is attached as an Annex to this Report. Minutes of the IRP Meeting are attached at Appendix 1 to the EHCC Report.

2. Amendment to Members' Allowances Scheme 2017/18

Recommendations of the Independent Remuneration Panel in relation to amendment of the Members' Allowances Scheme for 2017/18 are set out below, together with the EHCC Committee's views and conclusions on them:

2.1. Assistant to the Executive – Rural Affairs Champion

Recommendation of the IRP

That the SRA for the position of Assistant to the Executive – Rural Affairs

Champion remain at £4,345 per annum being 25 per cent of an Executive Cabinet Member SRA, to be reviewed in 12 months' time.

Consideration of IRP Recommendation

The view of the EHCC Committee was that the work load of this role was increasing, and the view was expressed that the position carried more responsibility than that reflected in the functional areas of the current SRA. Whilst accepting the recommendation of the IRP that there should be no change to the SRA currently payable, the EHCC Committee also supported the recommendation of the IRP that the SRA should be further reviewed in 12 months' time.

2.2. SRA Minority Group Spokespersons

Recommendation of the IRP

That the SRA for Minority Group Spokespersons remains in line with the formula adopted by the full Council on 20 February 2014, subject to review in the future and on submission of a business case evidencing how the role has developed.

Consideration of IRP Recommendation

The view of the EHCC Committee was that the formula approved by the County Council in 2014 for calculation of the SRA for Minority Group Spokespersons was specifically aimed to future proof SRA's payable in respect of these positions, whatever the political composition of the County Council, and size of minority political groups. It was noted that since the 2017 election, Minority Group Spokespersons SRA's payable to the largest minority political group had increased in accordance with the formula to reflect the increase in members of the political group. The EHCC Committee were in support of the IRP recommendation.

3. Members' Allowance Scheme 2018/19, 2019/20, 2020/21, and 2021/22

Recommendations of the Independent Remuneration Panel in relation to the Members' Allowances Scheme for 2018/19, 2019/20, 2020/21, and 2021/22 are set out below, together with the EHCC Committee's views and conclusions on them:

3.1. Annual Adjustment of Allowances

Recommendation of the IRP

That the Basic Allowance and Special Responsibility Allowances payable to Members be increased in line with any nationally agreed pay award for staff (if any) from 1 April 2018, and thereafter annually for 2019/20, 2020/21 and 2021/22.

Consideration of IRP Recommendation

The EHCC Committee noted that under the provisions of the Members' Allowances Regulations it was possible to make a Members' Allowances Scheme providing for an annual adjustment of Members' Allowances for up to

four years. The EHCC Committee supported the view of the IRP as to an annual adjustment of Members' Allowances by reference to the pay award for staff (if any), and were of the view that the appropriate adjustment should be by reference to any award for Senior Managers at Grade H.

3.2. SRA Co-opted Scheme Member Representatives – Hampshire Pension Fund Panel and Board

Recommendation of the IRP

That an SRA of £675 per annum be payable to the Co-opted Scheme Member Representatives of the Hampshire Pension Fund Panel and Board from 1 April 2018.

Consideration of IRP Recommendation

The EHCC Committee were in support of the recommendation of the IRP, noting that with a joint Pension Fund Panel and Board the workload both in terms of time commitment and complexity had increased. It was also noted that should the recommendation of the IRP be accepted this would provide consistency in SRA's payable to Co-opted non elected members of the County Council.

3.3. Childcare and Dependents' Carers' Allowances

Recommendation of the IRP

That reimbursement reflecting the actual cost incurred be payable in regard to Childcare and Dependents' Carers' Allowances in accordance with the County Council's payment processes.

Consideration of IRP Recommendation

The EHCC Committee considered the recommendation of the IRP regarding Childcare and Dependents' Carers' Allowances, and in particular the need to balance responsibility for public money with a fair level of support to enable elected Members to carry out their duties and the provision of an efficient means for reclaiming costs. A range of options were discussed, including paying the actual cost of care, linking allowances with the National Living Wage, and linking allowances with the rate paid by the County Council for similar care provision. The EHCC Committee were of the view that it was desirable that allowances should be reflective of actual costs, while retaining an open, efficient and transparent process, and be in line with governance arrangements relating to the County Council's payment processes. It was determined that Officers should review the position and advise on an appropriate methodology to achieve the aim of the EHCC Committee. It was also agreed that different amounts for Childcare and Dependents' Carers' Allowances could apply.

With this in mind and subsequent to the EHCC Committee meeting, further work has been done. A possible option might be to link Dependents' Carers' Allowances to the County Council's Care at Home rate, currently £17.30 per hour. This could also apply in respect of dependent care for children with

special needs. A possible option for a revised Childcare Allowance might be to link this to the National Living Wage for age 25 years and over, £7.83 per hour from 1 April 2018.

Should this approach be agreed, both Childcare and Dependents' Carers' Allowances would be 'future proofed', as any increase in respect of changes to these rates would automatically be payable. This approach would also meet the wish of the EHCC Committee in retaining an efficient and transparent approach, and be in line with the County Council's payment processes.

4. Other Allowances

A number of other allowances are currently payable to certain Members and other persons holding positions required by law under legislation not part of the Members' Allowances Regulations. These include allowances for the Chairman and Vice-Chairman of the County Council, Independent Persons required in consequence of the provisions of the Localism Act 2011, and members of the IRP. In considering the future adjustment of allowances payable under the Members' Allowances Scheme, Members of the EHCC Committee considered that it would be sensible for consistency to adopt a similar approach in respect of any future adjustment of allowances payable under other legislation.

5. Claims and Payments of Members' Allowances

As Members are aware, following the elections in 2017 all expenses are required to be claimed via ESS Lite for Councillors within three calendar months of the date the expenses are incurred. It was reported to the EHCC Committee that some confusion had arisen as the procedure for ESS Lite, which is also applicable to staff, requires that claims must be submitted within three months including the month any expenses are incurred. Members of the EHCC Committee considered it sensible that for clarity the procedure for Members and Officers should be one and the same, and that the time limit for claiming Members' expenses via ESS Lite should be three months calculated from the beginning of the month in which the expenses are incurred.

