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Hampshire County Council

NOTICE OF MEETING

Meeting	Cabinet
Date and Time	Monday, 3rd February, 2020 at 10.30 am
Place	Wellington Room, EII Court, The Castle, Winchester
Enquiries to	members.services@hants.gov.uk

John Coughlan CBE
Chief Executive
The Castle, Winchester SO23 8UJ

FILMING AND BROADCAST NOTIFICATION
This meeting may 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 OF PREVIOUS MEETING (Pages 5 - 26)

To confirm the minutes of the previous meeting

4. DEPUTATIONS

To receive any deputations notified under Standing Order 12

5. CHAIRMAN'S ANNOUNCEMENTS

To receive any announcements the Chairman may wish to make.

6. REVENUE BUDGET & PRECEPT 2020/21 (Pages 27 - 138)

To receive a report of the Director of Corporate Resources regarding the Revenue Budget and Precept 2020/21

7. CAPITAL PROGRAMME 2020/21 - 2022/23 (Pages 139 - 170)

To receive a report of the Director of Corporate Resources regarding the Capital Programme 2020/21 – 2022/23

8. SERVING HAMPSHIRE - 2019/20 HALF YEAR PERFORMANCE REPORT (Pages 171 - 192)

To receive a report of the Chief Executive and Head of Law and Governance providing a regular update on performance against the Serving Hampshire strategic plan

9. CHILDREN'S SERVICES PARTNERSHIP WITH WEST SUSSEX COUNTY COUNCIL (Pages 193 - 200)

To receive a report of the Chief Executive regarding details of the continuing support by Hampshire County Council for children's services in West Sussex County Council

10. INSURANCE STRATEGY (Pages 201 - 224)

To receive a report of the Director of Transformation and Governance regarding the County Council's insurance strategy

11. CORPORATE PARENTING BOARD (Pages 225 - 234)

To receive a report of the Director of Children's Services regarding proposals for the revised arrangements for the Corporate Parenting Board

12. RESPONSIBILITIES FOR EXECUTIVE FUNCTIONS (Pages 235 - 246)

To receive a report of the Chief Executive regarding the allocation of Executive Functions from 1 April 2020

ABOUT THIS AGENDA:

On request, this agenda can be provided in alternative versions (such as large print, Braille or audio) and in alternative languages.

ABOUT THIS MEETING:

The press and public are welcome to attend the public sessions of the meeting. If you have any particular requirements, for example if you require wheelchair access, please contact members.services@hants.gov.uk for assistance.

County Councillors attending as appointed members of this Committee or by virtue of Standing Order 18.5; or with the concurrence of the Chairman in connection with their duties as members of the Council or as a local County Councillor qualify for travelling expenses.

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AT A MEETING of the Cabinet of HAMPSHIRE COUNTY COUNCIL held at the Castle, Winchester on Monday, 6th January, 2020

Chairman:
* Councillor Keith Mans

* Councillor Rob Humby
* Councillor Roz Chadd
* Councillor Liz Fairhurst
* Councillor Judith Grajewski
* Councillor Edward Heron
* Councillor Andrew Joy
* Councillor Stephen Reid
Councillor Patricia Stallard
* Councillor Seán Woodward

* Present

Also present with the agreement of the Chairman: Councillors Bennison, Carpenter, Carter, Glen, Oppenheimer, Tod and Warwick.

151. **APOLOGIES FOR ABSENCE**

Apologies were received from Cllr Stallard.

152. **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 Personal interest in a matter being considered at the meeting they considered whether such interest should be declared, and having regard to Part 5, Paragraph 5 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.

153. **MINUTES OF PREVIOUS MEETING**

The minutes of the last meeting were reviewed and agreed

154. **DEPUTATIONS**

No requests to make a deputation had been received.

It was noted that Councillor Tod would speak on the Climate Change item with the agreement of the Chairman.

155. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman congratulated all of the individuals in Hampshire who had been recognised for their achievements in the New Year honours list.

With reference to the ongoing wildfires in Australia and noting that many families in Hampshire, including his own, had connections with the area, he confirmed his intention to write and offer any support that the County Council might be able to provide.

Noting that the outcome of the General Election had given a clear path for Britain's exit of the European Union, the Chairman highlighted the importance of ensuring that infrastructure needs of Hampshire were recognised in the new arrangements.

156. **BUDGET SETTING AND PROVISIONAL CASH LIMITS 2020/21**

Cabinet considered a report of the Director of Corporate Resources regarding the budget setting process and provisional cash limits 2020/21.

The report was positively received and Members particularly noted the position regarding the pension fund valuation. It was recognised that this appeared to be a very strong position, but remained subject to stock market fluctuations and therefore any bonus, although welcome, could not yet be assumed.

The recommendations in the report were agreed. A decision record is attached to these minutes.

157. **TRANSFORMATION TO 2019: REPORT NO. 8**

Cabinet considered a report of the Chief Executive setting out an update to the Transformation to 2019 (T19) work programme.

The report was introduced and it was confirmed that £107 million of savings had been secured, whilst strong initial progress had also been made on the Transformation to 2021 (T21) programme which was now running concurrently. Cabinet noted that future reports would focus on progress within T21, with updates on the conclusion of T19.

The progress on a number of specific areas of both T19 and T21 programmes were highlighted and discussed, including the consultation on the future operation of Orchard Close, our shared services work with the three London Boroughs, looked after children and the forthcoming consultation on the Library service. Cabinet acknowledged the significant extent of Transformation progress over the last decade and noted in particular, the differences in Government funding support levels between Local Authorities and the NHS for this period.

The recommendations in the report were agreed. A decision record is attached to these minutes.

158. **NHS LONG TERM STRATEGIC DELIVERY PLAN FOR HAMPSHIRE AND THE ISLE OF WIGHT**

[Councillor Reid declared a personal interest in this item by virtue of being the County Council's representative on the Hampshire Hospitals Foundation Trust]

Cabinet received a report of the Director of Adults' Health and Care regarding the NHS Long Term Delivery Plan for Hampshire and the Isle of Wight.

The report was introduced and welcomed by Members. The effectiveness of local councils in improving quality of life was noted and it was agreed that for most individual circumstances, prevention of illness should be the desired outcome. With this in mind, the potential benefits of more NHS money being put into community services and further empowerment of Public Health was recognised.

The recommendations in the report were agreed. A decision record is attached to these minutes.

159. **INTERIM PROGRESS ON CLIMATE CHANGE STRATEGY AND ACTION PLAN**

Cabinet considered a report of the Director of Economy, Transport and Environment outlining progress of the development of the climate change strategy and action plan.

The Chairman noted the level of public interest in this item, welcoming a number of observers to the meeting.

With the agreement of the Chairman, Councillor Tod addressed Cabinet and expressed how pleased he was with the response to the issue and the initial proposals. He noted the schedule of achieving carbon neutrality by 2050 was a longer period than set by other local authorities and whilst accepting that moving ahead of national targets may not be easy, asked that acceleration of the County Council's targets be considered. He highlighted the leadership role of the County Council and called on highest impact areas, particularly transport, to be focused on with the greatest urgency.

Cabinet considered the report and noted the approach of delivery focused practical environmentalism could be both stretching and achievable. The 2050 target was proposed to align with national targets and the dependence on government action made this achievable rather than aspirational. It was noted that the County Council ambition was to bring the target forward if this was practically and financially achievable .

Members acknowledged key strands of the strategy including community engagement, local leadership and working with partners. The importance of addressing resilience against the impact of climate change alongside mitigation of future change was recognised. It was explained that much focus would be on the biggest sources of carbon emissions; transport and domestic properties. The imminent review of the County's transport plan would give a significant opportunity to increase sustainable modes and reduce car dependence. Reducing domestic emissions was historically linked with national incentive schemes for home improvement that were no longer available. Success in both areas would be dependent on Government action and working locally with partners. The County Council had an important role to lead on change and engagement with parish councils, environmental groups and other partners.

It was acknowledged that to achieve positive outcomes, action was needed across the whole of the County Council and not limited individual departments.

Agreeing that Cabinet should continue to receive regular updates the recommendations in the report were agreed. A decision record is attached to these minutes.

160. **ANNUAL PREVENT REPORT**

Cabinet considered a report of the Director of Adult's Health and Care with the annual report on the County Council's PREVENT duties and responsibilities.

The report was introduced and Cabinet acknowledged the County Council's role in the local leadership of the duty to prevent people being drawn into terrorism. It was noted that further updates would be provided on an annual basis.

The recommendations in the report were agreed. A decision record is attached to these minutes.

161. **HAMPSHIRE COMMUNITY SAFETY STRATEGY GROUP**

Cabinet considered a report of the Director of Adults' Health and Care regarding the Hampshire County Strategy Group for Community Safety.

In introducing the report, the Director gave assurance that the County Council was meeting its responsibilities and tackling risks with partners. The size and breadth of the Group was noted and welcomed. It was questioned whether this reduced its ability to respond and it was explained that the Group oversaw the actions of respective partners and in doing so was able to co-ordinate and share innovation.

The recommendations in the report were agreed. A decision record is attached to these minutes.

162. **ANNUAL ADULT SAFEGUARDING REPORT**

Cabinet considered a report of the Director of Adults' Health and Care presenting the annual safeguarding report.

The report was introduced and welcomed by members who noted key points relating to activity over the past year, including a reduction in both referrals and in the overall number of cases which had been achieved as a result of working with partners to keep people safe.

The recommendations in the report were agreed. A decision record is attached to these minutes.

163. **ANNUAL SAFEGUARDING REPORT - CHILDREN'S SERVICES 2018-19**

Cabinet considered a report of the Director of Children's Services presenting the annual safeguarding report.

The key areas of the report, including the positive judgement by Ofsted were introduced. It was noted that growth in referrals had continued, but there were fewer children in care and that positive outcomes for Hampshire children had increased. Cabinet noted that work with other local authorities had been supported by Ofsted in their inspection and judgement.

The recommendations in the report were agreed. A decision record is attached to these minutes.

Chairman,

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HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	6 January 2020
Title:	Budget Setting and Provisional Cash Limits 2020/21
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Rob Carr

Tel: 01962 847508 **Tel:** rob.carr@hants.gov.uk

1. **The decision:**

That Cabinet:

1.1. Approves recurring funding of £210,000 from 2020/21 to provide additional resources to deliver the Health & Safety function, with any in year impact in 2019/20 managed through the use of contingencies.

1.2. Approves the provisional cash limits for 2020/21 set out in Appendix 1.

1.3. Approves the capital guideline amounts for the next three years set out in paragraph 86.

2. Reasons for the decision:

2.1. The report and decisions of Cabinet set the framework for developing the detailed revenue budgets and capital programme that will be presented to Executive Members, Cabinet and County Council during January and February 2020.

3. Other options considered and rejected:

3.1. None.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker: None

4.2. Conflicts of interest declared by other Executive Members consulted: Not applicable

5. Dispensation granted by the Conduct Advisory Panel: None

6. Reason(s) for the matter being dealt with if urgent: Not applicable

7. Statement from the decision maker:

Approved by:	**Date:**
--- Councillor Keith Mans Chairman of Cabinet	6 January 2020

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	6 January 2020
Title:	Transformation to 2019: Report No. 8
Report From:	Chief Executive

Contact name: John Coughlan

Tel: 01962 846400 **Tel:** john.coughlan@hants.gov.uk

1. The decision:

That Cabinet:

1.1. Notes the latest Tt2019 programme risk assessment, including the early securing of £107m of savings - section 5.

1.2. Notes the update on the outcome of the further work in relation to the future of Orchard Close Learning Disabilities Respite Care Centre and the agreement of the Executive Member for Adult Social Care and Health for a further service user and public consultation on proposed changes to the service - section 5.

1.3. Notes the continued progress and strong contributions being made by the three enabling projects to the programme; Digital, Productivity and Procurement – section 6.

1.4. Notes that programme progress will continue to be monitored closely with quarterly updates to be provided to Cabinet during 2020 – section 5 and 8.

1.5. Notes the update on the implementation of the successor £80m Tt2021programme, including the early achievement of £15m of savings and the likelihood of 7 service specific public consultations being required – section 7.

1.6. Agrees to continue to work closely with sub-regional strategic forums and Hampshire MPs to make the case for changes to funding formulas and/or new charging powers aimed specifically at improving grant funding levels or raising income that will be used to protect important services into the future e.g. the Schools high needs block, Home to School Transport, the ability to charge for Household Waste Recycling Centres.

2. **Reasons for the decision:**

2.1. To provide an update on progress with Transformation to 2019, including the early achievement of savings.

3. **Other options considered and rejected:**

3.1. None.

4. **Conflicts of interest:**

4.1. Conflicts of interest declared by the decision-maker: None

4.2. Conflicts of interest declared by other Executive Members consulted: Not applicable.

5. **Dispensation granted by the Conduct Advisory Panel:** None

6. **Reason(s) for the matter being dealt with if urgent:** Not applicable

7. **Statement from the decision maker:**

Approved by:	**Date:**
-- Councillor Keith Mans Chairman of Cabinet	6 January 2020

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	6 January 2020
Title:	NHS Long Term Strategic Delivery Plan for Hampshire and the Isle of Wight
Report From:	Director of Adults' Health and Care

Contact name: Graham Allen

Tel: 01962 847200 **Email:** Graham.allen@hants.gov.uk

1. The decision:

That Cabinet are asked to:

1.1 Note the contents of this report.

1.2 Endorse continued managerial and operational engagement with NHS partners in providing support to our population across a range of existing joint activity.

1.3 Note that the Health and Wellbeing Board is the primary strategic and political interface with the Hampshire and the Isle of Wight Sustainability and Transformation Partnership (HIOW STP).

1.4 Support the development of greater coherence across NHS organisations, through the NHS Long Term Plan, recognising that the plan is primarily a health service document.

1.5 Endorse the approach of the County Council in ensuring that the Hampshire health and care system, in all of its forms, maintains a core focus upon improving outcomes for our population.

2. Reasons for the decision:

2.1 The development of the HIOW STP and the response to the NHS Long Term Plan is a complex and complicated task. A great deal of time and effort has been expended to develop proposals and more importantly to ensure services are delivered to our population. It is important that Hampshire County Council continues to work with NHS and other partners in developing and delivering services and responses that meet our populations needs. However, the NHS LTP needs to be seen as an NHS plan and support as such

3. Other options considered and rejected:

3.1 None

4. Conflicts of interest:

4.1 Conflicts of interest declared by the decision-maker: None

4.2 Conflicts of interest declared by other Executive Members consulted: None

5. Dispensation granted by the Conduct Advisory Panel: None

6. Reason(s) for the matter being dealt with if urgent: Not applicable

7. Statement from the decision maker:

Approved by:	**Date:**
--	6 January 2020
Chairman of Cabinet Councillor Keith Mans	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	6 January 2020
Title:	Interim Progress on Climate Change Strategy and Action Plan
Report From:	Director of Economy, Transport and Environment

Contact name: Chitra Nadarajah

Tel: 01962 846771 **Tel:** chitra.nadarajah@hants.gov.uk

1. The decision:

1.1. That Cabinet approves the target of carbon neutrality by 2050 for the wider Hampshire area which aligns with national government target.

1.2. That Cabinet notes the existing target for carbon neutrality by 2050 for the County Council's own estate and approve the inclusion of some wider indirect emissions (see paragraphs 33 & 34).

1.3. That Cabinet approves the target for resilience to plan for impacts of a two degree Celsius rise in temperature (see paragraphs 40-43).

1.4. That Cabinet notes that any emerging opportunities to progress delivery against the proposed targets will be expedited and maximised where feasible and affordable.

1.5. That Cabinet endorses the approach set out in the report for the development of the strategy, action plan and reporting.

1.6. That Cabinet approves the resource and governance structures set out in the report.

1.7. That Cabinet approves the proposal to establish a Salix De-carbonisation Fund of £1million to fund a range of energy saving initiatives on the County Council's corporate built estate. The fund will comprise a £500,000 allocation from the remaining £1.1million of County Council funding identified for energy saving initiatives with match funding of £500,000 from Salix. The £1million to be added to the Policy and Resources Capital Programme.

1.8. That Cabinet approves a programme of tree and wildflower planting on highways amenity land, which will be funded by ringfencing 100% of capital receipts from the sale of surplus highways land.

1.9. That Cabinet approves the revocation of the 2013 Executive Member for Policy and Resources Wind Policy prohibiting large wind turbines and wind farm developments on county land as this does not support the principles of the climate change strategy. Any decisions on changes to

County Council land use will be subject to the normal approval processes and will be assessed on their own merits.

1.10. That Cabinet approves the review of all County Council policies and strategies over the next five years, prioritising areas of high impact within the first two years, to take into account the impacts of climate change and to actively contribute to climate change mitigation and resilience.

1.11. That Cabinet approves the requirement for all decision papers to include an impact assessment on climate change mitigation and resilience (as is currently the case for equalities).

2. Reasons for the decision:

2.1. To receive the update interim progress report on the development of a climate change strategy and action plan following the declaration of a climate emergency on 18 July 2019 and to agree targets as part of the strategy.

3. Other options considered and rejected:

3.1. None.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker: None

4.2. Conflicts of interest declared by other Executive Members consulted: Not applicable.

5. Dispensation granted by the Conduct Advisory Panel: None

6. Reason(s) for the matter being dealt with if urgent: Not applicable

7. Statement from the decision maker:

Approved by:	**Date:**
-- Councillor Keith Mans Chairman of Cabinet	6 January 2020

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	6 January 2020
Title:	Annual PREVENT Report
Report From:	Director of Adults' Health and Care

Contact name: Graham Allen

Tel: 01962 847200 **Email:** Graham.allen@hants.gov.uk

1. The decision:

1.1 That Cabinet notes the contents of this report on updating PREVENT related activity in Hampshire, including the work being undertaken by Hampshire County Council and its partners in the management and mitigation of issues related to duties under the Counter Terrorism and Security Act 2015.

1.2 That Cabinet receive a further update in 12 months' time.

2. Reasons for the decision:

2.1 The annual report provides information and assurance on the County Council's delivery of the PREVENT duties and responsibilities hosted within Adults' Health and Care.

3. Other options considered and rejected:

3.1 None

4. Conflicts of interest:

4.1 Conflicts of interest declared by the decision-maker: None

4.2 Conflicts of interest declared by other Executive Members consulted: None

5. Dispensation granted by the Conduct Advisory Panel: None

6. Reason(s) for the matter being dealt with if urgent: Not applicable

7. Statement from the decision maker:

Approved by:	**Date:**
---	6 January 2020
Chairman of Cabinet Councillor Keith Mans	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	6 January 2020
Title:	Hampshire Community Safety Strategy Group
Report From:	Director of Adults' Health and Care

Contact name: Graham Allen

Tel: 01962 847200 **Email:** Graham.allen@hants.gov.uk

1. The decision:

1.1 That Cabinet;

a) note the leadership of the County Council in promoting community safety with partners through the Hampshire Community Safety Strategy Group (HCSSG);

b) note the arrangements for establishing a Hampshire Violence Reduction Unit; and

c) endorse the action of the Director of Adults' Health and Care in establishing an initial grant scheme which enables an element of the 2019/20 Home Office funding to tackle serious violence to be allocated to community projects.

2. Reasons for the decision:

2.1 This report provides an update on the work of the Hampshire Community Safety Strategy Group and progress towards agreeing the Hampshire County Agreement for Community Safety as well as an update on the recent introduction of requirements and resources to address Serious Violence.

3. Other options considered and rejected:

3.1 None

4. Conflicts of interest:

4.1 Conflicts of interest declared by the decision-maker: None

4.2 Conflicts of interest declared by other Executive Members consulted: None

5. Dispensation granted by the Conduct Advisory Panel: None

6. Reason(s) for the matter being dealt with if urgent: Not applicable

7. Statement from the decision maker:

Approved by:	**Date:**
--	6 January 2020
Chairman of Cabinet Councillor Keith Mans	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	6 January 2020
Title:	Annual Adult Safeguarding Report
Report From:	Director of Adults' Health and Care

Contact name: Graham Allen

Tel: 01962 847200 **Email:** Graham.allen@hants.gov.uk

1. The decision:

1.1 That Cabinet receives this annual update report related to adult safeguarding.

1.2 That Cabinet notes the positive progress with regards to safeguarding adults in Hampshire and the commitment of a wide range of Adult Services officers in achieving this level of performance.

1.3 That Cabinet note the developments and risks in relation to the remit of our local authority statutory duty to safeguard and keep vulnerable adults safe from abuse and/or neglect.

1.4 That Cabinet note the contribution of the Hampshire Safeguarding Adults Board in leading the development of policy across the four local authority areas of Hampshire, Portsmouth, Southampton and the Isle of Wight.

1.5 That Cabinet receive a further update on adult safeguarding in 12 months' time.

2. Reasons for the decision:

2.1 This report provides an annual update in respect of the local authority statutory duty to safeguard vulnerable adults.

3. Other options considered and rejected:

3.1 None

4. Conflicts of interest:

4.1 Conflicts of interest declared by the decision-maker: None

4.2 Conflicts of interest declared by other Executive Members consulted: None

5. Dispensation granted by the Conduct Advisory Panel: None

6. **Reason(s) for the matter being dealt with if urgent:** Not applicable

7. **Statement from the decision maker:**

Approved by:	**Date:**
---	6 January 2020
Chairman of Cabinet Councillor Keith Mans	

HAMPSHIRE COUNTY COUNCIL

Executive Decision Record

Decision Maker:	Cabinet
Date:	6 January 2020
Title:	Annual Safeguarding Report – Children's Services 2018-19
Report From:	Director of Children's Services

Contact name: Stuart Ashley

Tel: 01962 846370 **Tel:** stuart.ashley@hants.gov.uk

1. The decision:

1.1. That Cabinet notes the positive progress and continued consistently high performance with regards to safeguarding children in Hampshire.

1.2. That Cabinet note the commitment of a wide range of Children's Services officers in achieving this level of performance.

1.3. That Cabinet endorses the future direction of travel identified in this report.

1.4. That Cabinet receives further updates on safeguarding on an annual basis.

2. Reasons for the decision:

2.1. To receive the annual update regarding children's safeguarding in Hampshire.

3. Other options considered and rejected:

3.1. None.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker: None

4.2. Conflicts of interest declared by other Executive Members consulted: Not applicable.

5. Dispensation granted by the Conduct Advisory Panel: None

6. Reason(s) for the matter being dealt with if urgent: Not applicable

7. Statement from the decision maker:

Approved by:	**Date:**
--- Councillor Keith Mans Chairman of Cabinet	6 January 2020

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	3 February 2020 13 February 2020
Title:	Revenue Budget and Precept 2020/21
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Carolyn Williamson

Tel: 01962 847400 **Email:** Carolyn.Williamson@hants.gov.uk

Section A: Purpose of this Report

1. The purpose of this report is to set out the County Council's proposals for the revenue budget and precept for 2020/21. It also provides an update on the financial position for 2019/20.

Section B: Recommendation(s)

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

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

3. Approves the Revised Budget for 2019/20 contained in Appendix 1, including a transfer of £2.0m to the Investment Risk Reserve.

4. Approves that a minimum allocation of £2.0m is carried forward each year for highways reactive maintenance funding irrespective of the level of any under spend, with any shortfall underwritten corporately through the use of contingencies.

5. Delegates authority to the Director of Economy, Transport and Environment in consultation with the Executive Member for Economy, Transport and Environment to move funding from Operation Resilience to highways reactive maintenance if required during the year up to a limit of £3.0m.

6. Approves the updated cash limits for departments for 2020/21 as set out in Appendix 3.

7. Delegates authority to the Deputy Chief Executive and Director of Corporate Resources, following consultation with the Leader and the Chief Executive to make changes to the budget following Cabinet to take account of new issues, changes to figures notified by District Councils or any late changes in the final Local Government Finance Settlement

8. 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 2020/21.

b) The Revised Budget for 2019/20 set out in Appendix 1 be approved.

c) The Revenue Budget for 2020/21 (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 £3.9m as set out in paragraphs 92 to 105 be approved.

e) Funding of £830,000 in 2020/21 to deal with the impact of ash dieback as set out in paragraphs 106 to 110 be approved.

f) The additions to the Capital Programme totalling £9.6m as set out in paragraphs 111 to 128 are approved.

g) The allocation of £2.5m from the Policy and Resources Other Reserve to top up the Investing in Hampshire Fund be approved.

h) The **council tax requirement** for the County Council for the year beginning 1 April 2020, be £668,000,898.

i) The County Council's band D council tax for the year beginning 1 April 2020 be £1,286.28, an increase of 3.99%, of which 2% is specifically for adults' social care.

j) The County Council's council tax for the year beginning 1 April 2020 for properties in each tax band be:

	£
Band A	857.52
Band B	1,000.44
Band C	1,143.36
Band D	1,286.28
Band E	1,572.12
Band F	1,857.96
Band G	2,143.80
Band H	2,572.56

k) Precepts be issued totalling ££668,000,898 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out below:

Basingstoke and Deane	66,647.30
East Hampshire	50,461.90
Eastleigh	47,034.53
Fareham	43,559.30
Gosport	27,039.10
Hart	40,704.11
Havant	40,708.30
New Forest	71,492.90
Rushmoor	31,865.06
Test Valley	49,855.00
Winchester	49,960.25

l) The Capital & Investment Strategy for 2020/21 (and the remainder of 2019/20) as set out in Appendix 8 be approved.

m) The Treasury Management Strategy for 2020/21 (and the remainder of 2019/20) as set out in Appendix 9 be approved.

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

RECOMMENDATIONS TO COUNCIL

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

County Council is recommended to approve:

a) The Treasurer's report under Section 25 of the Local Government Act 2003 (Appendix 7) and take this into account when determining the budget and precept for 2020/21.

b) The Revised Budget for 2019/20 set out in Appendix 1.

c) The Revenue Budget for 2020/21 (as set out in Appendix 4 and Appendix 5).

d) Funding for one off revenue priorities linked to the development of capital investment totalling £3.9m as set out in paragraphs 92 to 105.

e) Funding of £830,000 in 2020/21 to deal with the impact of ash die back as set out in paragraphs 106 to 110.

f) The additions to the Capital Programme totalling £9.6m as set out in paragraphs 111 to 128.

g) The allocation of £2.5m from the Policy and Resources Other Reserve to top up the Investing in Hampshire Fund.

h) That the **council tax requirement** for the County Council for the year beginning 1 April 2020, be £668,000,898.

i) That the County Council's band D council tax for the year beginning 1 April 2020 be £1,286.28, an increase of 3.99%, of which 2% is specifically for adults' social care.

j) The County Council's council tax for the year beginning 1 April 2020 for properties in each tax band be:

	£
Band A	857.52
Band B	1,000.44
Band C	1,143.36
Band D	1,286.28
Band E	1,572.12
Band F	1,857.96
Band G	2,143.80
Band H	2,572.56

k) Precepts be issued totalling £668,000,898 on the billing authorities in Hampshire, requiring the payment in such instalments and on such date set by them previously notified to the County Council, in proportion to the tax base of each billing authority's area as determined by them and as set out overleaf:

Basingstoke and Deane	66,647.30
East Hampshire	50,461.90
Eastleigh	47,034.53
Fareham	43,559.30
Gosport	27,039.10
Hart	40,704.11
Havant	40,708.30
New Forest	71,492.90
Rushmoor	31,865.06
Test Valley	49,855.00
Winchester	49,960.25

l) The Capital & Investment Strategy for 2020/21 (and the remainder of 2019/20) as set out in Appendix 8.

m) The Treasury Management Strategy for 2020/21 (and the remainder of 2019/20) as set out in Appendix 9.

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

Section C: Executive Summary

9. This report sets out the proposed budget and council tax for 2020/21, representing the 'interim year' as part of the County Council's tried and tested two year cycle for delivering savings, which has been a key feature in ensuring that strong financial management has been maintained during the period of austerity.

10. Savings targets for 2021/22 were approved as part of the Medium Term Financial Strategy (MTFS) in 2018 and detailed savings proposals have been developed through the Transformation to 2021 (Tt2021) Programme which were agreed by Cabinet and County Council during October and November last year. Any early achievement of resources from proposals during 2020/21 as part of the Tt2021 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.

11. During January individual Executive Members have been considering their revenue budget proposals with the Leader and Cabinet and Select Committees who provide overview and scrutiny. This report consolidates these proposals together with other items that make up the total revenue budget for the County Council in order to recommend a budget, precept and council tax to the meeting of full County Council on 13 February 2020.