RECOMMENDATIONS

That the County Council, taking into account the recommendations of the IRP:

- a) Approves that there should be no change to the Members' Allowances Scheme for 2017/18.
- b) Approves a Members' Allowances Scheme for the years 2018/19, 2019/20, 2020/21, and 2021/22, whereby Basic Allowances and Special Responsibility Allowances payable to Members are adjusted from 1 April 2018, and thereafter annually, in line with the pay award (if any) for Senior Managers at Grade H.
- c) Approves a Special Responsibility Allowance in the sum of £675 per annum to Co-opted Scheme Member Representatives of the Hampshire Pension Fund

Panel and Board from 1 April 2018.

- d) Approves that from 1 April 2018 the Dependents' Carers Allowance (including dependent care for children with special needs) be that payable at the County Council's Care at Home rate, and may be amended from time to time as required.
- e) Approves a revised Childcare Allowance from 1 April 2018 at the National Living Wage hourly amount for age 25 years and over.
- f) Approves that from 1 April 2018 any other allowances payable, including allowances for the Chairman and Vice-Chairman of the County Council and other persons holding positions required by law under legislation not part of the Members' Allowances Scheme, be henceforth adjusted by the same adjustment of allowances (if any) payable under the Members' Allowances Scheme.
- g) Approves that the time limit for claiming Members' Expenses via ESS Lite should be three months, calculated from the beginning of the month in which the expenses are incurred.

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Employment in Hampshire County Council Committee
Date:	22 November 2017
Title:	Members' Allowances Scheme for 2017/18 and Members' Allowances Scheme for 2018/19, 2019/20, 2020/21 and 2021/22
Report From:	Director of Transformation and Governance

Contact name: Barbara Beardwell – Head of Law & Governance & Monitoring Officer
Debbie Vaughan – Head of Democratic & Member Services

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1. Executive Summary

- 1.1. The legislative framework governing the payment of Members' Allowances is set out in the Local Authorities (Members' Allowances) (England) Regulations 2003 ('the Members Allowances Regulations').
- 1.2. Under the provisions of the Members' Allowances Regulations, the County Council is required each year to make a Members' Allowances Scheme. The Members' Allowances Scheme needs to make provision for payment of Basic Allowances, Special Responsibility Allowances ("SRA's") Dependents' Carers' Allowances, Travelling and Subsistence Allowances, and Co-optees Allowances. Once a Members' Allowances Scheme is made for any year it may be amended during the year in question in accordance with the Members' Allowances Regulations. It is also possible under the Members' Allowances Regulations for any amendment to the Members' Allowances Scheme to be backdated to the beginning of the financial year in which any such amendment is made.
- 1.3. By virtue of the Members' Allowances Regulations, before the County Council can make or amend a Members' Allowances Scheme, it is required to have regard to recommendations made in relation to it by an Independent Remuneration Panel ("IRP"). In this regard the IRP met on 10 October 2017. Minutes of the IRP meeting, and the recommendations of the IRP are appended to this report.

2. Amendment to Members' Allowances Scheme 2017/18

2.1 Recommendations of the Independent Remuneration Panel

- a) **That the SRA for the position of Assistant to the Executive – Rural Affairs Champion remain at £4,345 per annum being 25 per cent of an Executive Cabinet Member SRA, to be reviewed in 12 months time.**
- b) **That the IRP support a change of title for this position to reflect the new direction of the role to Assistant to the Executive – Rural Communities and Parish Council Lead Member.**
- c) **That the SRA for Minority Group Spokespersons remains in line with the formula adopted by the full Council on 20 February 2014, subject to review in the future and on submission of a business case evidencing how the role has developed.**

2.2 Consideration of IRP Recommendations

Assistant to the Executive – Rural Affairs Champion

- 2.2.1. As Members of the EHCC Committee will recall, this was a new post established by the County Council at its Annual General Meeting on 22 May 2015. Consideration was given by the IRP at its meeting on 14 October 2015 as to whether this post should attract an SRA, and if so an appropriate amount. The recommendation of the IRP which was supported by the EHCC Committee, and agreed by full Council as an amendment to the existing Members' Allowances Scheme, was that an SRA be payable for the role, backdated to the date of the 2015 AGM, in the sum of £4,345 per annum (being 25% of the SRA for an Executive Member), but that this should be reviewed in twelve months time as the role developed.
- 2.2.2. In reviewing the role and SRA at its meeting on 10 October 2017, the IRP had received detailed information on the role and its development, which is reflected in the Minutes of the IRP meeting attached as Appendix 1 to this report.
- 2.2.3. In particular the IRP noted the leading role this position has in the development of closer working with Hampshire's 264 Parish and Town Councils in terms of new and effective ways to sustain services and support, at a local level, in the face of ongoing budget reductions. An amendment to the title of the position to reflect the importance of this partnership working, as detailed in recommendation b) above was supported by the IRP.
- 2.2.4. The view of the IRP was that there should be no change to the amount of the SRA at this time, but that this should be considered further in twelve months time.

Minority Group Spokespersons SRA

- 2.2.5. The IRP considered a request to review the Minority Group Spokespersons Allowance in light of changes to the political composition of the County Council following its Elections in May 2017. The IRP had recommended a formula be applied to calculate the SRA for Minority Group Spokespersons in 2013 to future proof when changes to the political composition of the Council occurred. The formula was adopted by the County Council on 20 February 2014. The IRP were of the view that this SRA remains in line with the formula adopted by the County Council and that the SRA could be reviewed in the future on submission of a business case evidencing how the role has developed since the formula was introduced.

3. Members' Allowances Scheme 2018/19, 2019/20, 2020/21 and 2021/22

3.1. Recommendations of the Independent Remuneration Panel

- a) **That an SRA of £675 per annum be payable to the Co-opted Scheme Member Representatives of the Hampshire Pension Fund Panel and Board from 1 April 2018.**
- b) **That the Basic Allowance and Special Responsibility Allowances payable to Members be increased in line with any nationally agreed pay award for staff (if any) from 1 April 2018 and thereon annually for 2019/20, 2020/21 and 2021/22.**
- c) **That reimbursement reflecting the actual cost incurred be payable in regard to Childcare and Dependents' Carers' Allowances in accordance with the County Council's payment processes.**

3.2 Consideration of IRP Recommendations

SRA Co-opted Scheme Member Representatives – Hampshire Pension Fund Panel and Board

- 3.2.1. Consideration was given by the IRP as to whether the Co-opted Scheme Member role should attract an SRA. It was noted that since the previous Pension Fund Panel now constitutes a joint Pension Fund Panel and Board, the workload both in terms of time commitment and complexity had increased. The IRP had information on the role and its responsibilities, which is included as an Annex to the IRP Minutes. It was noted that currently an SRA of £675 was payable to Co-opted Members of the Children and Young People Select (Overview and Scrutiny) Committee, to Co-opted Members of the Police and Crime Panel, to Independent Members under the Localism Act 2011, and to IRP Members. The IRP were of the view that an SRA should be payable to Co-opted Scheme Members of the Hampshire Pension Fund Panel and Board, and that an appropriate amount was £675 per annum, in line with that amount currently payable to other Co-opted Members. Should the recommendation of the IRP be accepted this would provide consistency in SRA's payable to Co-opted non-elected Members of the County Council.

Members' Allowances Scheme 2018/19, 2019/20, 2020/21 and 2021/22

- 3.2.2. Consideration was given by the IRP as to whether, as for the previous four years, the County Council should adopt a Members' Allowances Scheme to run for four years, with an annual adjustment by reference to an index specified by the County Council. This is possible under the provisions of the Members' Allowances Regulations, and means that while a Members' Allowances Scheme providing for an annual adjustment of allowances is in force, it is unnecessary for the County Council to specifically consider the Scheme again during that period. It does however remain possible for the Scheme to be amended from time to time to take account for example of new/revised roles or responsibilities. The recommendation of the IRP was that a Members' Allowances Scheme should be made for four years with an annual adjustment of allowances in line with the pay award for staff (if any). It is suggested that any pay award be linked to the lowest rate increase payable to the 'Senior Manager' cohort which comprises Grade H and above. In making their recommendation, the IRP noted that both Basic Allowances and SRAs had been frozen for eight years at 2009 levels.
- 3.2.3. As Members of the EHCC Committee will be aware, over the last few years, when considering whether or not there should be an adjustment to the Members' Allowances Scheme, the County Council has aimed, in the interests of efficiency, to 'future proof' decisions made so as to take account of future circumstances and variations in the political make-up of the Council. Examples of this are Minority Group Leaders' Allowances and Minority Group Spokespersons' Allowances, which are now set accordingly to a formula based on the numbers in any Minority Group on the County Council and adjusted up (or down) depending on the numbers in a political group at any specific time. By adopting a four year scheme by reference to an annual adjustment, this follows a similar approach.
- 3.2.4. Should the recommendation of the IRP be agreed, it is considered that it would be sensible for consistency to adopt a similar approach in respect of SRAs and allowances payable under other legislation, including allowances for the Chairman and Vice-Chairman of the Council, Independent Members and IRP Members, and that in future these should be adjusted in line with any adjustment to allowances under the Members' Allowances Scheme.

Childcare and Dependents' Carers' Allowances

- 3.2.5. Currently Childcare and Dependents' Carers' Allowances are payable under the Members' Allowances Scheme at the rate of £6.00 per hour for childcare, and £8.00 per hour for dependents' carers. These allowances have remained unchanged for several years. The recommendation of the IRP is that these allowances should be reviewed taking account of individual cost. This however presents a difficulty in applying an appropriate level of control of public funds and administering reimbursement. Should Members of the EHCC Committee consider that there should be a review of these allowances then a more efficient and transparent approach would be to adjust the set hourly rates payable under the Members' Allowances Scheme to an amount reflective of current costs. It is therefore suggested that these allowances be linked to the

National Living Wage (at the aged 25 and over rate, currently £7.50 per hour) payable for dependent children up to the age of 16 and, in respect of both allowances, when the carer is someone other than a family member.

Should this approach be agreed, it would be possible to 'future proof' these too in line with any adjustment to the Members' Allowances Scheme generally going forward.

4. Next Steps

- 4.1. Amendment of the Members' Allowances Scheme for 2017/18, if appropriate, and the Members' Allowances Scheme for 2018/19, 2019/20, 2020/21 and 2021/22 recommended by the EHCC Committee will be considered by the County Council at its meeting on 22 February 2018.

5. Claims and Payments of Members' Allowances

- 5.1 As Members of the EHCC Committee will be aware, following the elections in 2017 all expenses must be claimed via ESS Lite for Councillors within three calendar months of the date the expenses are incurred. Some confusion has arisen as the procedure for ESS Lite, which is also applicable to staff, requires that claims must be submitted within three months including the month expenses are incurred. It is therefore considered sensible that for clarity the procedure for Members and Officers should be one and the same and that all expenses should be claimed via ESS Lite within three months calculated from the beginning of the month in which the expenses are incurred.

6. Recommendations

- a) That the EHCC Committee recommend to the County Council that approval be given to amendment of the Members' Allowances Scheme for 2017/18, if appropriate, and to a Members' Allowances Scheme for 2018/19, 2019/20, 2020/21 and 2021/22, which takes into account the recommendations of the Independent Remuneration Panel and the views of the EHCC Committee.
- b) That the proposal in regard to clarification of the procedure for claiming Members' expenses referred to at paragraph 5.1 is agreed.