12. This report also considers a number of one off revenue and capital items that can be added to the budget and Capital Programme at this stage, reflecting the scale and capacity at which the County Council is able to operate and demonstrating the effectiveness of its financial strategy and strong financial management. The key additions are shown in the following table:

	£M
Funding for new schools' design and strategic land development	3.90
Additional resource to tackle the ash tree die back problem	0.83
Rural Broadband 'top up' voucher scheme	1.00
LED street lighting replacement scheme	3.20
Electric vehicle purchase (additional allocation)	0.80
Operation Resilience additional contribution	3.00
Guaranteed additional funding for highways revenue maintenance	2.00
Funding for climate change initiatives	2.00
Total	**16.73**

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

14. On 4 September 2019 a one year Spending Round (SR2019) was announced by the Government for 2020/21 which has provided additional resources to local government. Whilst the settlement was positive in terms of the continuation of temporary funding and the allocation of additional funding for social care growth and Special Educational Needs (SEN) provision, in line with

extensive lobbying, it is only for one year at this stage. The SR2019 also set out core council tax of 2% and the continuation of a further 2% to fund growth in adult social care costs.

15. The provisional Local Government Finance Settlement was announced on 20 December 2019 and confirmed the grant figures and council tax thresholds for 2020/21 in line with the SR2019 and the clarification provided in the subsequent technical consultation.

16. In line with the MTFS, this report recommends that council tax is increased by 3.99% in 2020/21, of which 2% is specifically for adults' social care, reflecting government policy. This will generate around £25m additional income and it is likely that Hampshire will remain the second lowest county level council tax in the country, without suffering from the same financial problems as some of the other low council tax county councils.

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 Deputy Chief Executive and Director of Corporate Resources in consultation with the Leader and Chief Executive to make these changes as appropriate.

18. At this stage the net draw required from the Budget Bridging Reserve (BBR) is £12.8m, which reflects the approved use of funding to provide cash flow support for the planned extended delivery of Tt2019, and to balance the budget in the interim year, offset by additions as we begin to make provision for future years.

19. The County Council's Reserves Strategy, which is set out in Appendix 6, is now well rehearsed and continues to be one of the key factors that underpins our ability not only to provide funding for transformation of services, but also to give the time for the changes to be successfully planned, developed and safely implemented.

20. The apparent lack of understanding of local authority reserves continues to be a national issue and in response some indicative work by the Local Government Association highlighted that for local government collectively, after earmarked or committed reserves had been excluded, the remaining uncommitted reserves only left enough money to run services for around 25 days. For the County Council the same exercise has been repeated and gave a figure of around 15 days. This highlights once again that reserves offer no long term solution to the financial challenges we face. Correctly used however, they do provide the time and capacity to properly plan, manage and implement change programmes as the County Council has demonstrated for many years now. The Budget Bridging Reserve continues to be used effectively and new contributions mean that we have begun to address future challenges beyond 2021/22 but are still some way short of fully funding all the elements of any successor savings programme

21. In addition, this report includes both the County Councils Capital and Investment Strategy and the Treasury Management Strategy (TMS) for 2020/21 (and the remainder of 2019/20), set out in Appendix 8 and Appendix 9 respectively.

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

23. Longer term, the County Council is still in the position of having no real visibility of its financial prospects beyond the 2020/21 year, which clearly makes any accurate financial planning difficult to achieve. Whilst there are some signs that the key messages on funding requirements are getting through, local government as a sector will continue to push the Government for a programme of multi-year rolling settlements that avoid the inevitable cliff edge that we face at the end of every Spending Review period.

24. The Treasurer's report under Section 25 of the Local Government Act 2003, which has to be taken into account when the Council determines the budget and precept for 2020/21, is set out in Appendix 7 and also considers the future financial resilience of the County Council in this context.

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

Section D: Contextual Information

26. 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 Budget Bridging Reserve (BBR) and with any early delivery of resources retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.

27. The County Council's strategy has placed it in a very strong position to produce a 'steady state' budget for 2020/21 and safely implement the next phase of changes through the Transformation to 2021 (Tt2021) Programme to deliver further savings totalling £80m.

28. The Tt2021 Programme is progressing to plan, but it is clear that bridging a further gap of £80m is extremely difficult and will take longer to achieve in order

to avoid service disruption. The Chief Executive's report entitled Transformation to 2019: Report No.8 was presented to Cabinet in January 2020 and outlined the positive progress being made, alongside continued delivery of the Transformation to 2019 (Tt2019) Programme.

29. The anticipated later delivery of some elements of the programme has been factored into our medium term planning to ensure that enough one off funding exists both corporately and within departments to meet any potential gap over the period. Taking longer to safely deliver service changes rather than being driven to deliver within the two year financial target requires the careful use of reserves as part of our overall financial strategy and further emphasises the value of our Reserves Strategy.

30. On 4 September 2019 a one year Spending Round (SR2019) was announced by the Government for 2020/21 which has provided additional resources to local government. Whilst the settlement was positive in terms of the continuation of temporary funding and the allocation of additional funding for social care growth and Special Educational Needs (SEN) provision, in line with extensive lobbying, it is only for one year at this stage. The SR2019 also set out core council tax of 2% and the continuation of a further 2% to fund growth in adult social care costs.

31. The provisional Local Government Finance Settlement was announced on 20 December 2019 and more detail about the provisional settlement is set out in Section G of this report

32. The final grant settlement for 2020/21 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 2019.

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

Section E: 2019/20 Financial Monitoring

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

35. 2019/20 represents a further milestone in this journey, given that a further £140m has been removed from budgets, taking the total to £480m since the grant reductions began. This further level of reduction obviously increases the risk within the budget, and strong financial management is critical to ensure that all departments stay within their cash limits, that no new revenue pressures are created and that approved savings programmes are delivered.

36. In recognition of this risk 'financial resilience' reporting is regularly presented to CMT which not only looks at the regular financial reporting carried out traditionally, but also focuses on potential pressures in the system and the continued monitoring of the implementation and delivery of the Tt2019 Programme; primarily within Adults' Health and Care and Children's Services where corporate cash flow support is required.

37. The latest forecast position for each department as at the end of November (Month 8) indicates that in year all departments will be able to manage the large-scale investment required to deliver their planned transformation activity and meet service pressures through the use of cost of change and other reserves, along with currently agreed corporate funding.

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

Adults' Health and Care

39. The latest forecast is a balanced position, but this is after the utilisation of all non-recurrent funds including the Cost of Change Reserve to offset significant service pressures that have materialised in the year. This position is also dependant on securing Tt2019 cash savings of £41.5m and Tt2021 early savings of just under £0.1m.

40. Whilst the net position on the Adult Social Care service budget is balanced there are some key variances. The main recurrent pressures in 2019/20 relate to the provision of care, both purchased and provided in house with pressures of £11.4m and £1.0m respectively.

41. The pressure on purchased care is primarily within the Older Adults service area with a net pressure of £7.3m. This has arisen from sustained increases in care volumes and average price increases since the latter half of 2018/19 with the full year effect of those increases becoming apparent in 2019/20. This has largely arisen due to the need to support greater throughput of clients out of hospital. In the last months there has been a stabilising of the position with limited further increases overall and indeed some reductions.

42. In response the Department is utilising the full balance of their Cost of Change Reserve to offset these pressures in 2019/20. The Department started the year with a balance of £38.6m in cost of change and will use £26.1m to offset

planned late delivery of Tt2019 and in year transformation costs, with the remainder used to offset the recurrent service pressures outlined above.

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

44. However, as a consequence of creating a greater flow of patients leaving hospital there is a subsequent impact on volumes of clients in receipt of long term care packages. To meet this need, the Department have had to, and will likely need to further, increase capacity for long term care. This further cost has a lasting impact beyond the year in which these grants have been awarded and, as has been observed in the latter half of 2018/19, if left unaddressed will likely create a pressure in future years, over and above the additional funding allowed for in the latest MTFS.

Children's Services

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

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

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

Economy, Transport and Environment (ETE)

48. Given the significant challenges of the Tt2021 savings programme the Department has adopted a cautious approach to 'business as usual' budgets including a prudent approach to vacancy management and currently a saving of £1.9m is predicted. This is due to a combination of holding vacant posts, tightly controlling non-pay budgets and increased forecast income and recharges, offset by increases in agency staff (linked to the higher income and recharges), planned one-off investments and exceptional project development costs not rechargeable to capital.

49. This sum will be transferred to the Department's Cost of Change Reserve at the end of the year, in line with the County Council's financial strategy, to be used to fund future transformational change or to cash flow delivery and offset service pressures.

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

51. Waste volume growth due to demographic growth and falling recycling rates, reflecting the national trend, continue to represent a significant risk to the financial position of the Department. In addition, the waste service budget continues to be sensitive to changes in statutory waste definitions and fluctuations in markets or currencies which affect the value of recycled materials such as metal or paper or the treatment costs of materials like wood. These risks are effectively managed through provisions held within contingencies, but all these factors create a challenging backdrop for delivering the Tt2021 savings target for waste.

52. After a decade of financial pressure, the condition of Hampshire's highways network is in noticeable decline. The County Council's Operation Resilience capital programme has helped to partly mitigate the effects of the reductions but has remained at £10.0m per annum since its inception, thus reducing its ability to mitigate the effects of reduced revenue funding. Government capital funding for highways, while welcome, is provided as a mixture of formula grant (with a degree of stability and the ability to plan programmes of work) and competitive bidding for one off grant.

53. Over the last four or five years, the County Council has agreed to carry forward any under spends on the winter maintenance budget to supplement the revenue highway maintenance budget in the following year, this is now an agreed policy position and happens every year at year end. This has proved a

successful way of increasing the available resources for reactive maintenance and figures have varied from £1.4m to nearly £2.0m over this period.

54. Whilst this has been a successful strategy, the additional funding is not guaranteed (and therefore cannot be effectively planned) and importantly is not sufficient to keep pace with the reactive maintenance volumes across the network, which have worsened over this winter as a result of the pro-longed wet weather followed by bouts of freezing temperatures. To partly address this position (and in advance of any potential announcements that there may be in the Budget in March) the Capital Investment Priority section of this report proposes new one off funding of £3.0m for Operation Resilience for 2020/21 together with increased flexibility to move capital resources to revenue if required to respond to urgent reactive maintenance liabilities.

55. In addition, this report also recommends that a slightly different approach is adopted in respect of the winter maintenance funding that has been key in providing additional funding for reactive maintenance in previous years. At the moment, any under spend in the year is carried forward and added to the reactive maintenance budget for the next financial year.

56. In order to provide greater certainty over reactive maintenance funding in the future it is recommended that a minimum allocation of £2.0m is carried forward each year, irrespective of the level of any under spend. If the under spend is greater than this, then the extra funding will be allocated at year end, if it is less than this, then the difference will be underwritten corporately. In essence, central contingencies will bear the greater share of the risk in respect of winter maintenance spending.

Culture, Communities and Business Services (CCBS)

57. CCBS delivers a wide range of services and the Department 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.

58. For 2019/20 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 Tt2021 Programme.

59. Successive budget reductions do 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. However, CCBS is in a better position than some other departments to be able to encourage use of its services to generate external income, but this does increase the risk in the budget moving forward as the reliance on that income becomes ever greater.

60. CCBS also includes a range of trading units which rely on income to fully recover the costs that they incur. HC3S is one of these trading units, providing catering services to HCC establishments, in particular the provision of school meals. Since June 2019 there has been a significant downturn in the take up of school meals, coupled with increasing food and staffing costs. Current predictions are that a deficit of around £1.0m could be expected by the end of the financial year. Actions are being put in place to mitigate the level of the eventual deficit, which can be covered by trading unit reserves and a more extensive plan is being put in place to ensure that the service returns to a break even position.

Corporate Services

61. 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.

62. 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 longer timeframes for delivering the Tt2019 Programme together with planning for the successor programme, will also mean that these teams will be in place for longer, placing further pressure on available resources.

63. The forecast position for 2019/20 is that savings will still allow a contribution to cost of change balances even after substantial transformation costs have been met in year. Early delivery of savings in the current year will help as part of the overall strategy for delivering savings in the longer term, but the continued need for additional resources against a backdrop of reducing budgets should not be underestimated.

64. In addition, Corporate Services teams will continue to provide critical support to other departments during the implementation of their own transformation programmes and it will be important for the Department to manage this further pressure to service delivery.

Schools

65. The financial pressures facing schools have been highlighted for some time, driven in large part by an increasing requirement for pupils with Special Educational Needs (SEN), which exceeds the available funding and is mirrored nationally. Pressures have mainly arisen due to significant increases in the number of pupils with additional needs and as a result of the extension of support to young people with high needs up to the age of 25. There are also increases in the amount of funding required due to increasing complexity of need, resulting in a pressure on the top-up budgets for mainstream schools,

resourced provisions and Post 16 colleges. There is also significant pressure due to more pupils requiring placements in independent and non-maintained schools.

66. In 2019/20 the current forecast is for a further over spend of £13.4m (mainly due to a forecast over spend of £17.6m on the High Needs Block, partly offset by under spends on the other blocks) which will bring the cumulative deficit to circa £27.2m. The Department for Education (DfE) have consulted on changes to the Dedicated Schools Grant (DSG) to clarify that it is a ring-fenced specific grant separate from the general funding of local authorities and that any deficit is expected to be carried forward and does not require local authorities to cover it with their general reserves. Whilst this sum sits as a ‘negative reserve’ on the County Council’s balance sheet, it in effect therefore represents an overdraft for schools which they (and the Government) need to address over the longer term.

67. Following extensive lobbying of the Minister for Education and local MPs, the announcement as part of the SR2019 of additional funding for schools, which includes extra funding for SEN of £700m nationally (£18.1m for Hampshire schools) is welcomed. However, as highlighted in the MTFS, while this will help to address the future growth in this area, the demand continues to accelerate meaning future pressures are likely and it does not provide a solution to the cumulative deficit position the schools’ budget will face at the end of 2019/20.

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

Section F: Revised Budget 2019/20

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

70. Appendix 1 provides a summary of the original budget that was set for 2019/20 together with adjustments that have been made during the year. The proposed Revised Budget for 2019/20 is then set out for information. The variance between the adjusted and revised budget gives an indication of any one off resources which may be available at the end of the year and could be used to fund one off investment or provide additional contributions to the BBR.

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

Adjusted Budget 2019/20

72. Departmental Spending – Budgeted departmental spending has increased by more than £116.6m and the reasons for this are highlighted in the following table:

	£M
Use of cost of change reserves	49.3
Net increase in grants	23.3
In Year Children's Service's draw from central contingency	27.8
In Year Corporate Service's draw from central contingency and Invest to Save Reserve	4.5
In Year Adults' social care draw from central contingency	4.2
Approved funding for Strategic Land Development	3.4
Changes to Revenue Contributions to Capital Outlay (RCCO)	1.2
Other Net Changes	2.9
Total	**116.6**

73. The increases in budgeted departmental spending are mainly because of increased government grants, the allocation of approved funding (for example from contingencies) or the one off use of cost of change reserves. The true value of recurring increases is much smaller and relates to the allocation of funding to the social care departments and corporate services from contingencies, but this reflects a transfer rather than new unanticipated spend.

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

75. **Capital Financing Costs** – The decrease reflects updated budgets that were approved as part of the MTFS in 2019 and the £4.6m that was released has been utilised to fund in year revenue pressures within Children's Services.

76. **Revenue Contributions to Capital Outlay (RCCO)** – The decrease in RCCO reflects changes made to the Capital Programme and it's financing during the year but this is entirely offset by other funding changes in budgets or to earmarked reserves so that there is no bottom line impact in 2019/20.

77. **Contingencies** – The reduction in contingencies is mainly the result of transfers made to departmental budgets during the year, notably in relation to social care pressures.

78. **Dedicated Schools Grant (DSG) and Specific Grants** – The increase in DSG reflects amendments that have been made to the final grant during the year. The increase in specific grants is mainly due to the Teacher's Pay and Pension

Grants, along with some changes in known grants, including the Unaccompanied Asylum Seeking Children's (UASC) Grant and the Partners in Practice Grant.

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

80. 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 2019/20

81. The fourth column of figures shown in Appendix 1 outlines the proposals for the revised revenue budget for the County Council for 2019/20. 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.

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

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

84. **Interest on Balances** – The County Council adopts a very prudent approach to estimating for interest on balances given the number of different variables involved. For 2019/20 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.

85. **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.

86. The estimates for 2019/20 have therefore been revised taking this into account and show a saving of £1.5m in the overall capital financing costs for the year.

87. **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 implemented during the year and an allowance for growth in waste disposal costs, together with some other centrally held contingencies in respect of pay and price increases.

88. In considering the revised budget position, it is timely to review these contingencies in light of the current financial position highlighted in monitoring reports. At this stage of the year, it is 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 £5.0m which can be declared as savings against the adjusted budget.

89. Given the position outlined for the social care departments in the current year all of the specific sums held for social care have been allocated. However, sufficient funding will be retained to cover potential adverse movement in the final quarter of the year given the recognised volatility of these areas.

90. Taking this £5.0m, together with the £2.0m available from capital financing and interest on balances gives a grand total of £7.0m that can be used on a one off basis.

91. It is proposed that this total of £7.0m is used as follows:

- Provision of funding for a number of revenue purposes linked to the design and delivery of new schools and the development of strategic land to generate future capital receipts (as described in more detail in paragraphs 92 to 105) which total £3.9m.
- Additional resources of £830,000 in 2019/20 to fund a dedicated co-ordination and inspection team, together with a commissioning budget to employ specialist arboriculturists to remove trees which are deemed to be higher risk, due to ash dieback, (as described in more detail in paragraphs 106 to 110).
- The addition of £2.0m to the Investment Risk Reserve to mitigate against the potential future need to reflect gains and losses in pooled investments in the revenue account in the year in which they occur. The aim is to works towards a total provision equating to 2.5% of the total higher yielding investment portfolio over time (as explained in paragraphs 201 to 203).
- The addition of the balance of £270,000 to the BBR to begin to make provision for the period beyond 2021.

Development of Capital Investment Priorities

92. 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.

93. 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). Previously, 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.

94. Given the changing nature of these programmes, funding for each year is considered as part of the budget setting process and the requests for 2020/21 for these areas are shown below:

	£'000
Strategic Land Development	3,390
New Schools Design & Delivery Strategy	510
Total	**3,900**

95. **Strategic Land Development** – The Strategic Land Programme (SLP) was set up in 2008 to maximise the financial returns on the County Council's land holdings that had the potential for sale and development in the future. By developing the plan and opportunities for a site, usually through to outline planning permission stage, this greatly increases the eventual financial return at the point the land is released for development. Since its inception the SLP has realised and delivered over £21m of capital receipts up to and including the 2019/20 financial year and based upon current local plan allocations, planning approvals and projects it is anticipated that it will generate circa £260m of net receipts for the County Council in the period up to 2029/30.

96. To realise this, the Country Council invests annually in the SLP to prepare and bring forward its land. Within the Programme Business Plan overall revenue expenditure is forecast at approximately 10% of total receipts, with a range of between 1% and 11% spend per project depending on the planning / disposal strategy of individual projects and their scale. The spend supports a dedicated team within Property Services and the procurement of specialist advice or consultancy depending on the nature of the site and its complexity.

97. Total funding of approaching £16.8m since 2008 has previously been approved to take forward a large number of sites (notably Manydown).

98. The phasing of the programme is difficult to predict and is influenced by many factors some of which are outside of the County Council's control. In some respects, higher spend on a site often means that progress has been

accelerated and receipts will be achieved earlier. In addition, market interest in a site may bring forward work that was planned in the future.

99. Therefore, future allocations to the programme are currently being agreed in February each year as part of the budget setting process. For 2020/21 the latest forecast is that up to £3.4m will be required to continue the planned programme, which includes just over £1.2m for Manydown.

100. Funding to take forward the SLP is a considerable investment for the County Council but makes sound financial sense and is a key strand of the authority's Commercial Strategy. Appendix 2 sets out in more detail the benefits to the organisation of our strategic approach to land, including the need to acquire a pipeline of sites that will ultimately develop into the future SLP in decades to come.

101. **New Schools Design and Delivery Strategy** – Under current government policy, 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.

102. 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 considered as part of the development of the MTFS.

103. The latest estimates of the revenue funding requirements for both strategic planning and feasibility costs are as follows:

Financial Year	**Previous Estimate £'000**	**Updated Estimate £'000**	
2018/19	930	160 (*)	
2019/20	650	1,230	
Approved Funding	**1,580**		
2020/21	1,440	700	
Cumulative		**2,090**	
2021/22	*900*	*1,260*	*Indicative*
2022/23	*400*	*1,430*	*Indicative*
2023/24		*1,040*	*Indicative*

(* Actual for 2018/19)

104. Funding for the costs up to and including 2019/20 was approved in February 2019 and so, after taking into account the re-phased activity, additional funding of £510,000 is required for 2020/21.

105. 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.

Ash Tree Dieback

106. Members may be aware that nationally there is a growing problem with the dieback of ash trees. Ash dieback is a fungus which originated in Asia and whilst it does not cause much damage on its native hosts, its introduction to Europe about 30 years ago has devastated the European ash because our native ash species did not evolve with the fungus and this means it has no natural defence against it.

107. Current predictions are that up to 95% of the total population of ash trees in the country could eventually die from the disease. This is clearly a significant issue in terms of the environment, landscape and biodiversity of our woodlands, but also presents financial liabilities for the County Council. Ash trees are found in our country parks, rights of way, council owned land and along the highway and the Council has responsibility for ensuring that the safety of residents is not put at risk as a result of the death of these trees.

108. Across the county there are estimated to be 10,000 ash trees many of which are at different stages of ash die back. The fungus itself grows very slowly and it is therefore difficult to assess the longer term impact and risks associated with individual trees, but it is anticipated that up to 80% of the total trees could be affected. Whilst some work has already been undertaken by the Council to assess the higher risk areas it is recommended that additional resources be approved to fund a dedicated co-ordination and inspection team together with a commissioning budget to employ specialist arboriculturists to remove the trees which are deemed to be higher risk.

109. It is anticipated that the team will need to be in place for a period of up to three years to complete the inspection and recording of the trees and to ensure that any risks to safety are minimised as far as is possible. A sum of £830,000 is requested for 2020/21, made up of a co-ordination and inspection team costing £380,000 and a delivery budget of £450,000.

110. At this stage it is difficult to quantify the scale of the problem and the potential costs of rectifying any safety issues that are discovered. The aim will be to bring back a further and more detailed report based on the information and experience gained from the first year of operation and this will feed into further

requests for funding in future years once a greater understanding of the risks and mitigating activity has been compiled.

Capital Investment Priorities

111. The revenue funding outlined in paragraphs 92 to 110 will support the development of capital priorities and secure longer-term funding for capital investment. As in previous years, departments have been considering their service needs for capital investment and this is currently being reviewed with the aim of presenting the overall picture for consideration by Cabinet and County Council as part of the next update of the MTFS.

112. There are, however, a number of schemes that either need to be urgently considered at this time or can be added to the Capital Programme as they are self-funding. These items are set out below and Cabinet and County Council are requested to approve these amounts as part of the budget setting process.

113. **Rural Broadband** – The County Council has been an active supporter of the roll out of broadband across the County and has approved significant funding to support the overall roll out programme. As the main programme starts to wind down focus has turned to providing broadband in the more rural and harder to reach communities.

114. The Government is operating a voucher scheme that provides residents with up to £1,500 towards the cost of installing broadband infrastructure to their premises and the proposal is that the County Council provides funding to allow a further top up to this amount up to £1,500 per property.

115. Under the first contract with BT, the County Council is entitled to receive a gainshare if sign up to broadband exceeds a threshold level. Some of this funding has already been re-invested into the second contract of works but current predictions are that we will receive at least a further £2.5m over the next three years and the proposal is to use £1.0m of this to provide the top up voucher scheme. It is therefore recommended that £1.0m is added to the Policy and Resources Capital Programme. If all applications were for the full value then this would provide infrastructure to nearly 700 additional homes, but it is expected that many more than this will be accommodated under the scheme.

116. **LED Streetlighting** – As part of the ETE Department's Tt2021 savings, a sum of £0.5m has been included from savings that can be made by replacing streetlights with LED lamps. Savings arise from the lower cost of powering the units but also increased longevity (and hence reduced maintenance costs for replacements) and the change would also help to reduce the County Council's carbon footprint.

117. A capital scheme totalling £3.2m has been developed to begin a programme of LED lamp replacement and a bid will be made to the Enterprise M3 Local Enterprise Partnership (EM3 LEP) to help part fund the cost of the programme.

It is therefore recommended that £3.2m is added to the ETE Capital Programme to be funded from a combination of EM3 LEP funding and cost of change reserves.

118. **Electric Vehicle Purchase** – The Hampshire Transport Management (HTM) trading unit currently purchases vehicles that are then provided to departments for which charges are made. The County Council has been investing in Electric Vehicle (EV) charging points for some time now and has plans to increase the number available. Analysis shows that whilst the initial cost of EVs is higher than fuel based cars, the longer term running costs are cheaper, therefore the total cost of ownership over the life of the vehicle is broadly similar.

119. Given the County Council's commitment to climate change and carbon neutrality it is recommended that where the business need can be met by an EV then this will be supplied through HTM in the normal way with the cost to the department being similar to fuel based cars.

120. Since the EVs are more expensive to buy up front than fuel based cars it is predicted that an increase of £0.4m per annum in the Capital Programme for vehicle purchases will be needed, which will ultimately be recovered from charges to departments.

121. **Operation Resilience** – The financial monitoring position for ETE outlines the current challenges in respect of responding to the growth in reactive maintenance liabilities across the network, whilst the revenue maintenance funding has declined over time. Operation Resilience has been maintained at £10.0m for many years and is now built into the budget on a recurring basis, however even with this level of additional investment it is not possible to reverse the ongoing deterioration of the highway network.

122. Whilst Operation Resilience has been maintained at £10.0m per annum, this clearly buys less works than it did at the outset of the programme. It is therefore proposed to increase this amount by £3.0m for 2020/21 on a one off basis. This can be funded from spare New Homes Bonus, which was expected to decrease in 2020/21 but has actually gone up by around £600,000 from 2019/20 levels following the Provisional Local Government Settlement released in December 2019.

123. Whilst this provides some additional funding in 2020/21 that (subject to approval) may also be supplemented by a minimum of £2.0m from the winter maintenance budget in 2019/20, there is concern that demand for reactive maintenance will continue to significantly outstrip the available funding and it is therefore recommended in this report that the Director of Economy, Transport and Environment be given delegated authority in consultation with the Executive Member for Economy, Transport and Environment to move funding from Operation Resilience to reactive maintenance if required during the year up to a limit of £3.0m. Any transfer would be directed towards safety defects, emergency repairs or action to maintain the safety and operational integrity of the network.

124. The longer term aim would be to review the funding allocated to this service area following the Spending Review in summer this year and once the future of the New Homes Bonus as a source of funding has been clarified going forward. If achievable, the intention would be to permanently increase the ongoing funding for Operation Resilience by £3.0m per annum.

125. **Climate Change** – Following the declaration of a climate change emergency by the County Council last year, additional revenue resources have been agreed to take forward the Hampshire Vision 2050 work which incorporates climate change as one of the key themes.

126. Whilst much of this work concentrates on the wider actions that can be taken by residents, businesses and the public sector to reverse the impacts of climate change, the County Council will also want to invest in various different ways in order for it to be able to play its part in this important agenda.

127. It is therefore proposed to provide an initial allocation of up to £2.0m that can be used for capital or revenue purposes to provide funding that supplements existing funding streams and can be used to make a difference in terms of carbon neutrality or fund other specific initiatives that contribute to this agenda. This will be funded from the Corporate Policy Reserve, which was set up to progress policy initiatives of this sort.

128. The funding will initially be allocated to the Economy, Environment and Transport Capital Programme, with approvals for its use being taken through the Executive Member for that Portfolio.

Investing in Hampshire

129. Around five years ago a sum of £7.5m was added to the Capital Programme to provide funding for an initiative called Investing in Hampshire (IIH) which was designed to provide awards that would help to maintain important assets and services across the County. Since that time funding has been provided to a range of cultural and heritage assets, together with other items that provide significant benefit to the residents of Hampshire, most notably contributions towards new or improved hospice provision across the County.

130. In November last year, the Executive Member for Policy and Resources changed the criteria for IIH awards to include investment in the economy of Hampshire as well as its physical assets, which has wider benefits for residents and businesses alike.

131. The remaining fund now stands at around £1.3m and this report therefore proposes that £2.5m is allocated from the Policy and Resources Other Reserve to increase the sum available.

Section G: Local Government Finance Settlement

132. The SR2019 announcement took place on 4 September last year and the content of the proposed settlement and the issues it addressed were pleasing to see as they mirrored the key issues that we have been consistently raising for some time directly with the Government and through our local MPs.

133. In overall terms, there is a net resource gain to the County Council, albeit that is only for one year at this stage. However, the cost pressures we face, particularly in adults' and children's social care services are significantly outstripping the forecasts that were included in the original Tt2021 planning figures.