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because of the requirements of the Members' Allowances Regulations.

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Amendments to the Members' Allowances Scheme 2015/16 – County Council	7 January 2016
Amendments to the Members' Allowances Scheme 2013/14 and Members' Allowances Scheme 2014/15, 2015/16, 2016/17 and 2017/18 – County Council	20 February 2014
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
Local Government and Housing Act	1989
The Local Authorities (Members' Allowances) (England) Regulations	2003

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.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

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

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

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

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

1.2. Equalities Impact Assessment:

Equality objectives have been considered and no adverse impact identified.

2. Impact on Crime and Disorder:

2.1. These proposals will have no impact on crime and disorder.

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

No impact has been identified.

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific measures have been identified.

APPENDIX 1

AT A MEETING of the INDEPENDENT REMUNERATION PANEL of the County Council held at The Castle, Winchester on 10 October 2017.

PRESENT:
Roger Farrall (Chairman)

* Julia Abbott
* Richard Kinch

* David Heck

* Present

In attendance: Councillors Geoff Hockley and Keith House.

1. **APOLOGIES FOR ABSENCE**

No apologies had been received as all members of the Panel were present.

2. **DECLARATIONS OF INTEREST**

None.

3. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman welcomed everyone to the meeting.

4. **AMENDMENT TO THE MEMBERS' ALLOWANCES SCHEME FOR 2017/18**

Review of the Special Responsibility Allowance for the position of Assistant to the Executive – Rural Affairs Champion

At its meeting on 14 October 2015 the Panel considered a Special Responsibility Allowance (SRA) for the position of Assistant to the Executive – Rural Affairs Champion and recommended an SRA of £4,345 per annum being 25% of the SRA for an Executive Cabinet Member. The Panel further recommended that the SRA be reviewed in 12 months time. It was felt timely to review the SRA following the County Council's Election in May 2017 and the setting up of the new Administration.

Information about the position, outcomes achieved and how it had developed since its inception had been provided to the IRP as summarised below. The Chairman invited John Tickle, Assistant Director in the Culture, Communities and Business Services department to expand on this information and answer the Panel's questions.

The Panel noted the key functional areas of the Rural Affairs Champion as set out below:

- directly supports and advises the Leader and Cabinet on the development of rural policy, innovative pilot projects, grant awards and joint funding initiatives to sustain strong and vibrant rural communities across the County
- develops and maintains links with key organisations such as the Local Enterprise Partnerships, HALC (Hampshire Association of Local Councils - parish and town councils), National Park Authorities, and other bodies such as Action Hampshire, the Country Landowners Association and Campaign to Protect Rural England
- actively Represents Hampshire County Council on key bodies such as the HALC Board, Hampshire Rural Forum and the statutory Hampshire Countryside Access Forum to further the opportunities and interests of rural communities across the county
- promotes Hampshire County Council's rural estate and associated partnerships as a key contribution to both the land based sector and economic development across the county
- provides rural 'proofing' advice in relation to the impacts of County Council policy and service delivery developments linked to the extensive programme of transformation and change operating across all departments within the organisation
- leading role in the development of closer working with Hampshire's 264 Parish and Town Councils in terms of new and effective ways to sustain services and support, at a local level, in the face of ongoing budget reductions

together with a summary of key rural programme delivery outcomes during 2016/17:

- updated Socio-economic profile of rural Hampshire – production of an updated evidence base to help inform decision making and the targeting of scarce resources (approximately 80% of Hampshire is defined as rural – and it contains about 25% of the population)
- New Hampshire Rural Forum – successful re-establishment of the Forum in June 2016 bringing together 60 organisations, groups and individuals with an interest in rural Hampshire to raise awareness and understanding of rural issues and find solutions (e.g. rural crime – involvement in the Police and Crime Commissioner's 'rural communities matter' conferences). The role holder is the County Council representative on the Forum and Lead Member for the

County Council on its future development

- consolidation of grants – launch of a revised grant scheme, the Rural Communities Fund, to help rural communities access small scale funding
- close working with Adults' Health and Care to ensure continued support for the Village Agents at a time of transformational change; examination of future initiatives to provide innovative solutions to the major challenge around Adult social care in rural areas whilst ensuring the role delivered by the village agents is maintained where appropriate
- supporting crime prevention and reduction through the Countryside Service and Country Watch joint-working initiative – partnership established between Hampshire Constabulary's Country Watch Team and the County Council's Countryside Service including the branding of Countryside Service vehicles with the Country Watch logo and the start of a closer working relationship between Country Watch Officers and Countryside Rangers

The Panel further noted that during 2016/17 £557,000 had been committed to boost initiatives delivering benefits/solutions in rural areas, many of which had attracted match funding. Some examples of initiatives supported by, and overseen by the Rural Affairs Champion include: external grant schemes (Community Challenge Fund, Flood Alleviation Grants, and Rural Retailers and Community Enterprises Scheme and overseeing an annual budget of £200,000); Hitting the Cold Spots (focussing on vulnerable adults in rural areas) and Parish Lengthsmen, a very popular scheme, which through a £30,000 contribution from the rural budget to add to the highways contribution, enabled extension of the Scheme to include rights of way.

During the course of discussion the IRP recognised the position to be a valuable one and had been well executed by the current role holder. However having considered the current scope of the role, the IRP did not feel that the role had significantly changed or sufficiently developed to warrant an increase to the SRA at this stage. However, if in light of further developments or the budget overseen by the Rural Affairs Champion were to grow, the IRP would review the position again.