134. Without the additional injection of funding, the County Council would have faced a revised deficit position of nearly £106m by 2021/22, but the additional resources bring us back to a broadly neutral position. It is worth highlighting that the additional grant from the £1bn, plus the 2% adult social care precept, generates additional resources of around £29m for the County Council, but this must be measured against growth pressures and inflation across adults' and children's social care services which total nearly £57m for 2020/21 alone.

135. The Autumn Budget which was planned for 6 November was cancelled and it has now been announced that there will be a Spring Budget which will take place on 11 March 2020. The provisional Local Government Settlement announced on 20 December 2019 confirmed grant figures and council tax thresholds for 2020/21 in line with the SR2019 and the subsequent technical consultation.

136. The provisional settlement confirmed that the County Council will receive £16.8m of additional grant from the £1bn announced nationally. This is £3.0m less than we would normally receive if the funding was distributed based on the Adults Relative Needs Formula (as with previous social care grant funding).

137. The final Local Government Finance Settlement for 2020/21 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.

Council Tax

138. 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 have presumed that local authorities would put up their council tax by the maximum they are allowed each year since that point.

139. The MTFS approved by the County Council in November 2019 assumed that council tax will increase by the maximum permissible without a referendum in line with government policy. This will mean a council tax increase of 3.99%, of which 2% will contribute towards the increased costs of adults' social care

(subject to the final confirmation of the referendum limit by the Government), as recommended in this report, in line with the Government's policy and as set out in the County Council's MTFS.

140. This proposed increase will see the council tax for a Band D property increase by £49.41 per annum (approximately 95p per week) to £1,286.28.

141. This will generate around £25m of additional income but it is anticipated that Hampshire will have the second lowest council tax in 2020/21 of any county across the country and with this position continues to maintain strong performance both within its financial management and service provision. The average council tax across all counties in 2019/20 was just over £1,312, more than £75 higher than Hampshire's level in that year. If the County Council set its council tax at this average amount, it would receive around £40m a year more income than current levels.

142. Total income from council tax in 2020/21 is expected to be just over £668m and represents 84.3% of the total funding of the County Council's net budget. This compares to 73.6%% which was the position for 2011/12.

Section H: Service Cash Limits 2020/21

143. In January Cabinet considered a budget update report which set provisional cash limit guidelines for departments for 2020/21.

144. Appendix 3 sets out the cash limits agreed in January 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 £45.0m. This is due to an increase in DSG and in a similar way to the changes for 2019/20 this has not had a bottom line impact on the revenue budget for 2020/21 as it is the result of a change in a grant.

145. At this stage the 2020/21 pay award has yet to be agreed and the budget originally contained a 2% allowance for the April 2021 pay award, plus a further factor to deal with any changes arising from the National Living Wage (NLW).

146. The Conservatives set out in their manifesto plans to raise the NLW to £10.50 within the next five years and also to lower the age threshold from 25 to 21. Following the outcome of the election, this commitment was included in the Queen's speech, provided economic conditions allow. In line with this, the Government has recently announced that the NLW will rise from £8.21 to £8.72 on 1 April 2020 for workers over the age of 25, an increase of 6.2%. Whilst the County Council's pay framework is not immediately impacted by the planned increase, as the hourly rate for staff on Grade A (the lowest Grade) currently exceeds this by some way; standing at £9.00, the longer term aspiration is likely to result in a review of the framework.

147. The outcome and timing of this is uncertain, but in light of the Government's policy, and more immediately growing uncertainty as to how the employers will approach the pay award for 2020/21, provision for an additional 1% allowance

for pay has been built into the budget (circa £3.0m per annum) which will be held in contingencies along with the amount already set aside, until any pay award is agreed.

Section I: Service Budgets 2020/21

148. As explained in Section H, departments have been set cash limit guidelines for 2020/21 which include allowances for inflation, pressures and other agreed changes.

149. Appendix 4 provides a summary for each department of the main services under their control and shows the original budget for 2019/20, the revised budget for 2019/20 and the proposed budget for 2020/21. All departments are proposing budgets that are within their cash limits.

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

Section J: 2020/21 Overall Budget Proposals

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

152. Appendix 5 sets out a summary of the overall revenue account starting with the cash limited expenditure for departments discussed above. The following paragraphs outline the other items that make up the overall revenue account and provide explanations for any significant variances compared to the 2019/20 budget.

153. **Interest on Balances and Capital Financing Costs** – The investment return figures include the benefit of the proposed pre-payment of pension contributions to the Pension Fund for the next three years, subject to this being signed off with the External Auditors and final actuarial calculations.

154. Delegated authority was given to the Deputy Chief Executive and Director of Corporate Resources to make the pre-payments if it was considered financially beneficial to do so. Initial calculations suggest that a saving of £3.0m per annum for three years (net of lost investment income) could be generated from the pre-payment of contributions and at this stage this has been contributed to the BBR in order to provide future resources for transformation activity and cash flow funding for future savings programmes.

155. It should be noted, however, that whilst there is expected to be a financial benefit as a result of the pre-payment, there are some risks associated with this course of action, in particular, the potential for a sudden downturn in the investment markets shortly after the pre-payment has been made. This would expose the full value of the pre-payment to the investment loss, which could deliver a worse outcome overall than if the payments had been made monthly as they are now. Adding funds to the BBR will also increase flexibility in the event that such a risk materialises and needs to be covered at the end of the three year period.

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

157. **Contingencies** – The budget for contingencies has fallen by more than £22.0m compared to the 2019/20 original budget. This mainly reflects the early allocation of contingency amounts held for social care, capital related investment and provision for corporate cash flow funding and enabling investment for the Tt2019 Programme; in line with the approved MTFS.

158. Existing contingency provisions in respect of key risk items, notably inflationary pressures (including the 2020/21 pay award which has yet to be agreed) and further cash flow funding for the Tt2019 Programme, have been retained in the base budget. These provisions represent the recommendation by the Deputy Chief Executive and Director of Corporate Resources, as the Authority's Chief Financial Officer (CFO) of a prudent approach to budgeting given the potential pressures the County Council faces. In addition to these contingencies, the County Council has access to sufficient reserves as part of an on-going strategy for the management of the County Council's financial resources over the medium term.

159. **DSG** –The increase in the DSG reflects the increase in funding announced by the Government in the SR2019, the detail of which was clarified in the subsequent schools' revenue funding settlement in December 2019.

160. **Specific Grants** – This income budget has been updated following grant notifications for 2020/21 and the increase is largely due to the additional funding for social care announced in the SR2019. In addition, it has been confirmed that the Teachers Pay Grant and a much increased Teachers Pension Grant will also continue for 2020/21.

161. **Pension Costs** – Following the latest triennial revaluation, the Pension Fund is now fully funded as a result of the improvement in investment returns over the period. The eradication of the deficit has removed the need for the past service payments that we are currently making and assumed would be needed in the future. However, the future service rate for the County Council has been set at 18.4% which is higher than the allowances made within the MTFS. Allowing for these changes there is a net saving for the County Council of £15.0m per

annum as set out in the Budget Setting and Provisional Cash Limits 2020/21 report approved by Cabinet in January.

162. Whilst this is very positive, it must be set against the potential risk that with the uncertainty of Brexit and the wider impact on the national economic climate, the Fund could fall back to previous levels by the next triennial valuation in 2022. If the County Council were to take this revenue saving into its baseline funding now, and the Fund were to decline over the period it would mean finding extra recurring revenue money at that stage (on top of any Tt2021 successor programme) to plug a potential deficit position.

163. With this in mind and considering the need to fund a £40.2m gap for the 2022/23 interim year, it was approved that savings arising from the favourable 2019 Pension Fund valuation would be used to top up the BBR in the intervening period. If by the 2022 valuation the returns have been maintained and stabilised (by which time we should also have more certainty about the financial outlook for the County Council) the additional revenue can be factored into the MTFS at that point in time.

164. **Business Units** – The net trading position of business units has been updated, and whilst overall the current estimate is a net trading deficit, mainly as a result of the position in HC3S, it is always difficult to predict at this stage future income generation and generally the forecast improves as the year progresses. In any event, any losses at the end of the year will be met from earmarked reserves that the trading units hold.

165. **Earmarked Reserves** – Changes to earmarked reserves mainly reflect changes to other budgets elsewhere in the revenue account. However, there is a significant draw from earmarked reserves in 2020/21 due to the planned use of the BBR to balance the budget in 2020/21, as explained briefly in the paragraphs below.

166. 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 BBR. Hence the use of the BBR is cyclical and helps the County Council to dampen the impact of funding reductions, allowing a planned approach to the delivery of savings.

167. The comprehensive Reserves Strategy, updated to include the figures at the end of March 2019, was presented to Council as part of the MTFS in November 2019 and is set out in Appendix 6.

168. The County Council holds reserves for many different reasons, but not all of these are available for general usage. Schools' balances are for schools' exclusive use and other reserves such as the Insurance Reserve are set aside as part of the Council's overall risk management strategy or are already planned to be used as is the case with the BBR which will be drawn on in 2020/21.

169. The Reserves Strategy highlights the point that the majority of reserves are set aside for specific purposes and are not available in general terms to support the revenue budget or for other purposes. In reality less than 16% of reserves, as at the end of 2018/19, are truly available to be used to support revenue spending and to help fund the cost of the change programmes across the County Council. In addition, the BBR which comprises the majority of these 'Available Reserves', standing at £65.0m at the end of 2018/19, is in reality largely committed to cash flow the safe delivery of the County Council's transformation programmes and to balance the budget in the interim years of 2020/21 and 2022/23.

170. **Use of General Balances** – The 2019/20 original budget assumed a net contribution to general balances of £0.9m and this prudent annual amount has been continued for 2020/21 in order to maintain general balances at circa 2.5% of the County Council's net budget requirement; in line with the CFO's recommended level.

171. Appendix 7 represents the CFO's view of the overall budget and the adequacy of reserves which must be reported on as part of the main budget proposals in accordance with Section 25 of the Local Government Act 2003. In particular, it considers risks within the budget and in the MTFS going forward, referencing the financial resilience of the Authority against the backdrop of the Chartered Institute of Public Finance and Accountancy's (CIPFA's) Financial Resilience Index, and places this in the context of the recommended contingencies and balances set out in this report.

172. The Appendix also references the new Financial Management Code that was published by CIPFA in October last year. The Code has 17 Financial Management Standards, which authorities must be fully compliant with by 2021/22. The coming financial year (2020/21) therefore offers the opportunity for authorities to make changes to their arrangements in preparation for the full introduction in the following year.

173. A high level review of our performance against each of the Standards has been carried out by the CFO and not unexpectedly we are compliant in most areas. Where there are potential areas for improvement these have been highlighted in the Section 25 report.

Section K: Budget and Council Tax Requirement 2020/21

174. The report recommends that council tax is increased by 3.99% in 2020/21, in line with the MTFS and with government policy which assumes that local authorities will put up their council tax by the maximum they are allowed.

175. 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 £6.8m over and above that assumed previously, albeit that these forecasts may change before the budget is finally set.

176. The County Council is also notified by Hampshire Districts, of the estimated level of collection fund surpluses or deficits that need to be taken into account in setting the council tax for 2020/21. In addition to the figures for council tax, Districts are required to provide estimates of their surplus or deficit on the business rates collection fund, following the introduction of Business Rates Retention in April 2013.

177. For 2019/20 a net council tax collection fund surplus of almost £3.2m 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.

178. The current prediction for business rate collection funds is a deficit of more than £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.

179. Similarly, Districts have provided estimates of what business rate income they expect to receive for 2020/21 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 although they have been built into the budget position, it is likely they will change. We will await confirmation of final figures and any adjustment will be reported at County Council.

180. Taking account of all the budget changes outlined in this and previous sections of this report, the County Council can set a balanced 2020/21 budget as follows:

	£M
Technical Consultation - Change to Social Care Additional Funding	(3.0)
Updated Pay Award Assumptions	(3.0)
Tax Base Growth	6.8
One off Council Tax Collection Fund Surplus	1.7
One off Business Rates Collection Fund Deficit	(0.2)
Business Rates Income	0.8
Contribution to BBR	(3.1)
Balanced Budget	**0.0**

181. The table shows that in 2020/21, because of the changes, the County Council can make a contribution to the BBR to build the sum available for future years in line with the MTFS.

182. Local authorities are required to report a formal council tax requirement as part of the budget setting process and the recommendations to Council in this report show that the Council Tax Requirement for the year is £668,000,898.

Section L: Capital and Investment Strategy

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

184. The updated Prudential Code includes a new requirement for local authorities to provide a Capital Strategy, which is to be a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The MHCLG's guidance includes the requirement to produce an Investment Strategy. The County Council's Capital and Investment Strategy (Appendix 8) has been prepared for approval by full County Council.

185. The Treasury Management Strategy (TMS), as referenced below and set out in Appendix 9, supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and treasury investments, and the associated risks.

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

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

188. This Strategy covers:

- Governance arrangements for capital investment.
- Capital expenditure forecasts and financing.
- Prudential indicators relating to financial sustainability (see paragraphs 189 to 191).
- Minimum Revenue Provision (MRP) for the repayment of debt.
- Treasury Management definition and governance arrangements.

- Investments for service purposes, linked to the County Council’s Commercial Strategy.
- Knowledge and skills.
- Chief Financial Officer’s conclusion on the affordability and risk associated with the Capital and Investment Strategy.
- Links to the statutory guidance and other information.

Prudential Indicators

189. 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.

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

191. 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 2020/21.

Section M: Treasury Management Strategy for 2020/21

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

193. The County Council’s TMS (including the Annual Investment Strategy) for 2020/21; and the remainder of 2019/20 is set out in Appendix 9 for approval and fulfils the County Council’s legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

194. The TMS has been reviewed in light of current and forecast economic indicators and it remains broadly unchanged from last year, albeit that it is now complemented by the Capital and Investment Strategy (Appendix 8), which is explained in Section L.

Investments Targeting Higher Returns

195. Given the stability of the County Council’s cash balances there was the opportunity during 2016/17 to increase the allocation for investments targeting higher returns, allowing further diversification, increasing the overall rate of

return and the income contributed to the revenue budget. In February last year It was approved that the allocation targeting higher yields increase to £235m from £200m.

196. The County Council's higher yielding investment strategy continues to perform well, and figures reported as at the end of Month 8 (November) are outlined in the table below:

	30/11/2019 Value £M	**30/11/2019 Return %**
Local Authorities – Fixed Deposits	20.0	3.96
Local Authorities – Fixed Bonds	10.0	3.78
Pooled Property Funds	77.0	4.14
Pooled Equity Funds	52.0	5.90
Pooled Multi-Asset Funds	42.0	4.69
Other	0.1	5.68
Higher Yielding Investments	**201.1**	**4.67**

197. There continues to be national debate about local authorities investing directly in commercial property and both CIPFA and the MHCLG have expressed concerns about the potential risks, resulting in the revision of guidance.

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

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

200. Higher yields can be accessed through long-term cash investments (although this is currently less the case as yields have declined) and investments in assets other than cash, such as pooled property, equities and bonds. Non-cash pooled investments must be viewed as long-term investments in order that monies are not withdrawn in the event of a fall in capital values to avoid crystallising a capital loss.

201. When the County Council began to specifically target higher returns from a proportion of its investments, it also established an Investment Risk Reserve to mitigate the risk of an irrecoverable fall in the value of these investments. It is recommended that a further £2.0m is added to this reserve in line with this strategy to further protect the County Council's funds. This is prudent given the additional amount to be targeted at higher yielding investments and will bring the total amount in the reserve to approaching £5.0m or just over 2.1% of the value of the investments.

202. At the current time, given the medium to long term nature of the investments, it is unlikely that a capital loss would ever be realised, since the County Council would avoid selling investments that realised a capital loss.

203. Going forward however, changes to International Financial Reporting Standards means that capital gains and losses on investments need to be reflected in the revenue account on an annual basis. There is currently a statutory override in place for local authorities that exempts them from complying with this requirement for the next four years. However, given the greater future risk in this area it is proposed to continue to contribute towards the Investment Risk Reserve to reach 2.5% of the total amount invested (in line with the recommendation of 2.5% for the general fund balance).

Section N: Consultation

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

205. The '*Serving Hampshire – Balancing the Budget*' Consultation that was carried out between 5 June and 17 July 2019 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.

206. The findings from the Consultation were provided to Executive Members and Directors during September 2019, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2019 on the MTFS and Tt2021 Savings Proposals. The results were also reported to Cabinet and County Council as part of the final decision making process and a summary is contained in Appendix 10.

207. 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.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

Links to previous Member decisions:	
Title	Date
Medium Term Financial Strategy Update and Transformation to 2021 Savings Proposals http://democracy.hants.gov.uk/ieIssueDetails.aspx?IId=22267&PlanId=0&Opt=3#AI22852	Cabinet - 15 October 2019 and County Council – 7 November 2019
Budget Setting and Provisional Cash Limits 2020/21 (Cabinet) http://democracy.hants.gov.uk/ieIssueDetails.aspx?IId=23686&PlanId=0&Opt=3#AI22843	6 January 2020
Direct links to specific legislation or Government Directives	
Title	Date

Section 100 D - Local Government Act 1972 - background documents

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

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. **Equality Duty**

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

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

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

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

2. **Equalities Impact Assessment:**

The budget setting process for 2020/21 does not contain any new proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2021 Programme were considered in detail as part of the approval process carried out in Cabinet and County Council during October and November 2019 and full details of the Equalities Impact Assessments (EIAs) relating to those changes can be found in Appendices 5 to 8 in the October Cabinet report linked below:

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

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.

REVENUE BUDGET – LIST OF APPENDICES

1. Revised Budget 2019/20
2. Strategic Land Programme
3. Final Cash Limit Calculation 2020/21
4. Proposed Departmental Service Budgets 2020/21
5. Proposed General Fund Revenue Budget 2020/21
6. Reserves Strategy
7. Section 25 Report from Chief Financial Officer
8. Capital and Investment Strategy 2020/21 to 2022/23
9. Treasury Management Strategy Statement 2020/21 to 2022/23
10. Consultation

Revised Budget 2019/20

	Original Budget 2019/20 £'000	Adjustment £'000	Adjusted Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Variance £'000
Departmental Expenditure					
Adults' Health and Care	385,455	40,292	425,747	425,747	0
Children's – Schools	828,086	19,507	847,593	847,593	0
Children's – Non Schools	158,761	32,871	191,632	191,632	0
Economy, Transport and Environment	102,856	12,341	115,197	115,197	0
Policy and Resources	88,163	11,601	99,764	99,764	0
	1,563,321	**116,612**	**1,679,933**	**1,679,933**	**0**
Capital Financing Costs					
Committee Capital Charges	141,035	0	141,035	141,035	0
Capital Charge Reversal	(143,314)	0	(143,314)	(143,314)	0
Interest on Balances	(10,436)	(2,600)	(13,036)	(13,536)	(500)
Capital Financing Costs	42,101	(2,000)	40,101	38,601	(1,500)
	29,386	**(4,600)**	**24,786**	**22,786**	**(2,000)**
RCCO					
Main Contribution	8,404	(43)	8,361	8,361	0
RCCO From Reserves	0	(3,910)	(3,910)	(3,910)	0
	8,404	**(3,953)**	**4,451**	**4,451**	**0**
Other Revenue Costs					
Contingency	93,391	(43,227)	50,164	45,164	(5,000)
Dedicated Schools Grant	(764,228)	(4,126)	(768,354)	(768,354)	0
Specific Grants	(192,899)	(17,938)	(210,837)	(210,837)	0
Pensions – Non Distributed Costs	22,063	0	22,063	22,063	0
Levies	2,311	113	2,424	2,424	0
Coroners	1,821	39	1,860	1,860	0
Business Units (Net Trading Position)	454	(202)	252	252	0
	(837,087)	**(65,341)**	**(902,428)**	**(907,428)**	**(5,000)**
Net Revenue Budget	**764,024**	**42,718**	**806,742**	**799,742**	**(7,000)**
Contributions to / (from) Earmarked Reserves					
Transfer to / (from) Earmarked Reserves	(5,555)	(46,830)	(52,385)	(45,385)	7,000
Trading Units Transfer to / (from) Reserves	(313)	202	(111)	(111)	0
RCCO from Reserves	0	3,910	3,910	3,910	0
	(5,868)	**(42,718)**	**(48,586)**	**(41,586)**	**7,000**
Contribution to / (from) Balances	900	0	900	900	0
NET BUDGET REQUIREMENT	**759,056**	**0**	**759,056**	**759,056**	**0**

	Original Budget 2019/20 £'000	Adjustment £'000	Adjusted Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Variance £'000
NET BUDGET REQUIREMENT	**759,056**	**0**	**759,056**	**759,056**	**0**
Funded by:					
Business Rates and Government Grant	(119,511)	0	(119,511)	(119,511)	0
Business Rates Collection Fund Deficit / (Surplus)	52	0	52	52	0
Council Tax Collection Fund Deficit / (Surplus)	(3,768)	0	(3,768)	(3,768)	0
COUNCIL TAX REQUIREMENT	**635,829**	**0**	**635,829**	**635,829**	**0**

Strategic Land Programme

1. Contextual Information

1.1 The creation of a Strategic Land Programme (SLP) back in 2008/09 built on an earlier approach to bring forward larger and strategic development opportunities, sometimes as master developer providing enabling infrastructure (highways and services), and always as a staged and managed programme to support the delivery of a long-term programme of capital receipts, together with other County Council priorities.

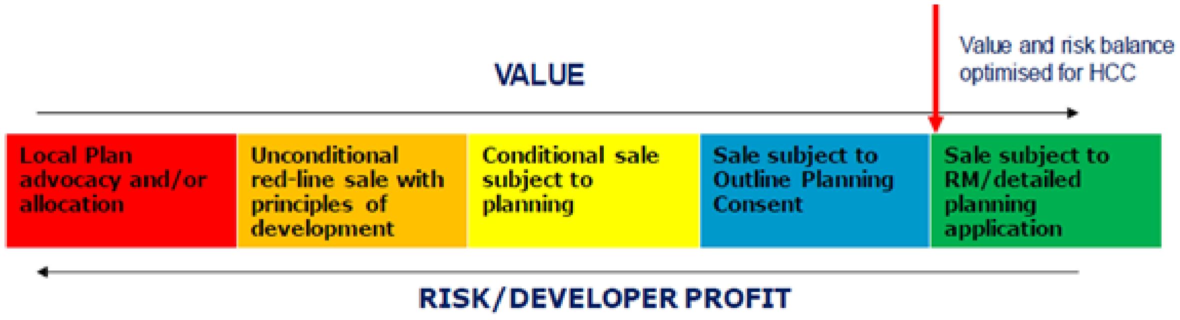
1.2 Development land value or receipts reflect the value of a completed development (GDV) less development costs and developer's profit. Land value reflects the amount of uplift arising from a change in use from say agricultural use (or other existing use value) to a more valuable alternative use, often residential. The level of uplift depends on the selected basis of sale and whether a site has been sufficiently de-risked, e.g. securing a Local Plan allocation or outline planning consent; the form of sale contract; the market conditions at the point of sale and importantly when the value is taken.

1.3 A "red-line" sale, with no planning consent or presumption in favour of development through a Local Plan allocation presents the purchaser with the highest level of risk and has a consequent impact on value. The level of discount in such circumstances could be up to 50% if the sale is sought unconditionally. Where a site is the subject of an option to purchase, the purchaser will pay an up-front premium (typically 2-5% of forecast value) and then will bear promotion and planning costs themselves but expect a 10-15% discount on the net market value.

1.4 Often this route is very protracted and does not afford the County Council any measure of control over the timing or form of development etc. The actual level of discount is difficult to demonstrate as early decisions over the land promotion and planning strategy for a given site mean that an either / or position can rarely be shown. On smaller sites (up to 10 dwellings) or smaller brownfield sites, a decision might be taken to undertake an unconditional sale, but on larger greenfield sites, with a high(er) level of development risk, the land value discount could prove very significant.

1.5 For strategic sites, the Local Plan and planning consent process is typically used to capture and enshrine (protect) value at the point of sale, with the cost of securing planning approval being recovered through enhanced land values. If costs increased thereafter (e.g. due to inflation on build costs, interest rate change etc.) these are then absorbed by the developer / purchaser. Figure 1 seeks to summarise the relationship between site value / return and developer risk / reward and identifies that the current approach seeks to optimise the value / risk balance for the County Council.

Figure 1: Optimising Value



1.6 Where the County Council seeks to change this approach and move into joint development of a site (as it has with Manydown), this is still subject to the approval of a full business case which assesses the additional costs and risks against the higher rewards that this may bring; in the form of future receipts or other returns.

2. Current Programme

2.1 The current programme includes around 18 sites located across Hampshire, ranging from just 100 units (in the case of Swing Swang Lane, Basingstoke) and up to 3,520 dwellings (in the case of Manydown Phase 1), and these will come forward on a whole or phased basis dependent on their size.

2.2 Up to 2030 around 10% of all new dwellings across Hampshire will be built on County Council owned land and 8% will be on sites within the SLP. These sites have been identified through the Local Plan process and promoted in response to a “call for sites” from the Local Planning Authorities and draft Plan process, pending their allocation.

2.3 The identified sites are at different stages of delivery as part of a rolling programme which reflects the position of the respective Local Plans and the associated allocation of sites. Key decisions through the Executive Member for Policy & Resources (EMPR) are taken around a site-specific planning, development and disposal strategy.

2.4 Whilst the approach taken varies dependent on the nature and scale of different sites, it will generally accord with the following stages set out in the Table 1:

Table 1: Development Stages

Stage	Purpose	Types of Activity	Duration
Local Plan Advocacy and Feasibility Stage (Stage A/B)	To make land available and to promote the site through the Local Plan process to secure an allocation for future development. This is often in response to an initial “call” for sites through to the Examination in Public (EiP) stage.	Preparation of a technical case to demonstrate why a site is suitable for consideration to be allocated in preference to other sites. Involves primary surveys, technical analysis and preparation of detailed submission documents by in-house and specialist consultants.	Can take up to 3 years (including attendance at an Inquiry) for smaller sites and / or involve several attempts in relation to the largest sites e.g. Manydown was promoted 3 times before allocation over a 15 year period.
Planning and Development Stage (Stage C/D)	Most sites within the programme are brought forward with an outline planning permission as this optimises the point at which best value can be secured and supports the most effective disposal / delivery strategy by de-risking the site for the eventual purchaser(s).	Preparatory surveys, production of a suite of documents relating to planning, urban design, transport and access and an Environmental Impact Assessment (EIA).	Dependent on the scale of the site, this stage can last 3-6 years with extensive pre-submission engagement. Complex Section106 agreements can take up to a year to finalise.
Proposed Delivery Strategy (Delivery and Sale Stage) (Stage E to I)	Wide range of options from a traditional option agreement or sale of the whole or part; provision of enabling servicing works (particularly on the larger sites); through to Joint Venture (JV) arrangements on the largest sites where a partner might bring both capital and / or delivery expertise and capacity.	The basis of disposal is a function of site scale: simpler approaches on sites up to 100 units; a probable master-developer approach on medium sites (500-1,000 units) to ensure a co-ordinated and managed delivery across several phases and a procurement led approach on the largest sites (1,000 units+) where working with a development partner to share risk and reward is recognised.	This stage can last around 6-9 months with a subject to contract only basis sale to 2-5 years on the largest and most complex sites. Involves in-house resources (property and legal) together with specialist advisors for the largest sites.

3. Strategic Land Budget

3.1 To support the delivery of the SLP, a Strategic Land Budget was established to accommodate the in-house and external consultant costs associated with the programme. This involves careful forecasting of expenditure across several years across multiple sites. Overall, revenue expenditure is forecast at approximately 10% of total receipts, with a range of between 1% and 11% spend per project depending on the planning / disposal strategy of individual projects and their scale. Across the programme this is a tenfold return i.e. for every £1 spent £10 worth of value might be realised, albeit on some sites the return against investment can be higher, and on others (often the smallest and largest sites) the return may be less

3.2 Given the long lead in period to securing a receipt, the Strategic Land Budget reflects a decision for upfront investment to realise an enhanced but deferred value. This investment is most speculative at the Feasibility Stage as it is not certain that sites will be accepted into a Local Plan at all or at the first time of promotion, but once allocated the surety of an enhanced receipt increases significantly.

3.3 The Planning and Development Stage is generally the most costly, but is also where site value is "captured" and enhanced the most, whilst the Delivery Stage is where the land value is actually realised. Table 2 below provides some examples of estimated cost in respect of two contrasting opportunities within the SLP.

Table 2: Cost Examples

Site / Selected Approach	Feasibility Stage	Planning and Development Stage	Delivery and Sale Stage	Cumulative Cost
Swing Swang Lane, Basingstoke Discrete 100 unit site to be sold with outline consent	£70,000 Local Plan Advocacy 2010-2016	£310,000 2019-2019 – secure Outline Planning Approval	£140,000 (est.) April 2019 to Summer 2020	£520,000
North of Winchester Street, Botley 375 dwellings involving outline consent with cumulative EIA	£247,500 Planning advocacy over two plan periods (2011-2016 and 2017+)	£1.165M Complex application process and interface with Botley Bypass (2016-2020)	£270,000 (est) Depends on sale strategy in phases or whole	£1.68m

3.4 The cost per site range from around 5% to 14% of the expected land value and will vary depending on the size and complexity of the scheme, along with other planning considerations.

3.5 The main budget report seeks a further injection of funding of up to £3.4m to progress the SLP over the coming year. This is a significant investment compared to the early years of the programme and reflects the additional cost associated with the Manydown Phases 1 and 2 and the increasing number and complexity of sites in the programme that have accumulated over time.

3.6 It should however be borne in mind that current forecasts predict that total spend over the life of the programme (based on current sites) will be around £28.6m and will generate significant capital receipts in the order of £290m gross (£260m net) - a tenfold return on investment.

4. Use of Funding

4.1 Given the length of time required to develop and sell sites, and the sometimes unpredictable nature of the planning process, the County Council does not build assumed receipts into its future capital investment planning.

4.2 For some sites, the receipts may already be partly earmarked to provide for infrastructure investment directly or consequentially associated with the developments, Botley being a good example of this, which will facilitate the delivery of a by-pass that has been badly needed in the area for many years.

4.3 The County Council will be considering its capital investment priorities later in the year and this will include the consideration of capital receipts that might be available over the next three years to support that investment. This will also need to consider the County Council's longer term approach to a Strategic Land pipeline to enable the County Council to continue with its current strategy into future decades.

4.4 This may prove more difficult in the current market as most sites suitable for future development already have options placed on them by commercial developers, but nonetheless there may be other opportunities that the County Council can explore that continue to generate future land value.

Final Cash Limit Calculation 2020/21

	December Cash Limit Guideline £'000	Grants £'000	Final Cash Limit 2020/21 £'000
Adults' Health and Care	421,336	0	421,336
Children's – Schools	856,963	45,014	901,977
Children's – Non Schools	208,613	0	208,613
Economy, Transport and Environment	109,553	0	109,553
Policy and Resources	97,714	0	97,714
	1,694,179	**45,014**	**1,739,193**

Notes:

Grants

- The increase for Children's – Schools is due to an increase in Dedicated Schools Grant (DSG) as first announced in the Spending Review in 2019 and then clarified in the subsequent revenue funding settlement in December 2019. It reflects the announcement of an increase in funding for Schools and High Needs nationally, with the national school's budget due to rise by £7.1bn over 3 years to £52.2bn. Additional funding has also been announced for Early Years in the form of an 8p per hour increase to the local authority's funding rate for two, three and four year old entitlements.

Adults' Health and Care Budget Summary 2020/21

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Director	**1,481**	**1,691**	**1,511**
Strategic Commissioning and Business Support	**15,172**	**16,654**	**14,614**
Transformation	**3,714**	**5,548**	**4,013**
Older Adults Community Services	125,484	134,546	120,407
Reablement	11,069	10,821	9,455
Older Adults	**136,553**	**145,367**	**129,862**
Learning Disabilities Community Services	106,657	112,445	116,115
Physical Disabilities Community Services	0	0	31,399
Mental Health Community Services	16,998	17,736	18,576
Contact Centre	1,248	2,544	2,530
Younger Adults	**124,903**	**132,725**	**168,620**
HCC Care	**42,173**	**42,277**	**43,885**
Governance, Safeguarding and Quality	**3,559**	**3,937**	**3,650**
Centrally Held	**5,482**	**25,130**	**4,962**
Total Adults' Services Budget	**333,037**	**373,329**	**371,117**
Public Health:			
Children and Young People (*)	23,800	23,800	22,667
Infection Prevention and Control	5	5	5
Mental Health and Wellbeing	2,121	2,121	1,921
Older People	866	866	866
Central (*)	2,924	2,924	2,814
Information and Intelligence	16	16	17
Nutrition, Obesity and Physical Activity	515	515	515
Drugs and Alcohol	9,245	9,245	8,576
Tobacco	2,209	2,209	2,209
Dental	180	180	180

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Health Checks (*)	1,211	1,211	1,211
Misc. Health Improvements & Wellbeing (**)	108	108	108
Sexual Health (*)	9,218	9,218	9,130
Total Public Health Budget	**52,418**	**52,418**	**50,219**
Adults' Health and Care Cash Limited Budget	**385,455**	**425,747**	**421,336**

* Includes mandated services

** Specific services include

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

Children's Services Budget Summary 2020/21

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Early Years	**78,076**	**82,495**	**81,673**
Individual Schools Budgets	557,372	556,338	584,200
Schools De-delegated Items	2,171	2,168	2,171
Central Provision Funded by Maintained Schools	2,998	2,992	2,894
Growth Fund	5,705	5,614	5,280
Schools Block	**568,246**	**567,112**	**594,545**
High Needs Block Budget Shares	33,656	33,632	34,711
Central Provision Funded by Maintained Schools	65	65	63
High Needs Top-Up Funding	67,129	67,320	85,037
SEN Support Services	5,095	5,095	5,073
High Needs Support for Inclusion	3,097	3,097	3,075
Hospital Education Service	589	1,263	1,370
High Needs	**109,631**	**110,472**	**129,329**
Central Block	**8,275**	**8,275**	**7,821**
Other Schools Grants	**63,858**	**79,239**	**88,609**
Total Schools Budget	**828,086**	**847,593**	**901,977**
Young Peoples Learning & Development	**772**	**387**	**400**
Adult & Community Learning	**334**	**5**	**5**
Asset Management	88	88	88
Central Support Services	(221)	19	60
Educational Psychology Service	1,712	1,712	1,842
Home to School Transport	31,684	31,677	33,340
Insurance	40	32	33
Monitoring of National Curriculum Assessment	46	46	46
Parent Partnership, Guidance and Information	214	264	270
Pension Costs (includes existing provisions)	2,465	2,412	2,412
School Improvement	1,744	1,838	1,838

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
SEN Administration, Assessment, Co-ordination & Monitoring	1,729	1,767	1,829
Statutory / Regulatory Duties	663	863	881
School Place Planning	0	58	58
Service Strategy & Other Ed Functions	**40,164**	**40,776**	**42,697**
Management & Support Services	**1,955**	**2,085**	**2,156**
Early Achievement of Savings	**0**	**8,122**	**8,122**
Other Education & Community	**43,225**	**51,375**	**53,380**
Services for Young Children	**1,368**	**1,396**	**1,406**
Adoption Services	3,777	4,123	4,029
Asylum Seekers	4,932	4,961	4,961
Education of Children Looked After	142	259	157
Fostering Services	14,590	15,199	16,187
Independent Fostering	7,804	12,808	16,129
Leaving Care Support Services	6,245	6,625	7,164
Other Children Looked After Services	4,623	7,033	8,483
Residential Care	22,151	30,468	39,850
Special Guardianship Support	4,220	5,329	5,812
Children Looked After	**68,484**	**86,805**	**102,772**
Other Children & Families Services	**1,357**	**1,055**	**1,098**
Direct Payments	1,906	2,004	2,271
Other Support for Disabled Children	244	244	250
Short Breaks (Respite) for Disabled Children	3,960	3,243	3,315
Targeted Family Support	3,742	4,918	4,850
Universal Family Support	38	38	38
Family Support Services	**9,890**	**10,447**	**10,724**
Youth Justice	**737**	**1,246**	**1,021**
Safeguarding & Young Peoples Services	**23,024**	**26,346**	**26,785**
Services for Young People	**642**	**996**	**1,041**

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Management & Support Services	**9,912**	**11,563**	**9,983**
Early Achievement of Savings	**0**	**281**	**281**
Non-Distributed Costs	**122**	**122**	**122**
Children's Social Care	**115,536**	**140,257**	**155,233**
Total Non-Schools Budget	**158,761**	**191,632**	**208,613**
Children's Services Cash Limited Budget	**986,847**	**1,039,225**	**1,110,590**

Economy, Transport and Environment (ETE) Budget Summary 2020/21

Service Activity	Original Budget (*) 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Highways Maintenance	16,101	17,881	17,075
Street Lighting	10,292	10,372	10,651
Winter Maintenance	5,732	5,732	5,677
Concessionary Fares	13,222	12,982	13,212
Other Public Transport	3,875	3,939	4,092
Traffic Management and Road Safety [1]	2,176	3,468	2,268
Strategic Transport [2]	1,045	4,477	1,780
Highways, Traffic and Transport	**52,443**	**58,851**	**54,755**
Waste Disposal [3]	44,914	50,337	48,699
Environment	547	307	619
Strategic Planning	762	1,195	932
Waste, Planning and Environment	**46,223**	**51,839**	**50,250**
Economic Development	**766**	**910**	**879**
Departmental and Corporate Support	**3,374**	**3,597**	**3,319**
Early Achievement of Savings	**50**	**0**	**350**
ETE Cash Limited Budget	**102,856**	**115,197**	**109,553**

The above budgets show the position for ETE in accordance with the current portfolios. Previously Economic Development and Environment & Transport were presented as two separate reports.

*The Original Budget has been restated to reflect Staffing and Operational support costs within the relevant areas, rather than these costs being shown separately as in previous reports.

[1] Revised budget includes one-off cash flow support covering the delayed Tt2019 parking saving.

[2] Revised budget includes exceptional one-off budget provision for bidding mainly relating to the Transforming Cities Fund.

[3] Revised and Proposed budgets include one-off cash flow support for the delayed Tt2019 waste contract savings

Policy and Resources (P&R) Budget Summary 2020/21

Service Activity	**Original Budget 2019/20 £'000**	**Revised Budget 2019/20 £'000**	**Proposed Budget 2020/21 £'000**
Legal Services	2,683	2,781	3,019
Transformation Practice	557	2,811	1,788
Strategic Procurement	607	1,478	1,742
Governance	2,760	2,872	3,097
Transformation and Governance	**6,607**	**9,942**	**9,646**
Finance	3,448	3,360	3,694
HR	2,589	3,056	2,905
IT	20,460	23,495	24,316
Audit	633	633	713
Customer Business Services	6,948	5,878	6,044
Corporate Resources Transformation	1,022	1,024	1,157
Corporate Resources Management	21	(361)	(13)
Corporate Resources	**35,121**	**37,085**	**38,816**
Communication, Marketing & Advertising	634	871	648
Insight & Engagement	640	700	746
Chief Executive's Office & Leadership Support	575	573	569
Customer Engagement Service	**1,849**	**2,144**	**1,963**
Corporate Services Budget	**43,577**	**49,171**	**50,425**
Corporate & Democratic Representation	66	66	66
Grants to Voluntary Organisations	232	232	237
Grants & Contributions to Voluntary Bodies	823	749	765
Southern Sea Fisheries [4]	307	0	0
Members Devolved Budgets	390	624	390
Rural Affairs [5]	200	0	0
Other Miscellaneous	441	476	378

[4] Moved to Central Corporate Levies budget
[5] Moved to CCBS Countryside & Rural Affairs Services

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
P&R Non-Departmental Budget (Direct)	**2,459**	**2,147**	**1,836**
Members Support Costs	1,584	1,587	1,621
Repair & Maintenance	8,375	8,355	8,635
Strategic Asset Management	1,259	4,637	1,264
Other Miscellaneous	311	311	318
P&R Non-Departmental Budget (Central)	**11,529**	**14,890**	**11,838**
Other Policy and Resources Budget	**13,988**	**17,037**	**13,674**
Transformation	558	753	577
Business Development Team	532	749	610
Rural Broadband	262	262	307
CCBS IT Budget	78	78	80
Transformation and Business Management	**1,430**	**1,842**	**1,574**
Regulatory Services	1,163	897	924
Business Support	553	430	454
Scientific Services	25	75	123
Asbestos	(8)	(11)	25
Community and Regulatory Services	**1,733**	**1,391**	**1,526**
Risk, Health & Safety	27	27	27
Sir Harold Hillier Gardens	64	64	64
Culture and Heritage	**91**	**91**	**91**
Corporate Estate	(206)	(206)	(205)
County Farms	(497)	(497)	(495)
Development Account	(348)	(348)	(346)
Sites for Gypsies and Travellers	11	41	29
Property Services	2,787	3,027	3,579
Office Accommodation / Workstyle	3,439	4,672	3,990
Facilities Management	3,318	3,032	3,312
Hampshire Printing Services	(80)	(92)	(50)
Segensworth Unit Factories	(12)	0	0
Print Sign Workshop	10	0	0

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Property Services and Facilities:	**8,422**	**9,629**	**9,814**
Net Contribution to / (from) Cost of Change	296	(9)	617
CCBS P&R Services	**11,972**	**12,944**	**13,622**
Library Service	11,013	11,696	11,553
Energise Me Grant (Sport)	133	133	133
Community	49	0	0
Community Services	**11,195**	**11,829**	**11,686**
Countryside – Country Parks, Countryside Sites, Nature Reserves	1,470	1,750	1,717
Arts and Museums (including HCT grant)	2,619	2,533	2,434
Archives	695	705	689
Outdoors Centres	299	848	377
Community Grants	813	2,200	938
Great Hall	18	(1)	(5)
Culture & Heritage Services	**5,914**	**8,035**	**6,150**
Net Contribution to / (from) Cost of Change	371	(620)	787
CCBS Recreation & Heritage Services	**17,480**	**19,244**	**18,623**
Countryside – Rights of Way	1,112	1,062	1,001
Rural Affairs	0	272	275
Net Contribution to / (from) Cost of Change	34	34	94
CCBS Countryside & Rural Affairs Services	**1,146**	**1,368**	**1,370**
Total CCBS Cash Limited Budget	**30,598**	**33,556**	**33,615**
Policy & Resources Cash Limited Budget	**88,163**	**99,764**	**97,714**

Revenue Budget 2020/21

	Original Budget 2019/20 £'000	Adjustment £'000	Proposed Budget 2020/21 £'000
Departmental Expenditure			
Adults' Health and Care	385,455	35,881	421,336
Children's – Schools	828,086	73,891	901,977
Children's – Non Schools	158,761	49,852	208,613
Economy, Transport and Environment	102,856	6,697	109,553
Policy and Resources	88,163	9,551	97,714
	1,563,321	**175,872**	**1,739,193**
Capital Financing Costs			
Committee Capital Charges	141,035		141,035
Capital Charge Reversal	(143,314)		(143,314)
Interest on Balances	(10,436)	(3,000)	(13,436)
Capital Financing Costs	42,101		42,101
	29,386	**(3,000)**	**26,386**
RCCO			
Main Contribution	8,404	(1,565)	6,839
RCCO From Reserves	0	1,045	1,045
	8,404	**(520)**	**7,884**
Other Revenue Costs			
Contingency	93,391	(22,042)	71,349
Dedicated Schools Grant	(764,228)	(49,140)	(813,368)
Specific Grants	(192,899)	(41,733)	(234,632)
Pensions – Non-Distributed Costs	22,063	(22,063)	0
Levies	2,311	117	2,428
Coroners	1,821	177	1,998
Business Units (Net Trading Position)	454	(318)	136
	(837,087)	**(135,002)**	**(972,089)**
Net Revenue Budget	**764,024**	**37,350**	**801,374**
Contributions to / (from) Earmarked Reserves			
Transfer to / (from) Earmarked Reserves	(5,555)	(3,194)	(8,749)
Trading Units Transfer to / (from) Reserves	(313)	318	5
RCCO From Reserves	0	(1,045)	(1,045)
	(5,868)	**(3,921)**	**(9,789)**
Contribution to / (from) General Balances	900	0	900
NET BUDGET REQUIREMENT	**759,056**	**33,429**	**792,485**

	Original Budget 2019/20 £'000	Adjustment £'000	Proposed Budget 2020/21 £'000
NET BUDGET REQUIREMENT	**759,056**	**33,429**	**792,485**
Funded by			
Business Rates and Government Grant	(119,511)	(2,031)	(121,542)
Business Rates Collection Fund Deficit / (Surplus)	52	156	208
Council Tax Collection Fund Deficit / (Surplus)	(3,768)	618	(3,150)
COUNCIL TAX REQUIREMENT	**635,829**	**32,172**	**668,001**

Reserves Strategy

1. Introduction

1.1 The level and use of local authority reserves has been a regular media topic over a number of years, often fueled by comments from the Government that these reserves should be used to significantly lessen the impact of the measures to reduce the deficit that have seen a greater impact on local government than any other sector.

1.2 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.

1.3 Six out of ten respondents (61%) to the County Council's public consultation called *Serving Hampshire – Balancing the Budget,* which ran for six weeks from 5 June to the 17 July 2019, agreed with the position that reserves should not be used to plug the budget gap.

1.4 At the end of the 2018/19 financial year the total reserves held by the County Council together with the general fund balance stood at almost £669.5m an increase of more than £23.8m on the previous year. The increase in reserves is largely due to capital grants unapplied i.e. received in advance of spend, for both the County Council and the Enterprise M3 Local Enterprise Partnership (EM3 LEP), with the latter being part of a deliberate strategy to ensure that major projects are approved based on the outcomes they will deliver rather than the speed at which funding provided by the Government can be spent.

1.5 In line with the Medium Term Financial Strategy (MTFS), it also reflects the continued strategy of achieving savings early and then using those savings to fund the next phase of savings delivery. However, this increase in reserves was offset in part by a planned draw from the Grant Equalisation Reserve (GER), now repositioned as the Budget Bridging Reserve (BBR), to enable the County Council to continue its financial strategy, and to allow delivery of the more complex changes to be achieved safely within the Transformation to 2019 (Tt2019) Programme over a longer time period.

1.6 This Appendix sets out in more detail what those reserves are for and outlines the strategy that the County Council has adopted.

2. Reserves Position 31 March 2019

2.1 Current earmarked reserves together with the General Fund Balance totalled £669.5m at the end of the 2018/19 financial year. The table overleaf 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 2017/18.

2.2 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 31/03/2017 £'000	Balance 31/03/2018 £'000	% of Total %
General Fund Balance	22,398	21,398	3.2
Fully Committed to Existing Spend Programmes			
Revenue Grants Unapplied	21,541	14,251	2.1
General Capital Reserve	139,645	120,428	18.0
Street Lighting Reserve	26,491	27,006	4.1
Public Health Reserve	7,837	7,535	1.1
Other Reserves	1,057	937	0.1
	196,571	**170,157**	**25.4**
Departmental / Trading Reserves			
Trading Accounts	10,970	9,218	1.4
Departmental Cost of Change Reserve	88,690	118,895	17.7
	99,660	**128,113**	**19.1**
Risk Reserves			
Insurance Reserve	25,571	35,860	5.4
Investment Risk Reserve	2,000	2,957	0.4
	27,571	**38,817**	**5.8**
Corporate Reserves			
Budget Bridging Reserve	74,870	65,001	9.7
Invest to Save	32,109	29,201	4.4
Corporate Policy Reserve	5,889	6,397	1.0
Organisational Change Reserve	2,785	3,626	0.5
	115,653	**104,225**	**15.6**
HCC Earmarked Reserves	**439,455**	**441,312**	**65.9**
EM3 LEP Reserve	4,443	4,657	0.7
Schools’ Reserves	37,252	26,868	4.0
Total Revenue Reserves & Balances	**503,548**	**494,235**	**73.8**
Total Capital Reserves & Balances	**142,069**	**175,228**	**26.2**
Total Reserves and Balances	**645,617**	**669,463**	**100.0**

General Fund Balance

2.3 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 (CFO) of around 2.5% of the net budget requirement and it represents a working balance of resources that could be used at very short notice in the event of a major financial issue.

2.4 The balance at the end of the 2018/19 financial year stood at £21.4m which was 2.8% of net expenditure at the beginning of 2019/20; as projected in the budget setting report approved in February 2019, and this is broadly in line with the current policy.

Fully Committed to Existing Spend Programmes

2.5 By far the biggest proportion of revenue reserves are those that are fully committed to existing spend programmes and more than £120.4m 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 projects.

2.6 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).

2.7 Specifically, the Street Lighting Reserve represents the anticipated surplus generated by the financial model for this Public Finance Initiative scheme that is invested up front and then applied to the contract payments in future years, and the Public Health reserve represents the balance of the ring-fenced government grant carried forward for future public health expenditure.

2.8 These reserves do not therefore represent ‘spare’ resources in any way and are being utilised as planned in the coming years, as evidenced by the net draw of more than £26.4m in 2018/19.

Departmental / Trading Reserves

2.9 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.

2.10 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 to provide the time and flexibility to generate new revenues to balance the bottom line in future years.

2.11 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 potential over spends / pressures 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 significant change programmes.
- Meet the cost of standard redundancy and pension payments arising from the downsizing of the work force.
- Invest in new technology and other service improvements, for example the IT enabling activity associated with the Tt2019 and Transformation to 2021 (Tt2021) Programmes.
- 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.

2.12 Utilising reserves in this way and allowing departments and trading services to retain under spends or surpluses, 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 robust financial management across the County Council and is evidenced by the strong financial position that the County Council has maintained to date.

2.13 All departments will be utilising their reserves to fund the activity to deliver the Tt2019 and Tt2021 Programmes and to fully cash flow the later delivery of savings if needed. The exceptions to this are Children's Services and Adults' Health and Care who will require some additional corporate support based on the current forecast of savings delivery across the transformation programmes, provision for which has made within the MTFS.

Risk Reserves

2.14 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.

2.15 Each year the County Council sets aside an insurance provision to meet claims resulting from incidents that have occurred during the year, along with reserves to cover potential claims arising from incidents in that year but where the claims are received in the future.

2.16 Regular actuarial reviews on the overall Insurance Fund have provided assurance that the County Council has been setting aside appropriate levels of funding against future liabilities to date. However, the conclusions of the most recent review were that there was a need to adopt a long term approach to increasing that fund going forward, and the intention was to regularly review the Insurance Reserve and to make year end contributions that move the County Council towards the level outlined in the latest actuarial assessment.

2.17 To begin this, in 2017/18 £6.25m was added to the Insurance Reserve resulting in a net increase of £5m after the provision for that year, totalling £1.25m, was set aside. In 2018/19 the provision has reduced and there has been a net increase in the reserve of almost £10.3m. In light of this, and the fact that an actuarial review has been commissioned, the results of which will be available later in the year, no further additions to the Insurance Reserve were made in 2018/19.

2.18 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. Following changes to the accounting treatment of some investments going forward the main revenue budget report proposes an increase to this reserve which will bring the balance up to 2.1% of the total higher yielding investment portfolio, with a longer term aim to increase this to 2.5%.

Corporate Reserves

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

2.20 This leaves other available earmarked reserves that are under the control of the County Council and totalled more than £104.2m 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:

2.21 **Budget Bridging Reserve (BBR)** – This reserve, previously named the Grant Equalisation Reserve (GER), 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.

2.22 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 Comprehensive Spending Review (CSR) 2010 period from the GER to smooth the impact of the grant reductions.

2.23 It has become clear that the period of tight financial control will continue into the next decade and the County Council continues to take every opportunity to increase the reserve to be able to continue the sensible policy of smoothing the impact of funding reductions and service and inflationary pressures without the need to make ‘knee jerk’ reactions to deliver a balanced budget.

2.24 The net impact of the changes in the revenue account during 2018/19 mean that the BBR stood at just over £65.0m at the end of the 2018/19 financial year. This is in line with the financial strategy of supporting the revenue position as savings are developed and delivered on a two year cycle; or longer where appropriate.

2.25 Building the provision within the BBR will support the revenue position in future years, as set out in the MTFS, in order to give the County Council the time and capacity to implement the Tt2021 Programme and to cash flow the safe delivery of change in the medium term.

2.26 It has been agreed that where possible, the County Council will continue to direct spare one-off funding into the BBR to maintain what is part of a successful strategy which has served it very well to date. Consequently, as part of budget setting in February 2019, a number of additions totalling £29.9m were approved (over 2018/19 and 2019/20) to begin to make provision for the period beyond 2020 to support the two year savings cycle and to provide cash flow support to the Tt2021 Programme.

2.27 Further additions have been included as part of developing the budget for 2020/21, notably following the savings resulting from both the favourable 2019 Pension Fund revaluation (which saw the eradication of the deficit and the removal of the need for the past service payments that we were making and assumed would be needed in the future), and also the pre-payment of pension contributions to the Pension Fund.

2.28 The table below summarises the latest forecast position for the BBR taking into account these additions, the requirement to balance the budget in the interim years of 2020/21 and 2022/23 and also to provide corporate funding to cash flow the next stage of transformation:

	£'000
Balance at 31 March 2018	**74,870**
Interim Year 2018/19	(26,435)
Contributions in year	16,566
Balance at 31 March 2019	**65,001**
Additions approved February 2019	14,811
MRP Holiday	21,000
Cash Flow for Tt2019	(40,000)
Cash Flow for Tt2021	(32,000)
Interim Year 2020/21	(28,400)
Forecast Balance 31 March 2022 (*)	**412**
Additions from valuation saving (3 Years)	45,000
Additions from pension pre-payment (3 Years)	9,000
Additions from 2020/21 Budget Setting	3,323
Interim Year 2022/23	(40,200)
Forecast Balance 31 March 2023	**17,535**
IT Investment for a Successor Programme	(10,000)
Cash Flow for Successor Programme	(32,000)
Forecast Deficit 31 March 2024	**(24,465)**

(*As per MTFS approved by County Council in November 2019)

2.29 The forecast balance begins at 31 March 2023 begins to make provision for the medium term as part of the County Council's overall longer term risk mitigation strategy. Whilst this amount is not insignificant it must be considered in the context of the size and complexity of the County Council's activities and both the level of uncertainty associated with the financial position beyond 2020 and scale of the complex and challenging transformation activity that is still to be implemented in full. For example, the table demonstrates that if the same levels of Tt2021 IT investment and cashflow funding were factored into the forward forecast, then we would currently face a deficit of nearly £25m by the end of 2023/24.

2.30 Further contributions will therefore need to be made as a minimum to support investment in any future savings programme and to cash flow any predicted late delivery in the more complex areas, as has been a feature for both the Tt2019 and Tt2021 Programmes.

2.31 **Invest to Save** – This reserve is earmarked to provide funding to help transform services 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 efficiencies 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.

2.32 **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.

2.33 **Organisational Change Reserve** – The County Council is one of the largest employers in Hampshire and inevitably reductions in government funding, leading to reduced budgets, alongside the need to deal with service and inflationary pressures means that there is an impact on the number of staff employed in the future.

2.34 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 and since the scheme was introduced, voluntary redundancies account for the vast majority of the total number of staff that have left the organisation because of specific restructures and service re-design.

2.35 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.

2.36 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 periodically in line with the implementation of the Authority’s change programmes and the consequent requirement for future organisational change.

2.37 This reserve also funds aspects of management development approved under the Workforce Development Strategy to support a range of middle and senior management developmental work which has been critical to the delivery of transformation and has also been a key factor in the County Council's ability to recruit and retain the best senior staff.

2.38 It should be highlighted that the total 'Corporate Reserves' outlined above accounted for approximately 15.6% of the total reserves and balances that the County Council held at the end of the 2018/19 financial year, 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 BBR which comprises the majority of these 'available' Corporate Reserves, standing at more than £65.0m at the end of 2018/19, is in reality committed to balance the budget in the medium term, as set out in paragraph 2.28.

2.39 The reserves detailed above represent the total revenue reserves of the County Council and amounted to £494.2m at the end of the 2018/19 financial year, as shown in the table on the second page of this Appendix. Within this amount, 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

2.40 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.

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

Schools' Reserves

2.42 Schools' reserves accounted for almost £26.9m or 4.0% of total reserves and balances at the end of the 2018/19 financial year. Currently for presentational purposes only this amount includes the Dedicated Schools Grant (DSG) Deficit Reserve and the breakdown is shown below:

	£'000
Nursery and Early Years	284
Primary	39,275
Secondary	(3,530)
Special	4,585
General Schools' Reserves	40,614
DSG Deficit Reserve	(13,746)
Overall Schools' Reserves	**26,868**

2.43 Schools are facing increasing financial pressure relating to high needs and early years, both at an individual school level and within the overall schools' budget. This is reflected in the further fall in the value of schools' reserves in 2018/19.

2.44 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 to smooth fluctuations in cash flow over several years.