Minority Group Spokespersons SRA

The IRP considered a request from Councillor House to review the SRA for the position of Minority Group Spokesperson in light of changes to the political composition of the County Council following its Elections in May 2017. The IRP confirmed that arising from their meeting held on 23 September 2013 they had recommended a formula be applied to calculate the SRA for Minority Group Spokespersons, being 20% of the SRA payable

to Executive Cabinet Members (currently £17,379 thus £3,476) when a Minority Group comprises of eight or more Members plus £100 per Member of the Group. This approach had been in line with that taken for the SRA for Minority Group Leaders for which a formula also applies and had been recommended to future proof these positions going forward whatever the political composition might be. The IRP's recommendation was considered by the Employment in Hampshire County Council (EHCC) Committee on 12 November 2013, recommended to the County Council on 20 February 2014 and approved. The IRP considered that a review of the current formula for Minority Group Spokespersons could be carried out next year on the submission of a business case evidencing how the role had changed and/or developed since the formula had been introduced.

RESOLVED:

- a) That the SRA for the position of Assistant to the Executive – Rural Affairs Champion remain at £4,345 per annum being 25 per cent of an Executive Cabinet Member SRA, to be reviewed in 12 months time.
- b) That the IRP support a change of title for this position to reflect the new direction of the role to Assistant to the Executive – Rural Communities and Parish Council Lead Member.
- c) That the SRA for Minority Group Spokespersons remains in line with the formula adopted by the County Council on 20 February 2014, subject to review in the future and on submission of a business case evidencing how the role has developed.

5. MEMBERS' ALLOWANCES SCHEME TO TAKE EFFECT FROM 1 APRIL 2018

The current Members' Allowances Scheme expires on 31 March 2018 and in accordance with Regulation 21 of the Local Authorities (Members Allowances) (England) Regulations 2003 had given consideration to a Scheme to take effect on 1 April 2018.

The Chairman confirmed that during the course of their work, the IRP had taken account of other Councils' Schemes and had attended a meeting of the SE Region IRPs. The approach of the IRP had been to recommend a Members' Allowances Scheme that was fit for purpose and robust. The introduction of formulas for the calculation of SRAs payable to Minority Group Leaders and Minority Group Spokespersons had been effective and operating a Scheme over a four-year period had provided continuity and assisted financial planning.

Hampshire Pension Fund Panel & Board – SRA for Co-opted Member Scheme Representatives

The IRP considered a request to introduce an SRA for the Co-opted Scheme Member Representatives on the Hampshire Pension Fund Panel and Board. Background information is attached as an Annex to these Minutes. The IRP supported this request and proposed that the SRA be the same amount paid to other Co-opted Member roles, being £675 per annum, payable from 1 April 2018.

Basic Allowance and Special Responsibility Allowances

The IRP proposed that the basic allowance and SRAs payable to Members, Co-opted Members and allowances payable under other legislation be increased in line with any nationally agreed pay award for staff from 1 April 2018 and thereon annually for 2019/20, 2020/21 and 2021/22. The IRP were mindful that the basic allowance and the majority of SRAs had been frozen at the 2009/10 level for the last eight years and had therefore not kept pace with inflation. In terms of succession planning and attracting individuals to become a Councillor, the IRP highlighted the importance of operating a Scheme that made provision for sensible increases particularly as some Councillors may give up some form of paid employment to take on this important role.

Childcare and Dependents' Carers' Allowances

The IRP had reviewed the current allowances for Childcare and Dependents' Carers' and were of the view that a move away from fixed amounts to allow Members to claim actual costs would be more appropriate to reflect the variance of these costs across the County.

RESOLVED:

- a) That an SRA of £675 per annum be payable to the Co-opted Scheme Member Representatives of the Hampshire Pension Fund Panel and Board from 1 April 2018.
- b) That the basic allowance and SRAs payable to Members, Co-opted Members and allowances payable under other legislation be increased in line with any nationally agreed pay award for staff from 1 April 2018 and thereon annually for 2019/20, 2020/21 and 2021/22.
- c) That a reimbursement reflecting the actual cost incurred be payable in regard to Childcare and Dependents' Carers' Allowances in accordance with the County Council's payment processes.

Hampshire Pension Fund Panel & Board – SRA for Co-opted Scheme Member Representatives

The joint Hampshire Pension Fund Panel and Board meets at least six times a year and is responsible for both the management and scrutiny of the operation of the Hampshire Pension Fund. Hampshire's arrangement to operate a joint Panel and Board, as approved by the Secretary of State, is one of only two joint Panel and Boards in the country. It is a complex area of work with a high level of collective responsibility attached to it and requires time and commitment from all of its members. As at 31 March 2017 the Pension Fund had over 160,000 scheme members and investments worth over £6.3bn.

The Scheme Member representatives on the Panel and Board are co-optees appointed by the Full Council and have full voting rights on all matters at meetings including administration, governance and investment decisions. Currently there are three full Co-opted Scheme Representatives (active, deferred and pensioner) together with one Substitute, the position for which is vacant (a recruitment drive will commence in the autumn) who are independent members of the public and receive no remuneration for the work they do. Benchmarking against the 10 other authorities in the Pension Fund Pool that Hampshire is part of (Cambridgeshire, East Sussex, Essex, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex) confirms that travel and subsistence expenses only are paid.

However, the above is not a like-for-like comparison, as all these authorities have separate Pension Boards to their Pension Committees, therefore arguably what Hampshire asks from its members of the joint Panel and Board both in terms of meeting attendance and training is far greater than if they were just members of a separate Pension Board.

Members of the Joint Panel and Board must have knowledge and understanding of the law relating to pensions and in addition to the administration of the Fund and how it is invested. In order to achieve this, the members of the Joint Panel and Board will undertake individual training needs analyses against the requirements of CIPFA's Pension Finance Knowledge and Skills Framework. Members then participate in a range of training activities, including internal training events, conferences and seminars hosted by Investment Managers and other Pension Fund suppliers, and on-line learning. Co-opted Scheme Member Representatives must undertake the same training as all other members, including the Substitute Member and has responsibility for building up and expanding their level of knowledge.