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

2.46 The overall schools' budget is currently in deficit and this deficit will increase again this financial year with School's Forum agreeing for this to be carried forward and be funded from future years DSG allocations. The overall cumulative deficit in the DSG Deficit Reserve (which was included within overall schools' reserves for presentational purposes only) is expected to be £27.2m at the end of 2019/20. The Department for Education (DfE) have consulted on changes to the DSG to clarify that it is a ring-fenced specific grant separate from the general funding of local authorities and that any deficit is expected to be carried forward and does not require local authorities to cover it with their general reserves.

Capital Reserves

2.47 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.

2.48 A sum of more than £175.2m was held within capital reserves and balances at the end of the 2018/19 financial year, although of this £39.7m related to the EM3 LEP which is included in the annual accounts, as the Council is the Accountable Body. EM3 LEP capital grants unapplied have increased as part of a deliberate strategy to ensure that major projects are approved based on the outcomes they will deliver rather than the speed at which funding provided by the Government can be spent.

3. Reserves Strategy

3.1 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.

3.2 This approach is well recognised across local government and a previous 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."*

3.3 We are in an extended period of tight financial control 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 safely deliver savings.

3.4 The County Council's strategy for reserves is well established and operates effectively based on a cyclical pattern as follows:

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

3.5 This cycle has been clearly evident throughout the decade, with surplus funds generated in advance of need as part of budget setting and then supplemented by further resources released in the year. Achievement in advance of need within departments and efficiencies in contingency amounts due to the successful implementation of change has meant that the Council has been able to provide material funding including the following:

- Departmental reserves to pay for the cost of change associated with their own transformation programmes and to manage service pressures.
- Funding within the Invest to Save Reserve to help support the Tt2019 Programme and Digital 2 that will underpin many aspects of the next phase of transformation.
- Additional funds to help smooth the impact of grant reductions, and safely manage the implementation of change, giving the County Council maximum flexibility in future budget setting processes.

3.6 It is recognised that each successive change programme is becoming harder to deliver and the challenges associated with the Tt2019 and Tt2021 Programmes are well known. The MTFS has made clear that delivery will extend beyond two years and provision has been made to ensure one off funding is available both corporately and within departments to enable the programmes to be safely delivered. Taking longer to 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.

3.7 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, Brexit and the future for adults' social care and the growing pressure nationally on children's services.

3.8 This increases the potential necessity to use reserves to alleviate the ongoing financial pressures in the coming years and we will continue to review all reserves regularly to ensure that there is sufficient financial capacity to cope with the challenges ahead.

3.9 In addition, while the overall level of reserves currently exceeds £0.6bn, it is also important to consider the level of the available resources in the context of the scale and scope of the County Council's operations, and it is a stark fact that when expressed in terms of the number of days that usable reserves would sustain the authority for, it would now be around 15. This highlights once again that reserves offer no long term solution to the financial challenges we face. Correctly used however, they do provide the time and capacity to properly plan, manage and implement change programmes as the County Council has demonstrated for many years now.

Section 25 Report from Chief Financial Officer

Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (the Deputy Chief Executive and 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 funding reductions announced to the end of the decade and the uncertainty surrounding the outcome of the next Comprehensive Spending Review (CSR), this report considers not only the short term position but also the position beyond 2020/21 in the context of the County Council's current Medium Term Financial Strategy (MTFS).

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, or as is more recently the case, to provide cash flow funding to support a longer delivery timescale for the more complex elements of the programme

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 (for example, 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 resource allocation and the impact on service provision, rather than these 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 funding reductions began and as reflected in the annual opinion of the External Auditors who have given an unqualified opinion on the annual accounts and in securing value for money / financial resilience.

A further £140m of savings were removed from the budget in 2019/20 and whilst some of this is expected to be delivered in later years, supported by corporate cash flow provisions, around £100m of the savings directly impact on the budget for that financial year. The current forecast outturn for 2019/20 as detailed in the main budget report shows that all departments are expected to be able to manage expenditure within the budgets that have been set, with previously agreed corporate support where required. This is a good indicator that the savings that have been put in place are working as intended and provide a stable financial base for the further challenges that lie ahead.

Budget 2020/21

The budget for 2020/21 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 me, in presenting the final budget and council tax setting report to Cabinet and County Council.

As part of the budget setting process last year a further £140m was removed from detailed budgets and this is reflected in the departmental summaries contained in Appendix 4. However, it has repeatedly been reported to Cabinet and County Council as part of the MTFS and updates on the Transformation to 2019 (Tt2019) Programme that delivery of these savings in some areas will extend beyond this financial year and in some cases on to 2021/22 before the full value of savings can be achieved.

This reflects the complexity of the savings programmes in the social care services in particular, and the fact that some of the changes will take time to implement and fully bed in and will not start to have a major impact until new cohorts of clients come into the service. Funding to meet the later delivery of these savings must first come from departmental cost of change reserves, but a corporate contingency over 2019/20, 2020/21 and 2021/22 of £40m was also provided as part of the 2018/19 budget setting process to support this position.

The overall budget position for 2020/21 was improved following the announcements made in the one year Spending Round (SR2019) in respect of social care funding, albeit that longer term this did not improve the expected two year gap to 2021/22 as a result of the increased growth beyond previous forecasts in both adults' and children's social care services. This was set out in full in the update of the MTFS that was presented to County Council in November last year.

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.

Risks in the Budget 2020/21

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 expectation within the public sector was that there would be a multi-year Spending Review over the Summer of 2019 that would provide funding announcements to government departments and local government alike.

   As a result of uncertainty around Brexit and the wider political situation, a one year Spending Round was announced. Whilst this has given certainty for the 2020/21 budget setting process it still leaves the public sector on a 'cliff edge' in respect of future years and makes the question of longer term financial sustainability difficult to assess.

   The provisional local government settlement was announced on 20 December 2019 and broadly confirmed the funding announcements contained in the SR2019 and these are reflected in the budget and council tax decisions contained in the main budget report.

   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. At this stage therefore there is not thought to be any significant risk in this area for 2020/21 but it does have a major impact on future financial sustainability as discussed later in this Appendix.

b) **Social Care Demand Pressures** – By far the biggest impact in recent years has been the accelerating increase in the number and cost of Children Looked After. The Tt2019 Programme contains significant savings in this service area and current projections show that the number of children in care is starting to decline after many years of significant increase. This is a positive position, but it is currently failing to deliver the full value of predicted savings, since the costs of individual placements particularly within the Independent Fostering Agencies are spiralling upwards.

   The current MTFS contains provision for expected growth in Children's Services social care costs but does not currently include provision for the non-delivery of the Tt2019 savings over the longer term if the price of care continues to rise. This therefore represents a major risk in the budget going forward but has less impact in respect of the 2020/21 budget as the savings for this area were expected to be delivered on a longer time frame, which already has corporate cash flow support allocated.

   For adults' social care services, there has been a long period of relative stability which has meant that the annual growth forecasts have been in line with the actual activity experienced within the service. During the latter part of 2018/19 and throughout the current financial year growth in activity has started to rise at a greater rate and there have been further 'stepped' growth factors (such as increasing the rate of discharges from hospital) that have caused additional cost pressures.

   These pressures were outlined in the MTFS reported to County Council in November last year and resulted in a stepped growth increase of £10.0m and an increase in the annual growth figure from £10.0m to £13.5m each year from 2020/21 onwards.

The additional costs in both children's and adults' social care services were partially offset by the increased funding announced by the Government in the SR2019, but still adds a significant burden to the longer term position that the County Council faces.

I am content that the budget for 2020/21 contains a realistic assessment of the likely growth we will face in the year, backed up by further contingency amounts and reserves if growth should be higher than forecast.

c) **Council Tax** – The Government has assumed that local authorities will increase council tax by the maximum permitted by the referendum thresholds and on this basis the recommended increase is 3.99%, of which 2% relates to adults' social care, in line with the thresholds included in the provisional local government finance settlement released on 20 December last year.

d) **Pay and Price Risk** – The budget originally contained a 2% allowance for the April 2020 pay award, which has yet to be agreed, plus a further factor to deal with any changes arising from the National Living Wage (NLW).

The Conservatives set out in their manifesto, plans to raise the NLW to £10.50 within the next five years and also to lower the age threshold from 25 to 21. Following the outcome of the election, this commitment was included in the Queen's speech, provided economic conditions allow. In line with this, the Government has recently announced that the NLW will rise from £8.21 to £8.72 on 1 April 2020 for workers over the age of 25, an increase of 6.2%. Whilst the County Council's pay framework is not immediately impacted by the planned increase, as the hourly rate for staff on Grade A (the lowest Grade) currently exceeds this by some way; standing at £9.00, the longer term aspiration is likely to result in a review of the framework. The outcome and timing of this is uncertain but the budget report includes provision for an additional 1% allowance for pay (circa £3.0m per annum) in light of the Government's policy, and more immediately growing uncertainty as to how the employers will approach the pay award for 2020/21.

Any deviations from this position will be managed in year and reflected in future forecasts, however the impact of variances in this area now tend to be immaterial compared to the growth in social care costs that we face every year.

Following the 2019 Pension Fund valuation, Hampshire County Council's employer's contributions rates have increased from 16.1% to 18.4%, which is reflected in the budget but has been fully funded from the eradication of the deficit contribution that we were previously paying.

Similarly, the impact of price inflation has been considered 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.

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, although the Treasury's decision to increase the margin on all Public Works Loan Board (PWLB) borrowing by

1% last year does increase the risk in this area but is unlikely to impact in the foreseeable future due to our strong reserves and cash balances position.

On the investments side, the absolute value of estimated income for 2019/20 is circa £13.5m 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 and the medium term aim is to increase the reserve to match 2.5% of the higher yielding investment portfolio.

The Adequacy of Reserves

The County Council's policy on general balances is to hold a minimum prudent level which based on the previous risk assessment is around 2.5% of net expenditure. The projected level of general fund balances will be 2.8% of net expenditure at the beginning of 2020/21.

Overall the level of earmarked reserves and balances that the County Council holds stood at £669.5m (including schools and the Enterprise M3 LEP reserve) at the end of March 2019 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 the 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. Cash flow funding to support the Transformation to 2021 (Tt2021) Programme had already been included in our financial plans and stabilises the position at least up until 2022/23.

The remaining balance in the Budget Bridging Reserve (BBR) after this time is currently forecast to be circa £17.5m as outlined in Appendix 6 and this provides sufficient funding to meet the draw required for the interim year in 2022/23 following the injection of £18.0m a year for three years arising from the net savings in the deficit contribution for the Pension Fund (£15.0m) and the pre-payment of pension contributions (£3.0m). Whilst this is a positive position, further contributions will need to be made to support investment in any future savings programme and to cash flow any predicted late delivery in the more complex areas.

Whilst the majority of reserves are allocated for a specific purpose, as outlined in the Reserves Strategy, this does still provide flexibility in being able to manage the finances of the County Council going forward, compared to some County Councils whose total reserves stand at less than the BBR which we currently hold. I am therefore satisfied that the level of reserves is adequate to support the agreed financial strategy over the medium term.

CIPFA Financial Resilience Index

Following the events in Northamptonshire and a heightened national focus on the finances of local government more generally, the Chartered Institute of Public Finance and Accountancy (CIPFA) produced a Financial Resilience Index (FRI) which they consulted on last year. The index uses a range of financial information and other factors to generate a series of measures against which all authorities are 'stress tested'.

The original proposal was to produce a single consolidated score for each authority using the measures and to make this information publicly available. However, the consultation feedback (which Hampshire participated in) raised concerns that this may lead to the publication of a league table and have unintended consequences across the sector if used in a negative way. CIPFA responded to this feedback and have removed the consolidated score. Last year the information was only provided to CFOs to assist them in carrying out their role and in December 2019, the Index was once again provided to CFOs, but this was only in advance of it being made public later in the month.

The Index is broadly similar to what was published last year, but there are a few changes. Hampshire has once again fared well under the Index with only one indicator being classified as high risk. The summary below indicates the low and high risk areas identified in the Index:

Lower Risk Areas:

- The County Council scored well on most indicators relating to reserves, in fact Hampshire has the highest level of reserves of any County Council.
- The rate of use of its reserves and the reserves depletion time also came out as low risk.
- The council tax requirement as a proportion of total funding was also positive meaning that a high proportion of resources was generated locally and was therefore low risk as a continued income source.
- Hampshire has an outstanding children's social care Ofsted judgement and an unqualified External Auditors value for money assessment.

Higher Risk Areas:

- The level of unallocated reserves was flagged as high risk, which reflects the commentary in the Reserves Strategy in Appendix 6 that the majority of our reserves are set aside for a specific purpose. We are fully aware of this fact and the MTFS already provides for specific future funding that is essential to maintain our financial sustainability.

I am content that the results of the FRI, reflect what we already know about the financial sustainability of the County Council and is supported by the fact that there is now only one area flagged as high risk.

CIPFA Financial Management Code

In addition to the FRI outlined above, CIPFA have also published, during 2019, a Financial Management Code, designed to aid local authorities in assessing and developing their financial management activities across all areas of governance and management.

Hampshire has been instrumental in ensuring that the Code reflects as far as possible a practitioner's view of financial management within local government and is pleased that the final published version reflects a large proportion of the feedback provided to CIPFA.

Full compliance with the code is not required until 2021/22, but it has been published early to allow local authorities the time to assess their performance against the Code and make improvements or changes where required.

A high level review of the Code has been undertaken to assess areas where the County Council may have some areas for improvement, and this is set out in the following table:

Code Section	**Financial Management Standard**	**Hampshire County Council Position**
Section 5: Stakeholder engagement and business plans	L - The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium term financial plan and annual budget.	Whilst the County Council has regular contact with its key stakeholders in developing service priorities and collaborative working and consults widely in respect of changes to service provision, it is not systematic in engaging stakeholders in respect of strategic financial planning and budget setting and consideration could be given to how this could be improved and incorporated into the financial planning and budget setting cycle if appropriate.
Section 5: Stakeholder engagement and business plans	M - The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	The County Council’s feedback in respect of this Financial Management Standard is that it would not want to dictate a specific documented option appraisal methodology across the whole Council as many of the more theoretical models are not appropriate for some of the decisions that are taken and are often disproportionate in terms of the effort required to complete them. Instead we ensure that all relevant decisions are supported by a clear business case that should be proportionate to the size and complexity of the matter being considered. Consideration should however be given to providing specific guidance to managers about the need for business cases and what they need to contain as a minimum.

Code Section	Financial Management Standard	Hampshire County Council Position
Section 6: Monitoring financial performance	O - The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.	Again, the feedback provided to CIPFA on the Standard was that it was inappropriate to concentrate on the balance sheet as a single issue and that this was not something that generally happened in practice. The draft guidance quoted various specific areas covered by this Standard including: • Capital investment and the maintenance of assets • Long and short term investments • Debt collection • Cash flow management • Borrowing • Reserves The County Council already has appropriate arrangements in place through other means to manage these risks and it is therefore not considered necessary to group them in this way for consideration by the leadership team. We will review the more detailed guidance and ensure that we are satisfied that all areas highlighted are appropriately covered.

Budget 2020/21 – 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 2020/21.

The Position Beyond 2021

The latest MTFS was approved by County Council in November last year and extended the planning horizon to 2022/23. After the announcement of a one year spending round for 2020/21, the next CSR is due to take place this year and will set the framework for public spending; hopefully over the next four years.

Local government finances will be impacted over this period not only as a result of the total amount of funding that will be made available but also as a result of the Fair Funding Review and the extension of Business Rate Retention, on which consultation papers have previously been published and the County Council has provided responses.

It is difficult at this stage to predict what the financial landscape will look like after 2020/21, and in reality, we will probably need to wait until December 2020 before we are in a position to understand the medium term financial prospects for the County Council and the need or otherwise for a further savings programme.

Clearly trying to make further savings on top of the £560m that will have been removed from the budget by April 2021 will be extremely challenging and is likely to be delivered once again over an extended period, placing further pressure on corporate funding to support this.

The MTFS highlighted the fact that beyond 2021/22 without a significant change in the way in which growth in adults' and children's social care is funded, the County Council is unlikely to be financially sustainable, since it is not possible to continually cut some services to fund growth in others.

At this stage however, in the absence of the outcome of the CSR and other changes to the local government finance regime, the County Council must focus on delivery of the remaining Transformation to 2019 (Tt2019) Programme savings alongside the Transformation to 2021 (Tt2021) Programme and I believe it is well placed to do that underpinned by departmental reserves and the corporate funding that is already in place.

Carolyn Williamson

Deputy Chief Executive and Director of Corporate Resources

22 January 2020

Capital and Investment Strategy 2020/21 to 2022/23

1. Introduction

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

1.2 This Strategy covers:

- Governance arrangements for capital investment.
- Capital expenditure forecasts and financing.
- Prudential indicators relating to financial sustainability.
- Minimum Revenue Provision (MRP) for the repayment of debt.
- Treasury Management definition and governance arrangements.
- Investments for service purposes, linked to the County Council's commercial strategy.
- Knowledge and skills.
- Chief Financial Officer's conclusion on the affordability and risk associated with the Capital and Investment Strategy.
- Links to the statutory guidance and other information.

2. Governance

2.1 The County Council's Medium Term Financial Strategy (MTFS) 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. This is kept under review by the Corporate Infrastructure Group (CIG) which is chaired by the Director of Economy, Transport and Environment and includes representatives from his department, together with Officers from Children's Services, Adults' Health and Care, Property Services and the Head of Finance. The aim of the group is to ensure a co-ordinated approach to capital investment and major developments across the County Council.

2.2 In accordance with the MTFS, each year the Cabinet sets cash limit guidelines for a three year capital programme funded by local resources. Executive Members propose capital programmes within these cash limits together with schemes funded by government grants and other external sources. The proposed programmes are scrutinised by the relevant Select Committee. The final Capital Programme is then presented to Cabinet and to County Council in February each year.

3. Capital Expenditure and Financing

3.1 Capital expenditure is spending by the County Council on assets, such as land, property, the highway network or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or enhance assets.

3.2 The estimated level of capital expenditure (or 'payment') flows each year, together with forecasts of financing resources, are two of the factors considered in determining the size of the cash limit guidelines for the Capital Programme.

3.3 Capital expenditure may be funded directly from revenue, however the general pressures on the Council's revenue budget and council tax levels limit the extent to which this may be exercised as a source of capital funding. Prudential borrowing does provide an option for funding additional capital development but one which then results in costs that have to be funded each year from within the revenue budget or from generating additional ongoing income streams.

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

3.5 Expenditure flows in 2019/20 and the following three years will result from works in progress (schemes started in 2019/20 and earlier years) plus those arising from the proposed programme for 2020/21 to 2022/23, as Table 1 below shows:

Table 1: Forecast Capital Expenditure Flows

	2019/20 £'000	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Works in Progress at 31 March 2019 and Schemes starting in 2019/20	217,516	179,324	84,372	27,503
Programmes starting in 2020/21, 2021/22 and 2022/23		92,021	94,015	119,106
Land Acquisition	3,831	12,396	646	646
Total Expenditure Flows	**221,347**	**283,741**	**179,033**	**147,255**

3.6 In practice, expenditure flows in the years after 2019/20 may vary from those shown in Table 1 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 in the Capital Programme, which is presented in a separate report elsewhere on this Agenda.

Table 2 - Resources to Fund Capital Expenditure

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Prudential borrowing	42,808	53,241	31,481	10,332
Less repayments from capital	(13,598)	(5,026)	(6,898)	(7,474)
Capital grants	105,886	198,317	115,923	74,141
Contributions from other bodies including developers	37,475	42,108	32,363	55,623
Capital receipts	1,092	0	0	925
Revenue contributions to capital	8,307	6,839	6,411	6,303
New Resources in the Year	**181,970**	**295,479**	**179,280**	**139,850**
Draw From / (Contribution to) the Capital Reserve:	39,377	(11,738)	(247)	7,405
Total Resources Available	**221,347**	**283,741**	**179,033**	**147,255**

4. Prudential Indicators

4.1 The framework for the use of prudential borrowing, 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, to be funded by business unit reserves.
- Temporary borrowing to accommodate shortfalls in general capital resources.

4.2 As the loan repayments and interest charges must be financed by the County Council from its own resources, it is important that the use of prudential borrowing is very closely controlled and monitored.

4.3 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). 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 CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. This is a key indicator of prudence.

Table 3: Ensuring Borrowing is Only for Capital Purposes

	31/03/20 Revised £M	31/03/21 Estimate £M	31/03/22 Estimate £M	31/03/23 Estimate £M
CFR	**794**	**824**	**822**	**793**
Debt				
Borrowing	300	290	280	272
PFI Liabilities	150	142	133	124
Total Debt	**450**	**432**	**413**	**396**

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

Affordable Borrowing Limit

4.5 The County Council is legally obliged to set an Authorised Limit for the maximum affordable amount of external debt. In line with statutory guidance, a lower ‘Operational Boundary’ is also set as a warning level should debt approach the limit. The Operational Boundary is based on the County Council’s estimate of the 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.

Table 4: Affordable Borrowing Limits

	2019/20 Revised £M	2020/21 Estimate £M	2021/22 Estimate £M	2022/23 Estimate £M
Authorised Limit:				
Borrowing	740	780	790	770
PFI and Leases	190	180	170	160
Authorised Limit	**930**	**960**	**960**	**930**
Operational boundary:				
Borrowing	700	730	740	720
PFI and Leases	150	150	140	130
Operational Boundary	**850**	**880**	**880**	**850**

Ratio of Financing Costs to Net Revenue Stream

4.6 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.

Table 5: Ratio of Financing Costs to Net Revenue Stream

	2019/20 Revised	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
Ratio	1.05%	1.49%	2.08%	2.48%

4.7 A low proportion is forecast, demonstrating that the cost of financing is minimised and the proportion of the revenue budget available for delivering services is maximised.

Incremental Impact of Capital Investment Decisions

4.8 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 for the next three years.

Table 6: Incremental Impact of Capital Investment Decisions

	2020/21 Estimate £	2021/22 Estimate £	2022/23 Estimate £
General Fund - increase in Annual Band D Council Tax	2.08	4.44	2.28

5. Minimum Revenue Provision (MRP) for Debt Repayment

5.1 Where the County Council finances capital expenditure by debt, statutory guidance requires it to put aside revenue resources to repay that debt in later years, known as MRP. Statutory 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 2020/21

5.2 Prior to 2015/16 the County Council calculated MRP for supported borrowing[6] 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.

[6] Borrowing or use other forms of credit to finance capital expenditure, for which central government previously provided a revenue stream to support repayment of principal and interest.

5.3 As agreed in 2016/17 the County Council has paused 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.

5.4 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 Guidance) 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.

5.5 MRP in respect of leases and Private Finance Initiative (PFI) 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.

5.6 Capital expenditure incurred during 2020/21 will not be subject to an MRP charge until 2021/22.

5.7 Based on the Authority's latest estimate of its CFR on 31 March 2020, the budget for MRP has been set as follows:

Table 7: MRP Budget

	31/03/2020 Estimated CFR £M	**2020/21 Estimated MRP £M**
Supported Capital Expenditure	455	0.0
Unsupported Capital Expenditure After 31/03/2008	163	9.8
Finance Leases and PFI	149	8.0
Transferred Debt	27	0.4
Total General Fund	**794**	**18.2**

6. Treasury Management

6.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

6.2 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 Treasury Management Strategy (TMS).

6.3 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.

6.4 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. It therefore invests its funds prudently and has regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

6.5 The County Council's TMS, included as Appendix 9, to this report is scrutinised by the Audit Committee and approved by the County Council each year. Actual performance is reviewed by the Audit Committee and reported to Cabinet and County Council.

7. Investments for Service Purposes

7.1 The County Council's Commercial Strategy was set out in the update of the MTFS presented to Cabinet and County Council in October and November 2019. A summary of the Strategy is outlined below.

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

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

7.3 The second and fourth approaches listed above directly relate to this Capital and Investment Strategy, although it is the first and third approaches that contribute the most income on an annual basis to support the County Council's financial position. This is a deliberate outcome of the overall strategy and has been achieved through the pursuit of a range of initiatives targeting increased income generation but without over exposing the Council to excessive risk or considering radical changes that take the County Council into areas that are not its core business, or indeed pursuing more niche opportunities that simply do not offer with any confidence anything like the scale of income to merit the effort and upfront investment.

Pooled Funds

7.4 Faced with a historically low interest rate environment, the County Council decided, as part of the 2014/15 strategy, to earmark £90m of its cash balances for investments appropriately targeting a higher yield of around 4%. The County Council agreed to increase this amount to £200m in 2017 and to £235m in 2019. This is in addition to £15m of long term investments that had been made for the Street Lighting PFI scheme. Higher yields can be accessed through investments in assets other than cash, such as equities, bonds and property. The County Council has made investments in property, equities and government bonds, as well as long term investments with other local authorities.

7.5 The principle mitigation for risk is ensuring that investments in non-cash assets are held as long-term investments. This will enable the initial costs of any investment and any periods of falling capital values to be overcome. In order to be managed as long term investments, the amounts invested need to be taken from the County Council's most stable cash balances. The allocation of £235m has been based on half of the Council's forecast future minimum balance.

7.6 The selection of investments to target higher yields is carefully managed with the assistance of Arlingclose, the County Council's treasury management advisor, who recommend that the County Council diversifies its investments targeting a higher return between asset classes. This is to mitigate the loss of capital value, so that there is no over exposure to an event that impacts the value of investments in a particular asset class, such as a fall in property prices.

7.7 The County Council utilises pooled investment vehicles as the most appropriate means to access asset classes such as property or equities. The County Council could build its own direct portfolios of these investments, such as property, however**,** its total allocation of £235m for a diversified portfolio would not enable this to be done efficiently and effectively with the appropriate risk mitigation**.** Pooled funds are managed by external specialist investment managers who are best placed to select the particular investments and then manage them, for example for property investments managing the relationship with tenants and maintenance of the building.

Utilising Property Assets

7.8 The County Council utilises its own property to make a return. In areas where we already own buildings we are working with partners to utilise this space more effectively from a joint service provision point of view and at the same time making a return on the space we have provided. Further work is being undertaken to maximise the usage of space in existing buildings with a view to potentially offering whole buildings on the commercial market for lease. This approach enables the County Council to use existing assets to generate income with minimal risk, compared to buying additional property using prudential borrowing purely to try to make a financial return.

7.9 In addition to property rationalisation, the County Council is also making more efficient use of its existing office space. Investment in new technology as part of the Enabling Productivity Programme together with improved fire safety measures have increased the capacity of the Castle complex.

Developing Joint Ventures

7.10 There are a number of opportunities that the County Council can pursue either through its land holdings or through the relationships it has with partners or contractors that look at new and innovative ways of generating a financial return. To date the County Council has been helpful in responding to Borough Council Local Planning Authority requests for the potential use of its public land holdings for potential residential development. This will continue the stream of substantial capital receipts the County Council has benefitted from over recent decades to enable it to reinvest in existing services and ongoing transformation initiatives.

7.11 In addition, an alternative avenue that the County Council is currently actively pursuing in two cases is to become even more active and influential in the market of delivering homes across the county on some of its key sites. This will have the benefit of not only giving greater influence and certainty in the types and rates of homes, neighbourhoods and infrastructure and facilities being developed on its land but also the potential for greater certainty in the programming of development and receipts through economic cycles. Furthermore, it will also offer the County Council the advantage of considering whether it wishes to benefit from capital or revenue receipts from development and residential assets or combinations of the two; depending on individual sites and its own circumstances.

7.12 The largest site is Manydown in Basingstoke and in May 2016 the County Council, along with joint landowner Basingstoke and Deane, secured the allocation of the initial Manydown Phase 1 development for up to 3,520 dwellings to be provided in the period up to 2029. Following public consultation that has enabled the finalisation of a development masterplan, planning approval is now being sought to take the site forward.

7.13 Another area that the County Council can look to exploit is the relationships it has with its partners and contractors. There is already a long standing relationship with our waste disposal contractors Veolia that includes innovative ways of generating income for both parties. The long term contract allows the use of surplus capacity at our waste facilities for commercial purposes for which the County Council receives an income share. Similarly, provisions are in place for working with our highways maintenance contractor Skanska to develop joint ventures linked to the existing contract that will yield additional income for both parties. A third example is the superfast broadband contract with BT Openreach that includes mechanisms that provide a rebate to the County Council when take up is greater than the original estimates in Openreach’s commercial bid. To date, rebates and savings have added a further £7.8m of delivery to the programme without requiring additional capital funding from the County Council and further rebates are expected in the next few years.

7.14 With the primary aim of improving economic prosperity and related infrastructure within Hampshire, the County Council may consider granting loans to other organisations. To date, loans totalling £9.5m at market rates of interest have been approved to the Enterprise M3 Local Enterprise Partnership (EM3 LEP) and Farnborough International Ltd.

7.15 The development of all these opportunities is reported to Cabinet and, if additional capital schemes are proposed, County Council approval is sought to add them to the Capital Programme.

8. Knowledge and skills

8.1 The County Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions in accordance with the approved strategies. Performance against targets and learning and development needs are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

8.2 Staff attend training courses, seminars and conferences provided by the Chartered Institute of Public Finance and Accountancy (CIPFA), Arlingclose and other providers. Relevant staff are also encouraged to study professional qualifications from CIPFA, and other appropriate organisations.

8.3 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 in November 2019, which gave an update of treasury matters. A further Arlingclose workshop has been planned for November 2020.

Investment Advisers

8.4 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 Deputy Chief Executive and Director of Corporate Resources, her staff and Arlingclose.

9. Chief Financial Officers Conclusion on the Affordability and Risk Associated with the Capital and Investment Strategy

9.1 This Capital and Investment Strategy has been developed alongside the TMS (Appendix 9) and the Reserves Strategy (Appendix 6). Together, they form an integrated approach adopted by the County Council to balance the need for capital investment to support service priorities with consideration of affordability and the consequent impact on the revenue budget, whilst recognising and managing risk to an acceptable level.

9.2 The forward planning of capital investment and its funding, including being in a position to maximise the use of external grants, contributions and capital receipts, together with the process of regular monitoring of actual income, expenditure, and project progress, provides assurance to the Deputy Chief Executive and Director of Corporate Resources that the proposed Capital Programme is prudent, affordable and sustainable.

10. Links to Statutory Guidance and Other Information

10.1 The Local Government Act 2003, Section 15(1) and the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146] require Local Authorities to have regard to the following guidance:

- Ministry of Housing, Communities & Local Government (MHCLG) - Local Government Investment* MHCLG Investment.
- CIPFA's Prudential Code 2017
- CIPFA's Treasury Management Code 2017

(*Where a local authority prepares a Capital Strategy in line with the requirements of the Prudential Code, and a TMS in line with the requirements of the Treasury Management Code, the Investment Strategy can be published in those documents instead of as a separate document).

10.2 The County Council includes its non-treasury management Investment Strategy within this Capital Strategy. The TMS is a separate document reported to Cabinet and County Council, (Appendix 9).

10.3 The proposed Capital Programme is a separate document presented to Cabinet and County Council in a separate report elsewhere on this Agenda

Treasury Management Strategy Statement 2020/21 to 2022/23

1. Summary

1.1. The Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 (the CIPFA Code) requires authorities to determine their Treasury Management Strategy Statement (TMSS) before the start of each financial year.

1.2. This Strategy fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.3. The purpose of this TMSS is, therefore, to present for approval the Treasury Management Strategy (including the Annual Investment Strategy) for 2020/21; and the remainder of 2019/20.

2. Introduction

2.1 In 2018 the Ministry of Housing, Communities & Local Government (MHCLG) produced new Investment Guidance including the requirement to produce an Investment Strategy. The County Council's Capital and Investment Strategy (Appendix 8) sets out the Council's broad approach to investment, including its capital programme, how this is funded, and investments held for service purposes or for commercial profit.

2.2 This Treasury Management Strategy (TMS) supports the Capital and Investment Strategy in setting out the arrangements for the management of the County Council's cash flows, borrowing and investments, and the associated risks.

2.3 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 financial risk are therefore central to the County Council's prudent financial management.

2.4 Treasury risk management at the County Council is conducted within the framework of the CIPFA Code which requires the County Council to approve a Treasury Management Strategy Statement (TMSS) before the start of each financial year. This Strategy fulfils the County Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2.5 Investments held for service purposes or for commercial profit are considered in the Capital and Investment Strategy (Appendix 8).

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 UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the County Council's TMS for 2020/21.

3.3 Gross Domestic Product (GDP) growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1%. Looking ahead, the Bank of England forecasts economic growth to pick up during 2020 as Brexit related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Quarter 4 2020, 1.8% in Quarter 4 2021 and 2.1% in Quarter 4 2022.

3.4 The headline rate of UK Consumer Price Inflation (CPI) remained the same in November 2019 at 1.5% year-on-year, although lower than highs of 2.1% in July and April 2019 and below the Bank of England target of 2%.

3.5 Labour market data continues to be positive with unemployment at 3.8%, the lowest level since 1975. The three month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019, providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9% in October 2019 and only likely to have a moderate impact on household spending.

Credit Outlook

3.6 The recent Bank of England stress tests assessed all seven UK banking groups, with all seven passing the test. Major banks have steadily increased their capital for many years now, however the tests do not cover all banks and the Bank of England will seek to address issues with the tests in 2020, when Virgin Money / Clydesdale will be added to the testing group and separate tests will be included of ringfenced banks.

3.7 Looking forward, the potential for adverse Brexit outcomes and / or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits continues to be recommended by the County Council's treasury advisors.

Interest Rate Forecast

3.8 The Council's treasury management adviser Arlingclose is forecasting that the Bank Rate will remain at 0.75% until the end of 2022. The risks to this forecast are deemed to be significantly weighted to the downside, particularly given the need for greater clarity on Brexit and continuing global economic slowdown.

3.9 The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7 to 2 vote to hold rates) that the Monetary Policy Committee (MPC) now believe this is less likely even in the event of a deal.

3.10 Gilt yields have risen but remain at low levels and only some very modest upward movement from current levels are expected based on Arlingclose's interest rate projections. The central case is for 10-year and 20-year gilt yields to rise to around 1.00% and 1.40% respectively over the time horizon, with broadly balanced risks to both the upside and downside. However, short-term volatility arising from both economic and political events over the period is a near certainty.

3.11 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 2019, the County Council held £308m of borrowing and £590m 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 below:

Table 1: Balance Sheet Summary and Forecast

	31/03/19 Actual £M	31/03/20 Estimate £M	31/03/21 Forecast £M	31/03/22 Forecast £M	31/03/23 Forecast £M
Capital Financing Requirement	781	794	824	822	793
Less: Other Long-term Liabilities					
- Street Lighting PFI	(104)	(100)	(96)	(91)	(86)
- Waste Management Contract	(53)	(50)	(46)	(42)	(38)
Borrowing CFR	**624**	**644**	**682**	**689**	**669**
Less: External Borrowing					
- Public Works Loan Board	(238)	(228)	(218)	(208)	(200)
- Other Loans (incl. LOBOs)	(45)	(41)	(41)	(41)	(41)
- Other Short-term Borrowing	(31)	(31)	(31)	(31)	(31)
Internal Borrowing	**310**	**344**	**392**	**409**	**397**
Less: Reserves and Balances	(669)	(591)	(625)	(656)	(670)
Less: Allowance for Working Capital	(210)	(210)	(210)	(210)	(210)
Resources for Investment	**(879)**	**(801)**	**(835)**	**(866)**	**(880)**
(Treasury Investments) / New Borrowing	**(569)**	**(457)**	**(443)**	**(457)**	**(483)**

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.

4.3 It is forecast that the County Council will continue to take advantage of internal borrowing, which will increase through until 2021/22, whilst paying off Public Works Loan Board (PWLB) debt as maturities arise.

4.4 The County Council intends to pay employer's Local Government Pension Scheme (LGPS) pension contributions in advance in April 2020 for the three years covering 2020/21 to 2022/23, with the initial reduction in cash balances offset by not then making monthly pension contributions. The lower contribution rate being charged as a result of paying in advance will generate a saving for the County Council across the three-year period that is greater than the investment income foregone.

4.5 Reserves and balances are initially due to reduce over the forecast period due to the anticipated funding of the Capital Programme, repayment of external debt, and use of the Budget Bridging Reserve (BBR) and are then forecast to increase as part of the Council's Reserves Strategy as set out in Appendix 6.

4.6 These factors result in the profile for investment balances shown in Table 1.

4.7 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 2020/21.

5. Borrowing Strategy

5.1 The County Council currently holds £308m of loans, a decrease of £1m 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 2020/21. The County Council may however borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £780m.

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 is 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 The County Council has previously raised the majority of its long-term borrowing from the PWLB, but the Government increased the margin on PWLB rates by 100 basis points (1%) in October 2019 making it a relatively expensive way to meet borrowing needs.

5.6 Alternative options should the County Council need to borrow any long-term amounts include banks, pension funds and local authorities as well as the potential to issue bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

5.7 The County Council may also arrange forward starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

5.8 In addition, the County Council may borrow short-term loans (normally for up to one month) to cover unplanned cash flow shortages.

Sources

5.9 The approved sources of long-term and short-term borrowing are:

- PWLB and any successor body.
- Any institution approved for investments (see below).
- Any other bank or building society authorised to operate in the UK.
- Any other UK public sector body.
- 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

5.10 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing.
- Hire purchase.
- Private Finance Initiative (PFI).
- Sale and leaseback.

LOBOs

5.11 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.

5.12 All of these loans have options during 2020/21, and although the County Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, 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. Total borrowing via LOBO loans will be limited to the current level of £20m.

Short-term and Variable Rate Loans

5.13 These loans leave the Council exposed to the risk of short-term interest rate rises. This risk is monitored through the indicator on interest rate exposure in the treasury management indicators in this report.

Debt Rescheduling

5.14 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 £569m and £677m, although lower levels are expected in the forthcoming year, as shown in Table 1.

6.2 The reduction in investment balances predicted for 2020/21 is largely the result of the intention to pay employer's pension contributions in advance in April 2020. This will be for the three years covering 2020/21 to 2022/23 for staff in the LGPS and will enable the County Council to make savings on pension contributions that outweigh the lost investment income. This can be done without impacting liquidity with the benefit of also reducing counterparty risk.

Objectives

6.3 The CIPFA Code requires 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

6.4 If the UK enters into a recession in 2020/21, 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

6.5 Given the increasing risk and very low returns from short-term unsecured bank investments, the County Council aims to continue to be diversified in more secure and/or higher yielding asset classes during 2020/21. This is especially the case for the estimated £340m that is available for longer-term investment.

6.6 Approximately 77% 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, registered providers, pooled property, equity and multi-asset funds, and secured bank bonds.

6.7 Of the cash subject to bail-in risk, 17% is held in short-term notice accounts which are maturing before the end of the financial year, 56% is held in overnight money market funds and cash plus funds which are subject to a reduced risk of bail-in, and 27% is held in certificates of deposit which can be sold on the secondary market. This diversification is a continuation of the strategy adopted in 2015/16. Further detail is provided at Annex B.

Business Models

6.8 Under the new IFRS 9, the accounting for certain investments depends on the 'business model' for managing them. The County Council aims to achieve value from its internally managed treasury investments through a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Investments Targeting Higher Returns

6.9 As set out in the Capital and Investment Strategy (Appendix 8) , the County Council agreed in 2019 to increase the amount of its cash balances earmarked for investments targeting higher yields of around 4% to £235m. Just over £201m of this allocation has now been invested, as shown in Annex B, with the remaining balance earmarked.

6.10 Without this allocation the weighted average return of the Council's cash investments based on investments held at 30 November 2019 would have been 0.97%; whereas the allocation to higher yielding investments has a weighted average return of 4.67% bringing the overall average return for the portfolio to 2.23%, as shown in the table below:.

Table 2: Weighted Average Returns

	Cash Balance 30/11/2019	**Weighted Average Return**
	£M	**%**
Short-term and Long-term Cash Investments	388.5	0.97
Investments Targeting Higher Yields	201.1	4.67
Total	**589.6**	**2.23**

6.11 The latest estimated value of investment income is circa £13.5m for 2019/20. However, as these balances and returns do not remain constant over the course of a year the figures are indicative, and the actual returns will form part of the outturn report at the conclusion of the financial year.

6.12 The County Council's overall investment balances will fall during 2020/21 as a result of the early payment of LGPS pension contributions explained above. The amount earmarked to investments targeting higher yields, however, reflects the County Council's long-term stable balances, and there is therefore no requirement to change this allocation of £235m.

6.13 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.

6.14 When the County Council began to specifically target higher returns from a proportion of its investments, it also established an Investment Risk Reserve to mitigate the risk of an irrecoverable fall in the value of these investments. It is recommended that a further £2.0m is added to this reserve in line with this strategy to further protect the County Council's funds. This is prudent given the additional amount to be targeted at higher yielding investments and will bring the total amount in the reserve to approaching £5.0m or just over 2.1% of the value of the investments.

6.15 At the current time, given the medium to long term nature of the investments, it is unlikely that a capital loss would ever be realised, since the County Council would avoid selling investments that realised a capital loss.

6.16 Going forward however, changes to IFRSs means that capital gains and losses on investments need to be reflected in the revenue account on an annual basis. There is currently a statutory override in place for local authorities that exempts them from complying with this requirement for the next four years. However, given the greater future risk in this area it is proposed to continue to contribute towards the Investment Risk Reserve to reach 2.5% of the total amount invested (in line with the recommendation of 2.5% for the general fund balance).

6.17 The County Council's investments in pooled property, equity and multi-asset funds are summarised in Table 3 below:

Table 3: Pooled Fund Investments Capital Value at 30 November 2019

Pooled Fund Investments	**Principal Invested £M**	**Market Value 30/11/19 £M**	**Capital Growth (per annum) %**
Pooled Property	77.0	77.7	0.22
Pooled Equity	52.0	52.7	0.43
Pooled Multi-asset	42.0	43.2	1.47
Total	**171.0**	**173.6**	**0.48**

6.18 In addition to the capital growth shown in Table 3, the County Council has achieved income returns averaging 4.67% per annum from these investments in pooled funds, resulting in a total return of 5.15% per annum.

6.19 Although money can usually 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.

Investment Limits

6.20 The maximum that will be lent to any one organisation (other than the UK Government) will be £50m. 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 4: Investment Limits

	Cash Limit
Any single organisation, except the UK Central Government	£50m each
UK Central Government	Unlimited
Any group of organisations under the same ownership	£50m per group
Any group of pooled funds under the same management	£50m per manager
Registered Providers and Registered Social Landlords	£50m in total
Money Market Funds	50% in total
Real Estate Investment Trusts	£50m in total

Approved Counterparties

6.21 The County Council may invest its surplus funds with any of the counterparty types in Table 5 overleaf, subject to the cash limits (per counterparty) and the time limits shown:

Table 5: Approved Investment Counterparties and Limits

Credit Rating	Banks		Government	Corporates	Registered Providers	
	Unsecured	Secured			Unsecured	Secured
UK Govt	N/A	N/A	£ Unlimited 30 years	N/A	N/A	N/A
AAA	£25m 5 years	£50m 20 years	£50m 30 years	£25m 20 years	£25m 20 years	£25m 20 years
AA+	£25m 5 years	£50m 10 years	£50m 25 years	£25m 10 years	£25m 10 years	£25m 10 years
AA	£25m 4 years	£50m 5 years	£50m 15 years	£25m 5 years	£25m 10 years	£25m 10 years
AA-	£25m 3 years	£50m 4 years	£50m 10 years	£25m 4 years	£25m 10 years	£25m 10 years
A+	£25m 2 years	£50m 3 years	£25m 5 years	£25m 3 years	£25m 5 years	£25m 5 years
A	£25m 13 months	£50m 2 years	£25m 5 years	£25m 2 years	£25m 5 years	£25m 5 years
A-	£25m 6 months	£50m 13 months	£25m 5 years	£25m 13 months	£25m 5 years	£25m 5 years
None	£25m 6 months	N/A	£50m 25 years	N/A(*)	£25m 5 years	£25m 5 years
Pooled Funds & Real Estate Investment Trusts	£50m per fund					

*See paragraph 6.27

This table must be read in conjunction with the notes below

Credit Rating

6.22 Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. 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

6.23 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

6.24 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

6.25 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 generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 30 years.

Corporates

6.26 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.

6.27 The County Council will not invest in an un-rated corporation except where it owns a significant or controlling interest in the corporation, in which case a limit of £35m will for an investment of up to 20 years will apply.

Registered Providers Secured and Unsecured

6.28 Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government, and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds

6.29 Shares or units 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.

6.30 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.

Real Estate Investment Trusts (REITs)

6.31 Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.

Operational Bank Accounts

6.32 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 and aims to keep the overnight balances held in current accounts positive, and as close to zero 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 County Council maintaining operational continuity.

Risk Assessment and Credit Ratings

6.33 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.

6.34 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

6.35 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 and analysis from the County Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

6.36 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. 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.

Liquidity Management

6.37 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. Treasury Management Indicators

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

Interest Rate Exposures

7.2 The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates. Fixed rate investments maturing during the year are assumed to be variable for the remainder of the year.

Table 6: Interest Rate Risk Indicator

	30 November 2019	Impact of +/- 1% Interest Rate Change
Sums Subject to Variable Interest Rates		
Investment	£272.9m	+ / - £2.7m
Borrowing	(£23.3m)	+ / - £0.2m

Maturity Structure of Borrowing

7.3 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: Refinancing Rate Risk Indicator

	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%

7.4 Time periods start on the first day of each financial year.

Principal Sums Invested for Periods Longer than a Year

7.5 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: Price Risk Indicator

	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£340m	£330m	£330m

8. Related Matters

8.1 The CIPFA Code requires the County Council to include the following in its TMSS.

Financial Derivatives

8.2 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).

8.3 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.

8.4 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. The use of financial derivatives is not planned as part of the implementation of the TMSS and any changes to this would be reported to Members in the first instance.

8.5 In line with the CIPFA Code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

Investment Advisers

8.6 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 Deputy Chief Executive and Director of Corporate Resources, her staff and Arlingclose.

Markets in Financial Instruments Directive

8.7 The County Council has opted up to professional client status with its providers of financial services, including advisers, brokers, and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the County Council's treasury management activities, the Section 151 Officer believes this to be the most appropriate status

Annex A - Arlingclose Economic & Interest Rate Forecast January 2020

Underlying assumptions:

- The global economy has entered a period of weaker growth in response to political issues. The UK economy continues to experience slower growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations are low.

- Some improvement in global economic data and a more positive outlook for US / China trade negotiations has prompted worst case economic scenarios to be pared back.

- The new Conservative UK government will progress with achieving Brexit on 31 January 2020. The more stable political environment will prompt a partial return in business and household confidence in the short term, but the subsequent limited Brexit transitionary period, which the government is seeking to enforce, will create additional economic uncertainty.

- UK economic growth has stalled in Quarter 4 and inflation is running below the target of 1.5%. The inflationary consequences of the relatively tight labour market have yet to manifest, while slower global growth should reduce the prospect of externally driven pressure, although escalating geopolitical turmoil could continue to push up oil prices.

- The first few months of 2020 will indicate whether the economy benefits from restored confidence. The Government will undertake substantial fiscal easing in 2020/21, which should help support growth in the event of a downturn in private sector activity.

- The weak outlook for the UK economy and current low inflation have placed pressure on the Monetary Policy Committee (MPC) to loosen monetary policy. Two MPC members voted for an immediate cut in the last two MPC meetings of 2019. The evolution of the economic data and political moves over the next few months will inform policy, but upside risks to the Bank Rate are very limited.

- Central bank actions and geopolitical risks will produce significant volatility in financial markets, including bond markets.

Forecast:

- We have maintained our Bank Rate forecast at 0.75% for the foreseeable future. Substantial risks to this forecast remain, arising primarily from the Government's policy around Brexit and the transitionary period.

- Arlingclose judges that the risks are weighted to the downside.

- Gilt yields remain low due to the soft UK and global economic outlooks. US monetary policy and UK government spending will be key influences alongside UK monetary policy.

- We expect gilt yields to remain at relatively low levels for the foreseeable future and judge the risks to be broadly balanced.

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
3-month money market rate													
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
1yr money market rate													
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	0.30	0.50	0.55	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65
5yr gilt yield													
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45
Arlingclose Central Case	0.50	0.50	0.55	0.55	0.55	0.60	0.60	0.65	0.65	0.70	0.75	0.75	0.75
Downside risk	0.35	0.50	0.55	0.55	0.55	0.60	0.60	0.65	0.65	0.70	0.75	0.75	0.75
10yr gilt yield													
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45
Arlingclose Central Case	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	1.10
Downside risk	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.50	0.50	0.50	0.50	0.50
20yr gilt yield													
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45
Arlingclose Central Case	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.40
Downside risk	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.50	0.50
50yr gilt yield													
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45
Arlingclose Central Case	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.40
Downside risk	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.45	0.50	0.50

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%
PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

Annex B - Existing Investment & Debt Portfolio Position at 30 November 2019

Investments	**Balance 30/11/2019 £M**	**Rate 30/11/2019 %**	**WAM (*) 30/11/2019 Years**
Short Term Investments			
- Banks and Building Societies:			
- Unsecured	41.0	0.86	0.16
- Secured	50.1	0.85	0.42
- Money Market Funds	43.2	0.73	0.00
- Local Authorities	146.0	0.92	0.38
- Registered Provider	0.0	0.00	0.00
- Cash Plus Funds	10.0	1.45	N/A
	290.3	**0.89**	**0.30**
Long Term Investments			
- Banks and Building Societies:			
- Secured	43.2	0.95	2.14
- Local Authorities	55.0	1.40	1.85
	98.2	**1.20**	**1.98**
Long Term Investments – high yielding strategy			
- Local Authorities			
- Fixed deposits	20.0	3.96	14.30
- Fixed bonds	10.0	3.78	14.11
- Pooled Funds			
- Pooled property**	77.0	4.14	N/A
- Pooled equity**	52.0	5.90	N/A
- Pooled multi-asset**	42.0	4.69	N/A
- Other	0.1	5.68	0.41
	201.1	**4.67**	**14.24**
Total Investments	**589.6**	**2.23**	**1.69**

* WAM - Weighted Average Maturity

** The rates provided for pooled fund investments are reflective of the average of the most recent dividend return as at 30 November 2019.

	£M	%
External Borrowing		
PWLB Fixed Rate	(232.1)	(4.71)
Other Loans (including LOBO Loans)	(44.8)	(4.08)
Other Short-term Borrowing	(31.0)	N/A)
Total External Borrowing	**(307.7)**	**(4.61)**
Other Long-Term Liabilities:		
Street Lighting PFI	(99.9)	
Waste Management Contract	(49.5)	
Total Other Long-Term Liabilities	**(149.4)**	
Total Gross External Debt	**(457.1)**	
Investments	**589.6**	**2.23**
Net (Debt) / Investments	**141.5**	

Consultation

Summary of *'Serving Hampshire – Balancing the Budget'* Consultation

The Medium Term Financial Strategy (MTFS) report was presented to Cabinet on 15 October 2019 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 5 June and 17 July 2019.

The Consultation was undertaken against the background of the next stage of the County Council's transformation and efficiencies programme, *Transformation to 2021* in order to inform the overall approach to balancing the budget by 2021/22 and making the anticipated £80m additional savings required by April 2021.

The public consultation, which was similar in nature to an exercise completed two years ago ahead of Transformation to 2019 (Tt2019), 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 2021/22. 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 Tt2021, 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 www.hants.gov.uk/balancingthebudget or as a paper form, which was made available on request. An Easy Read version of the Response Form was also produced. Alternative formats were 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.

A total of 5,432 responses were received to the consultation – 4,501 via the Response Forms and 931 as unstructured responses through email, letter and social media.

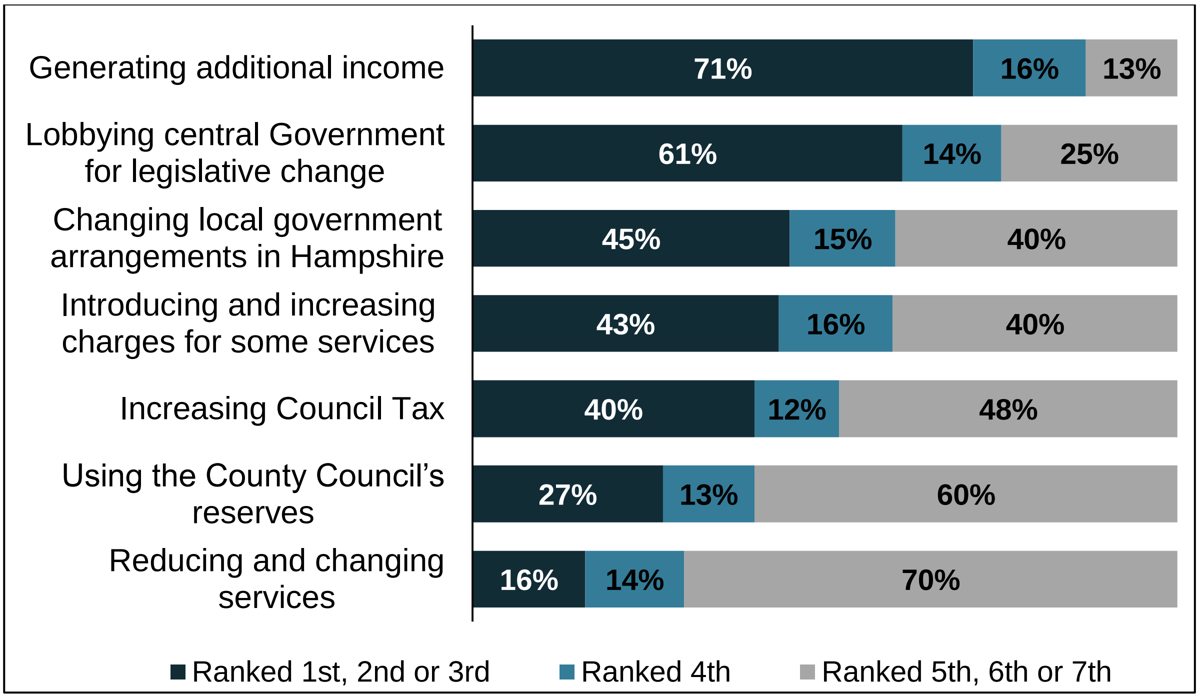
Headline findings from the consultation are set out below and the full findings report is also available:

- The majority of respondents (52%) agreed that the County Council should continue with its current **financial strategy**. This involves **targeting resources on the most vulnerable** people; **planning ahead** to secure savings early and enable investment in more efficient ways of working; and the **careful use of reserves** to help address funding gaps and plug additional demand pressures e.g. for social care.

- Achieving the required savings is likely to require a multi-faceted approach. However, respondents would prefer that the County Council seeks to explore all other options before pursuing proposals to reduce and change services – in particular, opportunities to **generate additional income** and **lobby central government for legislative change**.
- Just over one in three respondents (37%) agreed with the principle of **reducing or changing services** - but the proportion who disagreed was slightly higher (45%) - Of all the options, this was respondents' **least preferred**.
- Around half of respondents **(52%) agreed** with the principle of **introducing and increasing charges** to help cover the costs of running some local services, but over one-third (39%) felt that additional charges should not be applied.
- Respondents were in favour of **lobbying central government** to allow charging in some areas:
  - 66% agreed with charging for issuing Older Person's Bus Passes.
  - 64% agreed with charging for Home to School Transport (HtST).
  - 56% agreed with diverting income from speeding fines or driver awareness courses.
- However, in other areas, opinions were more mixed:
  - 42% agreed and 43% disagreed with recouping 25% of concessionary fares.
  - Most did not feel that it would be appropriate to lobby for charges relating to library membership (60% disagreement) or Household Waste Recycling Centres (HWRCs) (56% disagreement).
- Overall, lobbying for legislative change to enable charging was respondents' **second preferred option**.
- Of all the options presented, generating additional income was the **most preferred option**. Suggestions included:
  - Improving the efficiency of council processes.
  - Increasing fees or charges for services.
  - Using council assets in different ways.
  - Implementing new, or increasing existing, taxes.
  - Lobbying central Government for more funding.
- Six out of ten respondents (61%) agreed with the position that **reserves should not be used** to plug the budget gap.
- Most respondents (55%) preferred the County Council to raise c**ouncil tax** by less than 4.99%. This compared to 34% of respondents whose first choice was to raise council tax by 4.99%. There was limited support for a rise in council tax above this level (14%).
- More than half of those who responded **(61%) agreed** that consideration should be given to **changing local government arrangements in Hampshire**.

- One in three (36%) respondents noted **potential impacts** on poverty (financial impacts), age (mainly older adults and children), disability and rurality.
- Staffing efficiencies were the most common focus of **additional suggestions** (31%).
- The 931 unstructured **other responses** to the consultation primarily focused on ways to reduce workforce costs (26% of comments), the impact of national politics on local government (8%), the need to reduce inefficiency (6%) and both support and opposition to council tax increases (7%).