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COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Chief Executive
PART I

1. GENERAL DATA PROTECTION REGULATION (GDPR)

- 1.1. The General Data Protection Regulation (GDPR) and a new Data Protection Act will replace the existing Data Protection Act on 25 May 2018. Although GDPR is a piece of European Union legislation, the British Government has confirmed that it will take effect in full, regardless of Brexit.
- 1.2. The use of technology has changed significantly since the original Data Protection Act came into force and one of the main purposes of the new Regulation is to bring privacy legislation up to date, reflecting a world where personal data is collected more widely and the risk of misusing data has increased.
- 1.3. The changes are designed to bring about greater transparency and assurance for the public and place a higher responsibility on organisations to be more accountable and transparent about how they use personal information. The changes will build upon and add to the existing requirements.
- 1.4. All organisations that handle personal information will be required to keep a record of what types of personal information it uses, who it is shared with and how long it retains it. They will also need to be clear about the legal reasons why they use particular personal data and to explain this and more detail about what they will do with the personal data at the point at which it is collected.
- 1.5. The levels of fines that the Information Commissioner will be able to impose for loss of personal information and other breaches of the legislation will increase significantly from £500,000 to a maximum of 20,000,000 euros (£18 million).

2. IMPLICATIONS FOR THE COUNTY COUNCIL

- 2.1. The County Council is in a good starting position following the audit inspection of the Information Commissioner's Office (ICO) in November 2016, where it determined that the County Council demonstrated "high assurance" in the handling of personal information and data security.
- 2.2. The County Council is reviewing its processes, systems and contractual relationships to ensure compliance with the new requirements outlined in GDPR.

3. IMPLICATIONS FOR ELECTED MEMBERS

3.1. Elected Members may have access to, and handle, personal information in three distinct and separate ways:

- i) as a consequence of their duties as a County Councillor
- ii) in pursuance of their constituency duties
- iii) as a result of the activities of their political party

3.2. Conducting duties as a County Councillor

Members are provided with a secure environment from which to undertake their work through the County Council's secure IT network and an individual email address, which are protected by up to date security and firewalls. This is covered under the County Council's registration as a data controller. Members can therefore have confidence that when using their County Council email account within the County Council's IT systems in accordance with its relevant policies, the required security standards will be met when holding personal information received as part of the duties of an elected Member of the County Council.

3.3. In this regard, Members are reminded of the requirements of the County Council's IT Policies, which apply equally to Members and Officers. Members should not use personal or shared email accounts including where relevant, email accounts provided by other Councils, for County Council business. It is not permitted, for example, to auto-forward emails or calendar entries from County Council to non County Council email accounts due to the sensitivity of data held by the County Council, particularly in the case of social care. Further guidance is available via the Guidance Note 'Provision of IT Services to County Councillors', available on the Members Portal.

3.4. Further training for Members on GDPR will be provided at a dedicated Member briefing session on 22 March 2018, to which all Members are encouraged to attend. In addition, as part of the County Council's overall preparation for GDPR, the mandatory e-learning module for Officers is being updated, and Officers will be required to undertake refresher training. As a matter of good governance it is appropriate that Members similarly complete the updated e-learning module. Opportunity will be provided for Members to do this at the March briefing session referred to above. For those Members unable to attend the briefing session, a link will be sent following the briefing for Members to complete the training electronically.

3.5. Conducting constituency duties

In respect of constituency work, the County Council arranges the necessary registration as a data controller for those Members who wish it, and will continue to do so.

3.6. Party political activities

In terms of party political work, for example campaigning during a County Council election, it is a matter for individual Member's to take up any data

protection queries or concerns with their respective political party organisations. It is the responsibility of Members to check if their political party is registered.

4. APPOINTMENT OF DATA PROTECTION OFFICER

- 4.1. Along with all public authorities, the County Council is required to designate one of its officers to carry out the statutory duties of the Data Protection Officer (DPO) pursuant to Articles 37-39 of the General Protection Regulations (GDPR). A further report will be brought to the next meeting of the County Council in May in this regard.

RECOMMENDATIONS

That the County Council:

- a) Notes the implications of GDPR for the County Council and that in the interests of good governance, and agrees that all Members should undertake the revised e-learning data protection module, prior to the introduction of the new Regulation on 25 May 2018.
- b) Agrees that completion of the data protection e-learning module is included as a requirement for new and returning Members as part of the Member Induction Programme, after any County Council elections.

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COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Hampshire Fire and Rescue Authority
PART II

1. CHAIRMAN'S REPORT

- 1.1. At its meeting of 5 December 2017, the Hampshire Fire and Rescue Authority received an update from the Chief Fire Officer on fire as a health asset, including the provision of emergency first aid, co-responding, the ability to assist elderly fall victims, and assisting the police and ambulance services to gain entry to property. Authority Members noted the positive difference that this made to partner organisations, to the people of Hampshire and ultimately in delivering savings for the public purse.
- 1.2. Further reports were considered: setting out the Authority's budgetary position in preparation for the 2018/19 budget setting; updating Members on performance against key indicators in the period April to September 2017; detailing the new General Data Protection Regulation (GDPR), which will come into effect on the 25 May 2018; and proposing an update to the Authority's members' allowances scheme following an extensive review.
- 1.3. At his final meeting before retirement, the Authority took the opportunity to present Chief Fire Officer, Dave Curry, a certificate recognising his contribution to the Service. Mr Curry thanked the Authority and reflected on his time with Hampshire Fire and Rescue Service and the strengths of the Service.

Further details on these items can be found at the following link:

- [HFRA 5 December 2017](#)

COUNCILLOR CHRIS CARTER
Chairman of Hampshire Fire and Rescue Authority

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COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Health and Wellbeing Board
PART II

1. CONSTITUTIONAL ARRANGEMENTS: APPOINTMENTS TO THE HEALTH AND WELLBEING BOARD FOR HAMPSHIRE

1.1. The Health and Wellbeing Board for Hampshire ('HWBB') was established on 18 July 2013 by virtue of the Health and Social Care Act 2012 as a usual committee of the County Council but with more flexibility in terms of formal governance than is normally the case, such as its membership and voting rights.

1.2. At the Council meeting on 30 May 2014, authority was given to the Head of Law and Governance (Monitoring Officer), in consultation with the Chairman of the Health and Wellbeing Board, to amend the membership and terms of reference of the HWBB to facilitate the effective discharge of its responsibilities and to report back any changes to the next meeting of the County Council. In this regard, the following appointments have been made:

- Paul Archer, Director of Transformation and Governance, appointed as substitute member to the Director of Adults' Health and Care
- Stuart Ashley, Assistant Director Children & Families, appointed as substitute member to the Director of Children's Services
- Susanne Hasselmann, Lay Member at South Eastern Hampshire Clinical Commissioning Group (CCG), appointed as substitute member to the Chairman of South Eastern Hampshire CCG
- Steve Manley, Healthwatch Hampshire Manager, appointed as substitute member to the Chairman of Healthwatch Hampshire
- Superintendent Paul Bartolomeo, appointed as substitute member to the Police and Crime Commissioner for Hampshire
- Councillor Philip Raffaelli, Gosport Borough Council, appointed as substitute member to one of the District and Borough Council elected member representatives (as nominated by the Hampshire and Isle of Wight Local Government Association)
- Shantha Dickinson, Assistant Chief Fire Officer, appointed as the main representative of the Hampshire Fire and Rescue Service (HFRS)
- Nigel Cooper, Area Manager, appointed as the substitute member for the Hampshire Fire and Rescue Service
- Dr Nick Broughton took over as Chief Executive of Southern Health NHS Foundation Trust in November 2017, and by virtue of this role becomes the representative of the Community and Mental Health Trusts

COUNCILLOR LIZ FAIRHURST
Chairman, Health and Wellbeing Board

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COUNCIL MEETING, 22 February 2018

REPORT OF THE
Cabinet/Leader
PART II

1. COMMISSION OF INQUIRY

- 1.1. On 5 February 2018 Cabinet agreed to establish a commission of inquiry, involving a range of commissioners with different areas of interest and knowledge but also with a connection to Hampshire, to help develop a Vision for Hampshire 2050: Economically Prosperous -Environmentally Sustained.
- 1.2. The purpose of the Commission is:
“to consider submitted evidence, to deliberate upon key issues and to make recommendations on a Vision for Hampshire 2050 which will guide and contribute to the future prosperity, quality of life, and protection and enhancement of the character and environment of Hampshire”.
- 1.3. The work would help inform and shape the County Council and its partners longer term policies on the future development of the economy, the protection and enhancement of Hampshire’s environment, as well as wider planning and delivery of public services. Crucially, this work would link with an emerging Government agenda on Local Industrial Strategies, which were seen as setting a longer term vision for local areas, looking beyond traditional economic considerations and providing a framework for future planning and resourcing.
- 1.4. There would be a strong link to the recently published 25 Year Environment Plan ‘A Green Future: our 25 Year Plan to Improve the Environment’; and would link to the current Government focus on housing and infrastructure to inform any potential economic deals for the county.

2. ATTAINMENT OF CHILDREN AND YOUNG PEOPLE IN HAMPSHIRE SCHOOLS

- 2.1. On 5 February 2018 Cabinet received a summary and analysis of the performance of Hampshire schools in 2017 at key points in children’s education: the end of the Foundation Stage, the end of Key Stage 2 (the end of primary education) and at the end of Key Stage 4 (the end of secondary education).
- 2.2. Members were advised that overall, pupils’ attainment compared favourably with that nationally and with our group of “statistical neighbour” local authorities. The very strong performance seen last year at Key Stage 2, despite the changes to more challenging standards in 2016, had been secured in 2017 meaning that Hampshire’s primary schools were now performing extremely well.

- 2.3. Cabinet were advised that this year, there have been changes to GCSE English and mathematics content and the way in which the pupils are tested and graded. Despite these changes, schools' attainment at Key Stage 4 compared favourably with that nationally across these three measures.
- 2.4. In agreeing the report, Cabinet noted the positive attainment outcomes being achieved by Hampshire's schools.

3. STRATEGIC PARTNERSHIP FOR HAMPSHIRE COUNTY COUNCIL TO DELIVER CHILDREN'S SERVICES FOR THE ISLE OF WIGHT COUNCIL

- 3.1. On 5 February 2018 Cabinet considered and approved a report on the strategic partnership for Hampshire County Council to deliver children's services for the Isle of Wight Council.
- 3.2. In agreeing the report, Cabinet were made aware that the partnership has since brought demonstrable improvements for Isle of Wight children both in terms of education and children's social care and has also benefited Hampshire County Council staff through broadening their range of experience.

4. ANNUAL REPORT OF THE DIRECTOR OF PUBLIC HEALTH

- 4.1. On 11 December 2017 Cabinet agreed the annual report of the Director of Public Health which focussed on Ageing Well in Hampshire and was the third in a series of reports examining the themes of the Hampshire Health and Wellbeing Strategy. Previous reports had looked at 'Starting Well' and 'Living Well'.
- 4.2. The report which detailed specific issues for the health of older people where preventive action could be taken were set out and welcomed by Members who noted the impact on quality of life and that issues, such as social isolation, were part of a national trend.
- 4.3. The Director highlighted a number of ways in which technology was being used and developed to support positive outcomes and it was confirmed that Hampshire was leading the way in this area. Recent positive feedback on the position in Hampshire had been received from Duncan Selbie (Chief Executive of Public Health England).