An important element of the consultation was seeking residents and stakeholders' views on the strategy for closing the County Council's budget deficit to 2021/22. The consultation outlined seven options for making anticipated savings and asked respondents to rank these in order of preference. The options were ranked as follows:



The findings from the Consultation were provided to Executive Members and Directors during September 2019, to inform departmental savings proposals, in order for recommendations to be made to Cabinet and the full County Council in October and November 2019 on the MTFS and Transformation to 2021 (Tt2021) Savings Proposals. Any specific changes to services will be subject to further, more detailed consultation.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	3 February 2020
Decision Maker:	County Council
Date:	13 February 2020
Title:	Capital Programme 2020/21 to 2022/23
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Rob Carr

Tel: 01962 847508 **Email:** rob.carr@hants.gov.uk

Purpose

1. This report collates the service capital programmes prepared by Executive Members and presents for approval the proposed capital programme for the County Council for 2020/21 and the provisional programmes for the subsequent two financial years.

Recommendation(s)

2. The following decisions are sought, based on the recommendations of the Leader and Cabinet to the County Council, for the capital programme for 2020/21 to 2022/23 and the revised capital programme for 2019/20.
3. A recommendation by Cabinet to County Council that the capital programme for 2020/21 and the provisional programmes for 2021/22 and 2022/23 as set out in Appendix 1 be approved.
4. That, within the 2019/20 capital programme, Cabinet approve an increase in the value of the A30 corridor - Brighton Hill scheme from £18.828 million to £20.65 million funded by developer contributions and grants.
5. That, within the 2019/20 capital programme, Cabinet approve an increase in the value of the A35 Redbridge Causeway scheme in the Structural Maintenance programme from £8.4 million to £9.7 million funded by the Bridges Capital Maintenance budget.
6. County Council is recommended to:
7. Approve the capital programme for 2020/21 and the provisional programmes for 2021/22 and 2022/23 as set out in Appendix 1.

Executive Summary

8. This report sets out for approval the proposed capital programme for 2020/21 to 2022/23 of £386.5 million. It also includes the schemes for the current financial year giving a total programme of some £733 million, one of the largest anywhere in the country.

9. Overall, the proposals in this report are in line with the Medium Term Financial Strategy (MTFS) 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. The County Council's Capital and Investment Strategy is included as Appendix 8 of the revenue budget report and meets the requirements of statutory guidance, revised in 2017 by the Minister for Housing, Communities and Local Government (MHCLG) and the Chartered Institute of Public Finance and Accountancy (CIPFA).

10. This 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.

11. The programme delivers schemes totalling £386 million over the three years from 20120/21 to 2022/23. This follows a revised programme of £347 million for 2019/20, providing a total capital programme of £733 million over the four years, providing a big boost for the local economy through jobs and construction materials. This is a very significant investment in the infrastructure of Hampshire. It will provide:

    - £94.8 million of investment in new and extended school buildings in Hampshire in the period 2020/21 to 2022/23 to ensure there is a school place for every child in Hampshire
    - £115.8 million for structural maintenance and improvement of roads and bridges in Hampshire over the next three years
    - £45.8 million for integrated transport schemes including over £10 million specifically focused on walking and cycling improvements
    - £107.7 million for major improvement of school and other County Council buildings over the next three years.

12. The detailed capital programmes are included in Appendix 1. A summary of the programme is shown in Table 1 overleaf:

Table 1 - Proposed capital programme

	Revised 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Adult Social Care & Health	25,980	13,042	481	481	39,984
Children's Services	98,807	42,433	37,829	62,248	241,317
Environment & Transport	148,178	68,416	50,625	42,889	310,108
Policy & Resources	74,002	24,917	21,585	21,585	142,089
Total	**346,967**	**148,808**	**110,520**	**127,203**	**733,498**
			386,531		

13. 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.

14. The proposals take account of the County Council's Capital and Investment 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 the Capital and Investment Strategy, Appendix 8 of the report on this Agenda on the Revenue Budget.

15. The capital programme is supported by Government grants for schools, highways, transport and disabled facilities. The Secretary of State has yet to announce details of individual local education authority basic need capital allocations for the years 2021/22 and 2022/23 and School Condition Allocation (SCA) for the year 2020/21. However, indications are that the 2020/21 SCA allocation will be equal to 2019/20. Devolved Formula Capital (DFC) has yet to be confirmed for 2020/21 but again, expectations are that it will be at a similar level to the 2019/20 allocation.

16. The Department for Transport (DfT) has confirmed the Integrated Transport and Structural Maintenance allocations for 2020/21 and 2021/22. The DfT is yet to confirm that Band 3 (highest band) recipients of its Incentive Fund such as the County Council will be awarded £4.495 million (the maximum available) each year until 2021/22. It is assumed in this report that Hampshire County Council will retain its Band 3 status and that funding remains at this level through to 2022/23 inclusive. The Government's Pothole Action Fund allocated in 2015 for a 5-year period is assumed to cease after the instalment of £2.123million in 2020/21. The County Council has historically had a great deal of success in securing Local Growth Funding (LGF) from both the EM3 and Solent Local Enterprise Partnerships (LEPs). Due to the lack of additional Local Growth Funding

being made available to the LEPs by central government, the total value of funding from this source has reduced from recent years to £9.705million.

17. The Disabled Facilities Grant (DFG) forms part of the Better Care Fund (BCF) – Pooled budget which is overseen by the Hampshire Health and Wellbeing Board. The Secretary of State has not yet announced details of individual local authority capital allocations for 2020/21. For planning purposes, the 2020/21 programme assumes £12.56 million in line with the 2019/20 allocation.

18. 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 £ 326 million by 2023/24. The repayment of the 'bridging loans' (pending capital receipts) 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 2023/24.
- 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.

Contextual Information

19. The cash limit guidelines for the new capital programme for 2020/21 to 2022/23 have been set at the same level as the current capital programme.

20. Executive members have now prepared proposals for:

- A locally resourced capital programme for the three-year period from 2020/21 to 2022/23 within the guidelines set and other resources available to services.
- A programme of schemes supported by Government capital grants.

21. '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.

22. 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.

Guideline Cash Limits for the Capital Programme

23. The guidelines for the locally resourced programme were set by Cabinet in January 2020 based on existing levels with no uplift for inflation. The

guidelines and use of reserves proposed by Executive Members and other adjustments are shown in Table 2.

Table 2 Guidelines for locally resourced capital programme

	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Adult Social Care and Health				
Original guideline	481	481	481	1,443
Adults Social Care and Health Total	**481**	**481**	**481**	**1,443**
Children's Services				
Original guideline	100	100	100	300
Developers' and other contributions	7,795	3,421	39,840	51,056
Carry forward from previous years	14,366	31,000	19,000	64,366
Children's Services Total	**22,261**	**34,521**	**58,940**	**115,722**
Environment and Transport				
Original guideline	11,929	11,929	11,929	35,787
Developers' and other contributions	14,476	5,645	3,231	23,352
Carry forward from previous years	554			554
Environment and Transport Total	**26,959**	**17,574**	**15,160**	**59,693**
Policy and Resources				
Original guideline	4,159	4,159	4,159	12,477
Contribution from revenue & reserves	1,395	-	-	1,395
Carry forward from previous years	1,937			1,937
Policy and Resources Total	**7,491**	**4,159**	**4,159**	**15,809**
Overall Total	**57,192**	**56,735**	**78,740**	**192,667**

Government Supported Programme

24. The Government has 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 2020/21 onwards.

25. For schools, the Secretary of State has previously announced details of individual local authority Basic Need allocations for 2019/20 and 2020/21. Hampshire received a favourable Basic Need allocation for 2020/21 of £14.7m. There is the potential for a zero or low capital allocation in 2021/22 and 2022/23 as the Department for Education (DfE) assess the

impact of the free school places they directly fund. At this stage, it is considered prudent to assume a zero allocation for those two years.

26. Allocations to date for School Condition Allocation (SCA) and the formula allocation for Devolved Formula Capital (DFC) only cover 2019/20. For planning purposes, SCA is assumed to continue at the current level of £17.4m and expectations are that DFC will be at a similar level to the 2019/20 allocation of £3.3m. In addition, the proposed capital programme uses the balance of funding announced by the DfE in 2018/19 to support special educational needs and disability (SEND) projects at existing schools.

27. The DfT has confirmed the Integrated Transport and Structural Maintenance allocations for 2020/21 and 2021/22 at £21.584 million and for planning purposes, these grants are assumed to continue at a similar level in 2022/23. The DfT is yet to confirm that Band 3 (highest band) recipients of its Incentive Fund such as the County Council will be awarded £4.495 million (the maximum available) each year until 2021/22. It is assumed in this report that Hampshire County Council will retain its Band 3 status and that funding remains at this level through to 2022/23 inclusive.

28. In 2015 Government allocated £250 million for all local authorities over a five-year period until 2020/21 through its Pothole Action Fund. An additional £100 million was added to this fund in the 2016 Autumn statement. It is assumed that this funding will cease after the instalment of £2.123million in 2020/21.

29. The County Council has historically had a great deal of success in securing Local Growth Funding (LGF) from both the EM3 and Solent LEPs. Due to the lack of additional Local Growth Funding being made available to the LEPs by central government, the total value of funding from this source has reduced from recent years to £9.705million.

30. At the time of writing, the outcome of the submission of bids for Transforming Cities Fund Tranche 2 funding was unknown. Given this, schemes that would be delivered based on securing Tranche 2 funds have not been included in this three-year capital programme. It should be noted however that a successful outcome will likely lead to a substantial increase in the Integrated Transport Programme element of the ETE three-year capital programme in early 2020/21.

31. From 2016/17, the Government has discontinued the Social Care capital grant and consolidated funding within the DFG. The anticipated funding for 2020/21 is £12.56m and is allocated as part of the BCF – Pooled budget which is overseen by the Hampshire Health and Wellbeing Board. However, grant conditions prevent the use of this funding for anything other than awarding grants for changes to a person's home.

The Programmes Submitted

32. The total starts value of the three-year programme submitted by Executive Members is £386 million, as shown in Table 3. It includes £194 million of schemes supported by Government grants.

Table 3 - Starts programmes proposed 2019/20 to 2021/22

	Land	Works etc			Total
		Locally Resourced	Supported by Govt Allocations	Total	
	£'000	£'000	£'000	£'000	£'000
2019/20	646	56,546	91,616	148,162	148,808
2020/21	646	56,089	53,785	109,874	110,520
2021/22	646	78,094	48,463	126,557	127,203
Total	**1,938**	**190,729**	**193,864**	**384,593**	**386,531**

33. The proposed programmes are in line with the cash limit guidelines, as adjusted in table 2, for the capital programme. The programmes themselves are set out in detail in Appendix 1, with key themes outlined below.

Adult Services

34. 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.

35. In September 2018 the County Council identified a potential programme of capital investment for the Bed Based Programme. The programme looked to assess what bed-based provision will be needed in the future so that we can invest in the right facilities in the right locations. This analysis concluded that further investment in Extra Care would continue to provide high quality living environments at the same time as reducing the long-term costs of care. In October 2019 Cabinet approved up to £70 million of further investment in Older Persons and Younger Adults Extra Care funded from prudential borrowing subject to approved business cases.

36. The locally resourced capital programme is supported by Government funding for the DFG. The Secretary of State has not yet announced details of individual local authority capital allocations for 2020/21. For planning purposes, the 2020/21 programme assumes £12.561 million in line with the 2019/20 allocation. The funding is passed to Housing Authorities to award grants for changes to a person’s home in accordance with the grant conditions.

Children's Services

37. The proposed three-year programme provides sufficient school places to meet the forecast demand. During the period 2013 to 2019 the County Council will have delivered 12,765 new school places with projects contained within the 2020/21 to 2022/23 programme totalling a further 6,335 giving a total of 19,100 new school places by September 2023.

38. 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 Boorley Park Primary Academy which opened in September 2019. A further ten schools are on the planning horizon to September 2023, however, the pace of development will be largely dictated by completion of new housing developments.

39. The overall increase in pupil numbers also impacts on the need for SEND places with 3.4% of our school population having a SEND Education Health and Care Plan. This increase, alongside advances in medical technology is giving rise to some schools having very specific accommodation needs to meet the specialist and often complex requirements of individual pupils. For these reasons, there is a number of significant suitability issues within special schools across the county. DfE funding for the period 2018/19 – 2020/21 totals £6.429m. The prioritisation of this grant funding is assessed annually alongside the SEND Sufficiency School Places Strategy and supports the county wide need for SEND places.

40. The focus of capital investment in recent years has been on Basic Need and Capital Maintenance. However, it is recognised that some buildings are now in need of significant suitability investment that is beyond individual school budgets. The proposed programme allocates £5m (including fees) of County Council resources to start a programme of investment to ensure facilities are fit for purpose and continue to provide good quality learning environments.

41. The proposed programme includes other improvement and modernisation projects relating to access to schools, SEN improvements, health and safety, adaptations to properties of foster carers and disabled children and schools' devolved formula capital totalling £48 million over three years.

42. 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. In most cases the need for school places is driven by the speed of housing delivery on certain major sites, something which is clearly outside of the County Councils control and therefore requires flexibility in the way that the capital programme is delivered.

43. The Children's Services capital programme has reached a balanced position between income and expenditure over the proposed three-year period of the 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. Some of the forecast financial challenges

have reduced as a result of the work undertaken to reduce the cost of school building design while minimising the detrimental effect on the teaching spaces and environment. Alongside this, the strategy to pursue free schools has also helped reduce the forecast deficit.

44. The County Council is continuing to lead the national study to benchmark the cost of schools across the country. This study is endorsed by the DfE and provides invaluable information on the 'true' cost of providing school places. This evidence is being used to benchmark value for money for Hampshire schools and to inform negotiations with Government, local planning authorities and developers to maximise funding for the provision of additional pupil places across Hampshire.

45. The 2019/20 programme included three primary sector schemes totalling £17.366 million that are now planned to start in 2020/21. These schemes are included in the proposed programme for 2020/21 set out in Appendix 1.

Environment and Transport

46. Proposals of the Executive Member for Economy, Transport and Environment amount to just under £162 million over the next three years. The programme includes £115.8 million of new investment in structural maintenance, £45.8 million in the Integrated Transport programme and £0.3 million in flood and coastal defence projects.

47. Government grants make up the bulk of the funding, with formula settlements and project specific grants, e.g. LGF through the LEPs (£102 million). The remainder is funded from a mix of local resources, (£36 million), developer contributions (£19.5 million), and other contributions (£4 million).

48. The proposed integrated transport programme (ITP) has a range of scheme types expected to commence in each of the three years. However, circumstances outside of the organisation's control, such as unexpected public utility apparatus or environmental considerations can intervene that may cause some schemes to be delayed to later financial years. Whilst many of the schemes include walking and cycling elements, a sub-programme of over £10.0million, an increase of £1 million from 2019/20, is specifically focused on walking and cycling improvements.

49. At present the proposed three-year ITP Programme does not include schemes submitted for funding from DfT's Transforming Cities Fund (Tranche 2). It is expected that the outcome of the two bids will be known later in 2019/20, with schemes successfully gaining funding entering the three-year programme early in 2020/21. Depending on the outcome of the bids, this could significantly increase the overall value of the three-year programme.

50. Future investment in the waste programme is being considered including upgrading the current infrastructure to meet the change in service driven by legislation and the need to improve performance. This includes provision of dry mixed recycling infrastructure, food waste processing capacity as well as upgrading of the waste transfer network to enable new and

increasingly separated materials streams to be collected and bulked for transport to final destinations. In addition, business case modelling continues for the potential new Materials Recycling Facility (MRF). The next milestone is a waste summit in February 2020, where decisions will be sought from District and Borough Leaders on what collection system options they wish to pursue in the context of the current performance and legislative issues, and this will help inform therefore whether or not to proceed with the MRF.

51. Significant progress has been made in the implementation of the County Council's Flood Risk and Coastal Defence Programme. The approved programme includes a Main and Pipeline programme of locations that, subject to further investigation, have been identified for potential flood risk reduction measures. Additional locations have also been identified and these are included in an extended programme for investigation and, if appropriate, scheme development. The estimated value of the Main, Pipeline and the extended programme of investment is £24 million. The County Council has made available just under £14 million of local resources towards this total with the balance anticipated to be drawn from other sources including Flood Defence Grant in Aid (FDGiA), Regional Flood and Coastal Committee (RFCC) Local Levy, other local authorities and the private sector.

52. The revised 2019/20 programme includes the A30 Corridor improvements to Brighton Hill roundabout. With the progression of the scheme design and more detailed survey work to better understand the extents of the utility diversions, further costs have been identified to the value of £1.8252 million. It is therefore recommended that Cabinet approve the increase from £18.828 million to £20.65 million funded by developers' contributions and grants.

53. The 2019/20 revised programme also includes major structural repairs to the A35 Redbridge Causeway. Since the original costings were approved in September 2018, there has been significant further deterioration to the Redbridge Viaduct supports (over 100 in total) with planned repair areas increasing as a consequence, adding £1.3 million to the cost of the scheme. It is therefore recommended that Cabinet approve the increase from £8.4 million to £9.7million funded by the Bridges Capital Maintenance budget.

Policy and Resources

54. The proposed capital programme for Policy and Resources totalling £68 million, is largely based on the priorities for capital investment established in previous years, relating to the County Council's built estate (including schools), vehicles, country sites and parks and county farms.

55. The School Condition Allocation from Government is included in the Policy and Resources programme to allow the funding to be prioritised to ensure that school buildings are kept safe and in good working order. Officers from Children's Services and Property Services continue to work closely

together to identify the highest priority strategic building condition issues along with the need for modernisation improvements.

56. The 2019/20 programme included projects totalling £1.937 million relating to Country Parks and County Farms that are now planned to start in 2020/21. These schemes are included in the proposed programme for 2020/21 set out in Appendix 1.

Capital Financing

57. 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.

58. The sources of finance to support the capital programme are:

- Government capital grants – since 2011/12, the Government has issued all its support for local authorities' capital expenditure 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.

59. The planned sources of funding to meet the forecast capital payments in each year are set out in the table below. 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.

Table 4 - Resources to fund capital expenditure

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Prudential borrowing	42,808	53,241	31,481	10,332
less repayments from capital	-13,598	-5,026	-6,898	-7,474
Capital grants	105,886	198,317	115,923	74,141
Contributions from other bodies including developers	37,475	42,108	32,363	55,623
Capital receipts	1,092	0	0	925
Revenue contributions to capital	8,307	6,839	6,411	6,303
New resources in the year	**181,970**	**295,479**	**179,280**	**139,850**
Use of the capital reserve:				
added to the reserve (-) or		-11,738	-247	
taken from the reserve (+)	39,377			7,405
Total resources available	**221,347**	**283,741**	**179,033**	**147,255**
Forecast capital payments	**221,347**	**283,741**	**179,033**	**147,255**

60. Most of the capital receipts forecast in Table 4 are required to repay prudential borrowing for school and other rationalisation schemes started in advance of the site disposals

61. Progress during the remainder of 2019/20 and throughout 2020/21 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.

Prudential borrowing

62. 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 and is set out in the Capital and Investment Strategy (Appendix 8 of the Revenue Budget report elsewhere on this Agenda).

63. The planned prudential borrowing will total £ 326 million, after deducting repayments to 31 March 2019. The schemes funded by these advances are summarised in Table 5.

Table 5 – Summary of outstanding and planned prudential borrowing advances

	£000
Financed from savings in the revenue budget	200,423
‘Bridging’ loans on specific projects to be repaid from capital receipts and developer contributions	92,241
Capital investment to be financed from future charges to services	33,981
Total	**326,645**

Capital reserve

64. The capital reserve shown in Table 6 holds the approved local resources until they are required to fund actual capital payments as schemes progress. The County Council’s approach is to apply grants and other contributions before using its own resources.

Table 6 – Capital reserve

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Opening balance	120,428	81,051	92,789	93,036	85,631
Used in year	-39,377			-7,405	-47,305
Added in year		11,738	247		
Closing balance	**81,051**	**92,789**	**93,036**	**85,631**	**38,326**

Revenue implications

65. The revenue implications of the new programme are shown in the following Table.

Table 7 – Revenue effects

	Running costs £000	Capital charges £000	Total £000
2020/21 starts	396	5,085	5,481
2021/22 starts	162	3,735	3,897
2022/23 starts	67	3,270	3,337
Total	**625**	**12,090**	**12,715**

66. The capital charges represent depreciation over the estimated life of the asset for most schemes and provide an accounting estimate for the cost of using assets to deliver services. The capital charges do not impact the County Council's overall budget requirement as the charges to services will be counter-balanced by a corresponding credit to the centrally managed capital adjustment account.

67. However, the budget requirement is 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 £ 2.9 million.

Conclusions

68. 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 January 2020 have been supplemented with contributions from reserves and developers and adjusted by transfers between programme years and supplemented by Government grants of £194 million, giving a total programme for the next three years of £386 million.

69. 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 2020/21 and the progress on obtaining the capital receipts necessary to finance the capital 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:	
Title	Date
http://democracy.hants.gov.uk/documents/s42775/Dec%20Report%20-%20Cabinet%20-%20FINAL.pdf	6 January 2020
Direct links to specific legislation or Government Directives	
Title	Date

Section 100 D - Local Government Act 1972 - background documents

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

Document	Location
None	

IMPACT ASSESSMENTS:

Equality Duty

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

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

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

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

Equalities Impact Assessment:

Equalities impact assessments will be considered when individual project appraisals are developed for the schemes included in the approved capital programme.

Adult Services

Capital Programme - 2020/21

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2020/21 Schemes											
	Schemes Supported from Local Resources											
1	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26	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
2	Disabled Facilities Grant	-	-	12,561	12,561	-	-	N/A	1	12	Grant paid to District Councils to fund adaptions to people's homes	2
	Total Programme	241	40	12,761	13,042	-	26					
											+ Projects to be partly funded from external contributions.	

Adult Services

Capital Programme - 2021/22

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year		Site Position	Contract Start		Remarks	Ref
						Running Costs	Capital Charges		Date	Duration		
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes											
	Schemes Supported from Local Resources											
3	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26	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.	3
	Total Programme	241	40	200	481	-	26					
											+ Projects to be partly funded from external contributions.	

Adult Services

Capital Programme - 2022/23

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes											
	Schemes Supported from Local Resources											
4	Maintaining Operational Buildings including Residential and Nursing Care	241	40	200	481	-	26	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
	Total Programme	241	40	200	481	-	26					
											+ Projects to be partly funded from external contributions.	

Children's Services

Capital Programme - 2020/21

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2020/21 Schemes											
	Children's Social Care											
1	Foster Carers	86	14	-	100	-	-	N/A	Various	Various	Improvements to foster carers' homes where necessary	1
2	Adaptation Equipment	-	-	250	250	-	25	N/A	Various	Various	Access improvement equipment for homes	2
	Primary School Improvements											
3	Fair Oak Infant & Junior, Eastleigh	1,717	283	-	2,000	-	40	Owned	2	12	Site improvements	3
4	Fryern Junior, Chandlers Ford	6,560	1,082	-	7,642	-	153	Owned	2	12	Major refurbishment	4
5	Grange Junior, Gosport	6,802	1,122	-	7,924	-	158	Owned	2	12	Major refurbishment	5
6	Park View Primary, Basingstoke	210	35	-	245	-	5	Owned	2	12	Site improvements	6
7	South Farnborough Junior, Farnborough	172	28	-	200	-	4	Owned	2	12	Hall expansion	7
8	Stanmore Primary, Winchester	429	71	-	500	-	10	Owned	2	12	Site improvements	8
	Secondary School Improvements											
9	Calthorpe Park, Fleet	7,880	1,300	-	9,180	-	184	Owned	2	12	Expansion to 12fe	9
10	**Special School Improvements**	1,942	320	-	2,262	-	45	Owned	Various	Various	Rebuild and refurbishment of special schools	10
11	**Other Improvement Projects**	1,717	283	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs	11
12	School Suitability Programme	1,717	283	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs	12
13	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified	13
14	Health and Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues	14
15	Schools Devolved Capital	3,308	-	-	3,308	-	66	N/A	Various	Various	Allocations to schools through devolved formula capital	15
16	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Improvements to school buildings to improve accessibility	16

Children's Services

Capital Programme - 2020/21

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2020/21 Schemes (continued)											
17	Furniture and Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	17
18	Contingency	1,435	237	-	1,672	-	33	N/A	Various	Various		18
	Total Programme	36,599	5,334	500	42,433	-	913					

controlled on an accrued expenditure basis

Children's Services

Capital Programme - 2021/22

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes											
	Children's Social Care											
19	Foster Carers	86	14	-	100	-	-	N/A	Various	Various	Improvements to foster carers' homes where necessary	19
20	Adaptation Equipment	-	-	250	250	-	25	N/A	Various	Various	Access improvement equipment for homes	20
21	Early Years/Childcare sufficiency	858	142	-	1,000	-	20	N/A	Various	Various	Improvements to Early Years facilities	21
	Primary School Improvements											
22	Bordon Infant & Junior, East Hants	2,936	485	-	3,421	-	68	Owned	2	12	Expansion to 3fe	22
23	**Special School Improvements**	5,150	850	-	6,000	-	120	Owned	Various	Various	Rebuild and refurbishment of special schools	23
	New Special School Provision											
24	New SEMH Provision	12,876	2,124	-	15,000	-	-	Owned	2	12	80 Place co-educational SEMH school	24
25	**Other Improvement Projects**	1,717	283	-	2,000	-	40	Owned	Various	Various	Various improvements to meet identified needs	25
26	School Suitability Programme	1,717	283	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs	26
27	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified	27
28	Health and Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues	28
29	Schools Devolved Capital	3,308	-	-	3,308	-	66	N/A	Various	Various	Allocations to schools through devolved formula capital	29
30	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Improvements to school buildings to improve accessibility	30
31	Furniture and Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	31
32	Contingency	1,373	227	-	1,600	-	32	N/A	Various	Various		32
	Total Programme	32,645	4,684	500	37,829	-	521					

controlled on an accrued expenditure basis

Children's Services

Capital Programme - 2022/23

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes											
	Children's Social Care											
33	Foster Carers	86	14	-	100	-	-	N/A	Various	Various	Improvements to foster carers' homes where necessary	33
34	Adaptation Equipment	-	-	250	250	-	25	N/A	Various	Various	Access improvement equipment for homes	34
35	Early Years/Childcare sufficiency	1,717	283	-	2,000	-	40	N/A	Various	Various	Improvements to Early Years facilities	35
	Primary School Improvements											
36	Fareham Primary Places	4,618	762	-	5,380	-	108	Owned	2	12	Expansion by 1fe	36
	New Primary School Provision											
37	Berewood Primary, Havant	7,442	1,228	-	8,670	-	-	Owned	2	12	New 2fe primary school to meet housing demand	37
38	Hartland Park Primary, Fleet	7,442	1,228	-	8,670	-	-	Owned	2	12	New 2fe primary school to meet housing demand	38
39	Hounsome Fields, Basingstoke	7,442	1,228	-	8,670	-	-	Owned	2	12	New 2fe primary school to meet housing demand	39
40	Manydown Primary, Basingstoke	7,442	1,228	-	8,670	-	-	Owned	2	12	New 2fe primary school to meet housing demand	40
41	Welborne Primary, Fareham	7,442	1,228	-	8,670	-	-	Owned	2	12	New 2fe primary school to meet housing demand	41
42	**Special School Improvements**	858	142	-	1,000	-	20	Owned	Various	Various	Rebuild and refurbishment of special schools	42
43	**Other Improvement Projects**	1,717	283	-	2,000	-	40	Owned	Various	Various	Various projects to meet identified needs	43
44	Purchase of modular classrooms	1,852	148	-	2,000	-	67	N/A	Various	Various	Various projects to be identified	44
45	Health and Safety	343	57	-	400	-	8	Owned	Various	Various	Improvements to address health and safety issues	45
46	Schools Devolved Capital	3,308	-	-	3,308	-	66	N/A	Various	Various	Allocations to schools through devolved formula capital	46
47	Access Improvements in Schools #	429	71	-	500	-	10	N/A	Various	Various	Improvements to school buildings to improve accessibility	47
											# controlled on an accrued expenditure basis	