Further details on these items can be found at the following links:

- [Cabinet - 5 February 2018](#)
- [Cabinet - 11 December 2017](#)

COUNCILLOR ROY PERRY
Leader and Executive Member for Policy and Resources

COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Executive Member for Public Health
PART II

1. ALCOHOL NURSE SERVICE GRANTS

- 1.1. On 17 January 2018 the Executive Member for Public Health approved a grant not exceeding £70,000 to University Hospital Southampton NHS Foundation Trust towards Alcohol Nurse Services for two years from 1 April 2018. Approval for a grant not exceeding £126,350 was also given to Portsmouth Hospital Trust towards Alcohol Nurse Services for two years from 1 April 2018. Delegated authority was also given to the Director of Public Health, in consultation with the Executive Member, to determine the exact value of the grant subject to the limit stated above, and will be monitored and managed within the value of the confirmed annual budget approved by Full County Council in each of the years.
- 1.2. Approval for the grant funding continues the provision of Alcohol Nurse Services to Hampshire residents accessing University Hospital Southampton NHS Foundation Trust and Portsmouth Hospital Trust. The aim of the Alcohol Nurse Service in acute hospitals is to minimise alcohol related harm, identify and intervene with alcohol problems early and to reduce demand on acute hospital services. Each Alcohol Nurse Service in Hampshire assesses over 200 Hampshire patients per quarter, and the public health team continue to work in partnership with Hospital Trusts, Local Authorities and Clinical Commissioning Groups.
- 1.3. The Alcohol Nurse Service is evidence based and delivers on a range of Public Health outcomes. These are:
 - Preventing people from dying prematurely.
 - Enhancing quality of life for people with long-term conditions.
 - Helping people to recover from episodes of ill-health or following injury.
 - Ensuring people have a positive experience of care.
 - Treating and caring for people in a safe environment and protecting them from avoidable harm.

Further details on this item can be found at the following link:

- [Executive Member for Public Health – 17 January 2018](#)

COUNCILLOR PATRICIA STALLARD
Executive Member for Public Health

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COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Executive Member for Culture, Recreation and Countryside
PART II

1. HAMPSHIRE TALENTED ATHLETE SCHEME

- 1.1. At his Decision Day on 18 January 2018 the Executive Member for Culture, Recreation and Countryside approved recommendations for grant awards to local athletes as part of the Hampshire Talented Athlete Scheme (HTAS). Athletes from over 70 sports are eligible to apply to the HTAS to receive funding and other development opportunities to support their progression within their sport. There are five levels of support available to athletes depending on their stage within the performance pathway.
- 1.2. For 2018 the Executive Member for Culture, Recreation and Countryside has awarded grants to 119 athletes across 31 different sports. The HTAS also negotiates a number of 'in kind' and sponsored services to reduce the financial impact upon athletes. These include free annual leisure centre memberships, annual bus passes, fast-track physiotherapy and presentation and public speaking training.
- 1.3. The HTAS has been running for over 16 years and has successfully supported many developing athletes to reach their goals and aspirations from county level through to international competitions in Olympic, Paralympic and Commonwealth Games disciplines.

2. COUNTRY PARK TRANSFORMATION PROGRAMME

- 2.1. As part of the ongoing Country Parks Transformation (CPT) Programme, the various stages of which have been approved and endorsed by the Executive Member for Culture, Recreation and Countryside, new facilities have recently opened to the public at Queen Elizabeth County Park. Partly funded by the Armed Forces Covenant to bring military and civilian communities together, the new features include a fitness assault course and dog agility trail. Additions to the park have also included a new play area and an outdoor community space with a pizza oven.
- 2.2. Incorporated into the CPT Programme, Royal Victoria Country Park (RVCP) and Manor Farm Country Park (MFCP) are due to benefit from hundreds of thousands of pounds of investment to create new and improved facilities. The funding for MFCP is intended to enhance facilities, further implement health and safety requirements, improve facilities for animal welfare and develop the existing cafe. Funding for RVCP is intended to improve the cafe and the Empire Room - a major project being led by Hampshire County Council. The Executive Member for Culture, Recreation and Countryside has noted that the

CPT Programme is a once in a generation opportunity to improve visitor facilities at these popular sites.

Further details on the HTAS can be found at the link below:

[Executive Member for Culture, Recreation and Countryside - 18 January 2018](#)

COUNCILLOR ANDREW GIBSON
Executive Member for Culture, Recreation and Countryside

COUNCIL MEETING, 22 FEBRUARY 2018

REPORT OF THE
Executive Member for Environment and Transport
PART II

1. WASTE STRATEGY

- 1.1 On 14 November 2017 the Executive Member for Environment and Transport approved the Waste Strategy scheme, which includes a revised overall strategic direction for waste management in Hampshire.
- 1.1.1 Part of this includes approval to develop a business case for a new single Material Recovery Facility (MRF), the benefits of which include:
- The maximisation of the economies of scale;
 - The ability to design for an increased range of collected materials i.e. Pots, Tubs and Trays and cartons (PTTs) without the space restrictions of the existing MRF's;
 - No need to close the existing Hampshire MRFs during the development phase, thereby avoiding disruption and loss of income from sale of recyclables and potentially higher gate fees at MRFs outside of Hampshire.
- 1.2 This development of a new MRF would enable an increase the range of recyclable materials collected at the kerbside, thereby increasing Partners' recycling performance and reducing overall costs by moving materials up the Waste Hierarchy.
- 1.3 Along with these proposals, work will also be undertaken to assess the options open to the Authority for increasing disposal capacity options, be that additional ERF (Energy Recovery Facilities) capacity or pre-processing for export to other facilities outside of Hampshire as a refuse Derived fuel (RDF) or a Solid Recovered Fuel (SRF)
- 1.4 The County Council continues to work with the Chief Executive Group of the Hampshire and Isle of Wight Local Government Association (HIOWLGA), as has been the practice to date with respect to developing the MRF proposals, identifying and quantifying the options for the future structure of Household Waste Services in Hampshire, and learning from other authorities in order to improve services to the community at lowest overall cost.

Further details on this item can be found at the following links:

- [Waste Strategy](#)

COUNCILLOR ROB HUMBY
Executive Member for Environment and Transport

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