Children's Services **Capital Programme - 2022/23**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes (continued)											
48	Furniture and Equipment #	-	-	250	250	-	25	N/A	Various	Various	Provision of furniture and equipment for capital schemes	48
49	Contingency	1,468	242	-	1,710	-	34	N/A	Various	Various		49
	Total Programme	53,606	8,142	500	62,248	-	443					

controlled on an accrued expenditure basis

Economy, Transport and Environment

Capital Programme - 2020/21

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2020/21 Schemes											
	Schemes Supported from Local Resources											
1	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591	N/A	1	12	Structural maintenance to improve road conditions.	1
2	Flood and Coastal Defence Management	88	18	-	106	-	2	N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies.	2
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593					
	Schemes Supported by the Government and Other External Bodies											
3	Anstey Road/Anstey Lane, Alton Junction Improvements*	1,059	353	-	1,412	-	71	N/A	1	6	Junction improvements with pedestrian and cycle improvements.	3
4	Hartford Bridge Flats Junction Imps Phase 2 - Fourth Arm+	825	275	-	1,100	-	55	N/A	2	6	Junction improvements	4
5	Blackwater Valley Gold Grid*	1,125	375	-	1,500	-	75	N/A	3	6	Bus priority measures.	5
6	M27 Junction 7*	900	300	-	1,200	-	60	N/A	1	12	Junction improvements.	6
7	Manydown Cycle Routes, Basingstoke *	900	300	-	1,200	-	60	N/A	3	6	Cycle improvements.	7
8	A323 High Street/Ash Road, Aldershot Cycle/Footway Improvements*	750	250	-	1,000	-	50	N/A	2	2	Ccling route and pedestrian improvements.	8
9	A326 Fawley, Waterside+	6,098	2,032	-	8,130	-	407	N/A	1	18	Improve traffic flows	9
10	Whitehill Bordon - C114 Shared Use Footway & Cycleway*	1,626	542	-	2,168	-	108	N/A	1	5	Traffic reduction, cycle and pedestrian improvements.	10
11	Walworth RAB/A3093/A3057, Andover*	638	212	-	850	-	43	N/A	3	9	Roundabout signalisation, pedestrian and cycle improvements	11
12	High Street, West End Accessibiltiy Improvements *	188	62	-	250	-	13	N/A	2	4	Accessibility improvements.	12
13	A339/B3349 Junction Improvements, Alton*	728	242	-	970	-	49	N/A	4	6	Junction improvements.	13
14	A33 Junction Improvements, Basingstoke*	246	82	-	328	-	16	N/A	1	3	Junction improvements.	14

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Economy, Transport and Environment

Capital Programme - 2020/21

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2020/21 Schemes (continued)											
15	Bramley Lane/Sherfield Road - Junction Improvements, Bramley*	233	78	-	311	-	16	N/A	2	2	Junction improvements	15
16	Trade Street, East Woodhay - Accessibility*	255	85	-	340	-	17	N/A	3	5	Safety and pedestrian improvements	16
17	Emsworth Accessibility Improvements*	188	62	-	250	-	13	N/A	4	3	Pedestrian and cycle improvements	17
18	Station Forecourt Improvements, Alton+	453	151	-	604	-	30	N/A	2	3	Accessibility improvements	18
19	Swanmore Village Centre - Access Improvements*	218	72	-	290	-	15	N/A	3	3	Accessibility improvements	19
20	Odiham to Hook Walking Route	188	62	-	250	-	13	N/A	1	2	Cycling route and pedestrian facility improvements	20
21	Whitehill Bordon STP Line A - Alexander Park*	732	244	-	976	-	49	N/A	1	4	Shared use footpath	21
22	Whitehill Bordon STP Line D - Village Hall*	347	116	-	463	-	23	N/A	3	6	Pedestrian & cycle crossing and route improvements	22
23	Whitehill Bordon GGGL - Station Road Crossroads*	334	111	-	445	-	22	N/A	4	4	Pedestrian and cycle improvements	23
24	Whitehill Bordon GGGL - Ennerdale Road Phase 2 (incl.A325 Crossing)*	580	193	-	773	-	39	N/A	1	4	Phases 2 & 3 of new cycle route with shared use pathway and crossing	24
25	Schemes Costing Less than £250,000+	1,294	431	-	1,725	-	86	N/A	1	12	Local Improvements Sub-programme	25
26	Safety Schemes #	750	250	-	1,000	-	50	N/A	1	12	Casualty reduction programme	26
27	Minor Improvements (part #) +	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each	27
28	Structural Maintenance of Roads and Bridges #	25,383	2,819	-	28,202	-	1,410	N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges	28
	Total Programme Supported by the Government and other bodies	46,599	9,888	-	56,487	396	2,828					
	Total Programme				68,416	396	3,421					

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Economy, Transport and Environment | **Capital Programme - 2021/22**

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes											
	Schemes Supported from Local Resources											
29	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591	N/A	1	12	Structural maintenance to improve road conditions.	29
30	Flood and Coastal Defence Management	88	18	-	106	-	2	N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	30
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593					
	Schemes Supported by the Government and Other External Bodies											
31	Fleet Station Roundabout - Improvements*	5,625	1,875	-	7,500	-	375	N/A	4	12	Accessibility improvements.	31
32	Sustainable Eastern Access, Andover*	525	175	-	700	-	35	N/A	1	7	Sustainable accessibility improvements.	32
33	A27 Barnes Lane Junction Improvements*	488	162	-	650	-	33	N/A	4	6	Junction improvements.	33
34	Firgrove Road to Castle Lane Cycle Way - North Baddesley+	388	129	-	517	-	26	N/A	1	5	Provision of missing cycle link.	34
35	Schemes Costing Less than £250,000+	1,125	375	-	1,500	-	75	N/A	1	12	Local Improvements Sub-programme	35
36	Safety Schemes #	750	250	-	1,000	-	50	N/A	1	12	Casualty reduction programme.	
37	Minor Improvements (part #) + Alton*	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each.	37
38	Structural Maintenance of Roads and Bridges #	23,471	2,608	-	26,079	-	1,304	N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges.	38
	Total Programme Supported by the Government and other bodies	32,934	5,762	-	38,696	162	1,936					
	Total Programme				50,625	162	2,529					

\# Projects controlled on an accrued expenditure basis
\+ Projects partly funded from external contributions
* Projects externally funded

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes											
	Schemes Supported from Local Resources											
39	Structural Maintenance of Non Principal Roads #	10,641	1,182	-	11,823	-	591	N/A	1	12	Structural maintenance to improve road conditions	39
40	Flood and Coastal Defence Management	88	18	-	106	-	2	N/A	-	-	Provision for works and strategies for coastal sites and flood defence including match funding for joint funded schemes with external bodies	40
	Total Programme Supported by Local Resources	10,729	1,200	-	11,929	-	593					
	Schemes Supported by the Government and Other External Bodies											
41	Whitehill Bordon - A325/B3004 - Sleaford Lights Junction*	750	250	-	1,000	-	50	N/A	1	4	Junction improvements	41
42	Andover Railway Station Improvements*	244	81	-	325	-	16	N/A	2	6	Access improvements and environmental enhancements	42
43	London Road/Eastern Avenue, Andover*	230	76	-	306	-	15	N/A	1	4	Junction improvements & bus priority measures	43
44	Safety Schemes #	750	250	-	1,000	-	50	N/A	1	12	Casualty reduction programme	44
45	Minor Improvements (part #) +	563	187	-	750	-	38	N/A	1	12	Improvement schemes costing less than £70,000 each	45
46	Schemes Costing Less than £250,000+	1,125	375	-	1,500	-	76	N/A	1	12	Local Improvements Sub-programme	46
47	Structural Maintenance of Roads and Bridges (part #)	23,472	2,608	-	26,079	-	1,304	N/A	1	12	Structural maintenance to improve road conditions and structural maintenance and strengthening of bridges	47
	Total Programme Supported by the Government and other bodies	27,133	3,827	-	30,960	67	1,549					
	Total Programme				42,889	67	2,142					

Projects controlled on an accrued expenditure basis
+ Projects partly funded from external contributions
* Projects externally funded

Policy and Resources **Capital Programme - 2020/21**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2020/21 Schemes											
	Schemes Supported from Local Resources											
	Culture, Communities and Business Services											
1	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300	N/A	-	-	Continuing programme of replacing vehicles	1
2	County Supplies Warehouse, Winchester	644	106	-	750	-	15	N/A	2	3	Roof upgrade at Bar End County Supplies warehouse	2
3	West End Arts Centre, Aldershot	253	42	-	295	-	6	N/A	2	2	Roof upgrade at West End Arts Centre, Aldershot	3
4	CCBS Capital	328	-	-	328	-	7	N/A	1	12	Provision of minor works across the department including Library and Countryside services	4
5	Country Parks Transformation (Phase 2) - Royal Victoria Country Park	1,202	198	-	1,400	-	28	N/A	2	6	To support a range of planned works at Royal Victoria Country Park, including improvements to and extension of restaurant and catering facilities, refurbishment of Empire Rooms and external toilets	5
6	Robert Mays School, Odiham - Safer Walking Route to School	300	50	-	350	-	7	N/A	2	6	Countryside element of safer walking route to Robert Mays School	6
7	County Farms - Improvement Projects	386	64	-	450	-	9	N/A	1	12	Planned improvements across the County Farms estate	7
8	County Farms - Provision for Minor Improvements	75	12	-	87	-	2	N/A	1	12	Provision for minor improvement works across the County Farms estate	8
	Corporate Services											
9	Contingency	185	-	-	185	-	3	N/A	-	-		9
	Total Programme Supported by Local Resources	3,373	472	3,000	6,845	-	377					

\# controlled on an accrued expenditure basis

Policy and Resources

Capital Programme - 2020/21

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2020/21 Schemes (continued)											
	Schemes Supported by the Government											
	Schools Condition Allocation (SCA)											
10	Cove School, Farnborough	399	66		465	-	9	Owned	2	6	Upgrade front elevation of curtain wall to three storey block	10
11	Crestwood School, Eastleigh	1,502	248		1,750	-	35	Owned	3	9	Roof upgrade to atrium	11
12	Marchwood Junior School, Southampton	451	74		525	-	11	Owned	2	3	Roof upgrade	12
13	Marnel Junior School, Basingstoke	1,202	198		1,400	-	28	Owned	2	10	SCOLA recladding	13
14	Petersfield Infant School, Petersfield	253	42		295	-	6	Owned	2	2	Window upgrade	14
15	Swanmore School, Swanmore	275	45		320	-	6	Owned	2	6	Window upgrade	15
16	Wavell School, Aldershot	1,974	326		2,300	-	46	Owned	2	10	SCOLA recladding	16
17	Schools Condition Allocation (costing less than £250,000)	8,902	1,469	-	10,371	-	207	Owned	-	-	Major improvements to school buildings	17
	Total Schemes Supported by the Government	14,958	2,468	-	17,426	-	348					
	Total Excluding Land				24,271	-	725					
	Advance and Advantageous Land Purchases				646	-	-					
	Total Programme				24,917	-	725					

Policy and Resources

Capital Programme - 2021/22

Ref	Project	Construction Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2021/22 Schemes											
	Schemes Supported from Local Resources											
	Culture, Communities and Business Services											
18	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300	N/A	-	-	Continuing programme of replacing vehicles	18
19	CCBS Capital	328	-	-	328	-	7	N/A	1	12	Provision of minor works across the department including Library and Countryside services	19
20	Contingency	185	-	-	185	-	3	N/A	-	-		20
	Total Programme Supported by Local Resources	513	-	3,000	3,513	-	310					
	Schemes Supported by the Government											
21	Schools Condition Allocation	14,958	2,468	-	17,426	-	349	Owned	-	-	Major improvements to school buildings	21
	Total Schemes Supported by the Government	14,958	2,468	-	17,426	-	349					
	Total Excluding Land				20,939		659					
	Advance and Advantageous Land Purchases				646							
	Total Programme				21,585		659					

controlled on an accrued expenditure basis

Policy and Resources | **Capital Programme - 2022/23**

Ref	Project	Construct-ion Works	Fees	Furniture Equipment Vehicles Grants	Total Cost (excluding sites)	Revenue Effect in Full Year: Running Costs	Revenue Effect in Full Year: Capital Charges	Site Position	Contract Start: Date	Contract Start: Duration	Remarks	Ref
		£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*		*Qtr*	*Months*		
	2022/23 Schemes											
	Schemes Supported from Local Resources											
	Culture, Communities and Business Services											
22	Vehicles for Hampshire Transport Management #	-	-	3,000	3,000	-	300	N/A	-	-	Continuing programme of replacing vehicles	22
23	CCBS Capital	328	-	-	328	-	7	N/A	1	12	Provision of minor works across the department including Library and Countryside services	23
24	Contingency	185	-	-	185	-	3	N/A	-	-		24
	Total Programme Supported by Local Resources	513	-	3,000	3,513	-	310					
	Schemes Supported by the Government											
25	Schools Condition Allocation	14,958	2,468	-	17,426	-	349	Owned	-	-	Major improvements to school buildings	25
	Total Schemes Supported by the Government	14,958	2,468	-	17,426	-	349					
	Total Excluding Land				20,939		659					
	Advance and Advantageous Land Purchases				646							
	Total Programme				21,585		659					

controlled on an accrued expenditure basis

HAMPSHIRE COUNTY COUNCIL

Report

Decision Maker:	Cabinet
Date:	3 February 2020
Title:	*Serving Hampshire* – 2019/20 Half Year Performance Report
Report From:	Chief Executive and Head of Law and Governance

Contact name: Philippa Mellish, Head of Insight and Engagement

Tel: 01962 847482 **Email:** philippa.mellish@hants.gov.uk

1. Recommendations

1.1. It is recommended that Cabinet notes:

a) the County Council's performance for the first half of 2019/20; and

b) progress to advance inclusion and diversity.

2. Report purpose

2.1. The purpose of this report is to:

- provide strategic oversight of the County Council's performance during the first half of 2019/20 against the *Serving Hampshire* Strategic Plan for 2017-2021; and
- outline ongoing work and recent achievements to advance inclusion and diversity.

3. Performance reporting arrangements

3.1. The County Council's Performance Management Framework (PMF) provides the governance structure for performance management and reporting to Cabinet. The PMF specifies that Cabinet receives bi-annual reports on the County Council's performance against the strategic priorities set out in the *Serving Hampshire* Strategic Plan. The four strategic aims set out in the Plan are:

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

3.2. Alongside these aims, the *Strategic Plan* contains eights ‘ways of working’ which support the ambition to ‘put our residents at the heart of everything we do’. These are to:

- Engage, involve and inform residents
- Develop easy and efficient online services
- Work with our partners
- Use taxpayers’ money wisely
- Enable people to do more for themselves
- Respond flexibly to people’s needs
- Value people’s differences, and
- Keep improving.

3.3. Performance information on children’s and adults’ safeguarding, major change programmes, including *Transformation to 2021*, and the County Council’s financial strategy are reported separately to Cabinet.

3.4. To report progress against *Serving Hampshire*, departments are asked to rate performance against a core set of performance metrics on a quarterly basis. For each measure, a risk-based ‘red, amber, green’ rating is applied, informed by the most recent data and management information.

3.5. Departments also provide an overview of key achievements and risks/issues against agreed priorities, as well as the results of any recent external assessments and resident feedback.

3.6. Alongside these sources of information, greater emphasis continues to be placed on the results of independent assessment and feedback. **Appendix one** sets out the sources of external validation which apply to the County Council’s performance during the first half of 2019/20.

4. Overall Performance

Performance outcomes

4.1. **Overall performance** measured against *Serving Hampshire* remained ***good*** during the first half of 2019/20, evidencing strong performance in the delivery of core services. This has been achieved whilst continuing to manage increased demand and cost pressures, while also delivering significant savings. The County Council continues to use its resources wisely and invest prudently through the careful use of reserves in order to innovate and work more efficiently. This ongoing careful balance of maintaining quality service provision, along with sound financial stewardship, enables the County Council to provide consistent value for money for Hampshire residents.

Performance against targets and improvement trend

4.2. Overall **73%** of measures, where data was available, were reported as low performance risk[1], **27%** as medium risk[2] and **none** as high risk.

4.3. **57%** of measures showed improvement or that the level of performance remained consistent[3].

4.4. In addition, **53%** of measures had met, or exceeded, the target set by the relevant department[4].

4.5. In cases where targets were not met, departmental improvement plans were in place. Similarly, where measures were reported as *medium* risk, mitigating actions were being undertaken by relevant services.

4.6. **Performance highlights** for the first half of 2019/20 include:

- Ofsted rated the County Council's Children's Services as *Outstanding* in all areas. Hampshire is one of only two authorities to have received this judgement across the board
- More than 98% of Hampshire families (not including Portsmouth and Southampton) applying for school places for Year R and Year 3 were successful in obtaining one of their top three choices for September 2019, consistent with 2018's performance of 99%
- Hampshire's secondary schools reported that 69% of pupils taking their GCSE exams achieved a pass at grade 4 in English and Mathematics, compared to 67% last year. The 'attainment 8' outcome, which measures the results across the wider curriculum, has also improved from a score of 47.2 in 2018 to 47.6 in 2019
- The County Council announced £370,000 to provide 136 new charging points for electric vehicles, following a 55% increase in electric vehicle registrations in 2018
- CO_2 emissions continued to fall, down to 67,889 tonnes in 2018/19 (the most recent data). This is a decline from 78,685 tonnes in 2017/18 and exceeds the 2025 target of 79,080 tonnes
- £13m funding was secured by the County Council from the Enterprise M3 Local Enterprise Partnership for the Brighton Hill improvement scheme in Basingstoke. The investment totals £20 million, which will involve improvements to roads and roundabouts in the area
- The Hampshire Domestic Abuse Service launched on 4 June 2019, providing crisis accommodation and community-based support to break the cycle of abuse for families across Hampshire
- The Carers' Support and Dementia Advisor Service, provided by Andover Mind, launched on 1 September 2019. This Hampshire-wide service was commissioned jointly by the County Council, NHS Hampshire Clinical Commissioning Group (CCG) and the Hampshire and Isle of Wight Partnership of CCGs to provide support and advice to people aged 18 and over who care for another adult, as well as people living with dementia

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[1] 19 out of the 26 measures for which Q2 data was provided alongside a RAG status (of a total possible of 50 measures included on the performance scorecard)

[2] 7 of the 26 measures for which Q2 data was provided alongside a RAG status

[3] 16 of the 28 measures for which Q2 data was provided alongside a 'direction of travel' rating

[4] 10 of the 19 measures for which Q2 data was provided alongside a target status

- 126,335 volunteer hours in Culture, Community and Business Services were provided during the first half of 2019/20. This puts the County Council on track to improve on the 225,000 hours of volunteering provided in 2018/19
- The County Council's Country Parks were awarded the Green Flag status for 2019. Lepe, River Hamble, Queen Elizabeth and Royal Victoria country parks have the highest possible environmental standards. Royal Victoria Country Park also received the Green Heritage Site Accreditation for the management of its historic features
- A new video explaining the steps that Armed Forces parents and carers need to take to secure a school place for their child was developed and launched by the County Council – helping remove disadvantage from Service families

4.7. A more extensive list of key performance achievements is included in **Appendix Two**.

5. Equality update

5.1. The County Council has a programme of work in place to advance inclusion and diversity in line with its corporate Equality Objectives. This includes undertaking both internal and external assessment of its performance to identify areas of strength and for improvement.

National Inclusion Standard

5.2. In May, the County Council participated in Inclusive Employers' National Inclusion Standard for the second year running. The Standard is wide ranging and comprehensive, assessing performance against six categories. These include, for example, the extent to which staff are engaged, equipped and empowered to advance inclusion, and the degree to which diversity is embedded into the organisation's culture and evaluated, leading to continuous improvement.

5.3. The County Council was assessed by Inclusive Employers as achieving *Bronze* Standard for the second year running – ranking third out of 20 participating organisations and top of the *Bronze* category. The assessment feedback highlighted both areas of strength and for improvement, including:

Areas of strength:

- engaging staff through well established and effective networks, as well as regular surveys which are acted upon;
- implementing robust policies and developing new training packages, e.g. corporate inclusion and diversity e-learning, due to launch in Spring 2020;
- participating in external networks and groups to learn from, and share, good practice; and
- collecting data, with the ability for staff to constantly update and refresh their personal information.

Areas for further focus:

- using and monitoring data systematically to address issues within the employee lifecycle and assess progress against a range of indicators – including setting priorities and aims for each department;
- reconsidering the Equality Impact Assessment process to ensure it is used consistently;
- ensuring all staff are aware of policies and training on offer, and that these are accessible to the whole business; and
- providing further support to less established staff networks.

5.4. Actions for improvement are being considered alongside the County Council's own self-assessment against the Standard and will be incorporated into the overarching work programme for Inclusion, Diversity and Wellbeing, where appropriate.

Progress to deliver the inclusion and diversity work programme

5.5. During the first half of the year, work has continued to deliver the corporate work programme. Key achievements during the first half of 2019/20 included:

- developing a positive action statement of intent for recruitment, to encourage people from all backgrounds to consider a career with the County Council;
- hosting the first staff networks conference, and establishing new staff groups within departments, e.g. an emerging 'working parents and carers' group within Children's Services;
- extending existing governance arrangements to cover wellbeing, alongside inclusion and diversity – and identifying senior departmental 'sponsors';
- delivering a programme of activity to celebrate National Inclusion Week (28 September to 04 October 2019) and World Mental Health Day (10 October 2019); and
- publishing a cumulative Equality Impact Assessment to consider the potential impacts of *Transformation to 2021* savings proposals as a whole.

Conclusion

5.6. This report and its supporting appendices demonstrate that the County Council continued to perform well in the delivery of core public services during the first half of 2019/20. The organisation also continues to make good progress to advance inclusion, diversity and wellbeing, supporting its overarching equality objectives.

6. Recommendations

6.1. It is recommended that Cabinet notes:

c) the County Council's performance for the first half of 2019/20;

d) progress to advance inclusion and diversity.

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:	
Title	Date
Serving Hampshire - Strategic Plan for 2017-2021	19 June 2017
Direct links to specific legislation or Government Directives	
Title	Date

Section 100 D - Local Government Act 1972 - background documents

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

Document	Location
None	

IMPACT ASSESSMENTS:

1. Equality Duty

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

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

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

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

2. Equalities Impact Assessment:

2.1. The County Council has a programme of work in place to advance inclusion and diversity in line with its corporate Equality Objectives. This includes undertaking both internal and external assessment of its performance to identify areas of strength and for improvement. This report reviews past performance and the activities and services that are described were subject to appropriate equality impact assessment when in accordance with this programme.

Appendix One: Sources of internal and external validation

The following table sets out the results of external and internal assessments and validations which apply to the County Council at mid-year 2019/20.

Assessment title	Area	External/internal	Latest judgement
Children's Services			
Inspection of Local Authority Children's Services	Full children's social care inspection	External – Ofsted	June 2019 – Hampshire was judged as *Outstanding* across all areas. Hampshire is one of only two authorities to have received this judgement across the board
Inspection of children's homes	Residential care homes inspection	External – Ofsted	Seven of the Children's Homes operated by the County Council have been inspected this year (2019/20) including the County Council's Secure Children's Home and Respite Unit. Of these, three *Require Improvement to be Good* and actions are being taken to achieve this. Five homes are currently rated *Outstanding*. One home is awaiting inspection
School Inspections	Inspections of schools	External – Ofsted	Ongoing - as at the end of September 2019, 92% of schools were judged to be *Good* or *Outstanding* by Ofsted
Social care self-assessment	Self-evaluation is an integral element of inspection of the local authority children's services (ILACS) framework	Internal and external – shared with Ofsted prior to annual conversation with the Director of Children's Services	The 2018-19 draft self-assessment is complete, and will be amended ahead of the Ofsted conversation due to take place in March 2020
Inspection of Hampshire youth offending services	YOT inspection	Her Majesty's Inspectorate of Probation	Overall *Good* 2018 https://www.justiceinspectorates.gov.uk/hmipr obation/media/pressreleases/2018/09/hampshireyos
Restorative Justice Council's Restorative Services Quality Mark	Youth Offending Team	External – Restorative Justice Council	Restorative Services Quality Mark awarded (April 2016) and still applies
Adults' Health and Care			

Assessment title	Area	External/internal	Latest judgement
Adult Social Care Services Inspection	Inspection of in house provided residential and nursing homes	External – Care Quality Commission	23 in-house care providers are rated *Good* (including the four Community Response Teams that deliver reablement to clients at home), and one is rated *Outstanding*
Gold Standards Framework	Residential and nursing homes	External - National Gold Standards Framework (GSF) Centre in End of Life Care	Four of the County Council's residential and nursing homes were awarded Platinum accreditation with the Gold Standards Framework: • Emsworth House • Fleming House • Malmesbury Lawn • Westholme
Economy, Transport and Environment			
Accreditation to ISO9001:2015 – Quality Management	Economy, Transport & Environment (ETE) Department – whole department	External – British Standards Institute (BSI)	Assessed every May and November. Last visit (May 2019) resulted in accreditation being successfully maintained
Culture, Communities and Business Services			
UKAS Accreditation	Hampshire Scientific and Asbestos Management services following an annual assessment	External – UKAS (UK Accreditation Service)	UKAS provide accreditation that Hampshire's scientific testing and inspection activities are conducted to the standard set out in ISO 17020 and 17025. UKAS audit Hampshire Scientific Service annually for compliance and the last assessment was in July 2018 - accreditation was maintained
Adventure Activities Licensing Services (AALS) Inspection	Hampshire Outdoor Centres	External – Adventure Activities Licensing Authority	Calshot Activities Centre: Validation expires July 2021 Hampshire and Cass Foundation Mountain Centre: Validation expires June 2020

Assessment title	Area	External/internal	Latest judgement
Learning Outside the Classroom (LOtC)	Hampshire Outdoor Centres	External - Council for Learning Outside the Classroom (CLOtC)	Calshot Activities Centre: Validation expires June 2021 Runway's End Outdoor Centre: Validation expires February 2021 Tile Barn Outdoor Centre: Validation expires May 2020
Adventuremark	Hampshire Outdoor Centres	External - Adventure Activity Industry Advisory Committee (AAIAC)	Calshot Activities Centre: Validation expires June 2021 Runway's End Outdoor Centre: Validation expires February 2021 Tile Barn Outdoor Centre: Validation expires May 2020
National Indoor Climbing Award Scheme (NICAS)	Hampshire Outdoor Centres	External - ABC Training Trust	Calshot Activities Centre: Validation expires at the end of May 2020
Royal Yachting Association (RYA) Recognised Training Centre	Hampshire Outdoor Centres	External - Royal Yachting Association (RYA)	Calshot Activities Centre – Recognised Training Centre – expires January 2020
Royal Yachting Association (RYA) Sailability accreditation	Hampshire Outdoor Centres	External - Royal Yachting Association (RYA)	Calshot Activities Centre – Recognised Training Centre – expires December 2019 to provide accessible shore-based facilities for sensory, physical or other disabilities
British Canoeing Quality Mark (BC)	Hampshire Outdoor Centres	External - British Canoeing	Calshot Activities Centre – Quality mark – expires December 2019
Green Flag Awards	Outdoor accreditation for a variety of areas	External - Keep Britain Tidy	The award was maintained for all five country parks in 2019. Awards are received on a staggered basis
Ease of Use Survey	Volunteer survey of the Rights of Way network	External	Audits a minimum of 5% of the network each year (2.5% twice a year, in May and November), based on a set methodology

Assessment title	Area	External/internal	Latest judgement
Sites of Special Scientific Interest (SSSIs)	Countryside sites in Hampshire, as part of UK wide assessment	External – Natural England	Natural England assesses the condition of SSSIs using Common Standards Monitoring (CSM)1, developed by the Joint Nature Conservation Committee (JNCC) for the whole of the UK
Rural Payment Agency (RPA) Inspections	Countryside sites with Pillar 1 and Pillar 2 common agricultural agreements in place	External - Rural Payment Agency (RPA)	The Rural Payments Agency (RPA) inspects a percentage of agreements each year on behalf of Natural England. The inspections check agreement holders are meeting the schemes' terms and conditions
Animal and Plant Health Agency (APHA) checks	Inspect animal health and welfare	External - Animal and Plant Health Agency	Spot check countryside sites for animal health and welfare and plant disease
General Register Office (GRO) – Stock and Security Audit	Registration – provides assurance to the GRO Compliance and Performance Unit	External - General Register Office	Latest report to GRO was November 2016 and a *High* rating was received. Next assessment due November 2019 (3-year cycle for those with a high rating)
Hyperactive Children's Support Group's Highest Award for Excellence in School Catering	HC3S annual assessment to retain accreditation for removal of specific additives in primary school meals	External - Hyperactive Children's Support Group	Accreditation has been maintained, with the last update in December 2018.
Food Hygiene Rating Scheme	HC3S	External – Allergy UK	EII Restaurant and Coffee Shop was accredited by Allergy UK for their Allergy Aware Scheme in July 2018 (https://www.allergyuk.org/get-help/eating-out) Secondary Schools and Country Parks have been accredited for allergy awareness by Food Service Allergy Management Ltd during 2018 Review due 25 October 2019

Assessment title	Area	External/internal	Latest judgement
Annual kitchen audits	HC3S internal audit covering various aspects of catering operation i.e. health and safety, training, finance	Internal	Healthy Kitchen Assessments (HKA's) are undertaken throughout the year and records are held of all those completed per academic year, Sept to Aug. For the 2018/19 academic year there were 338 HKA's completed
Food for Life Served Here	HC3S	External - Soil Association	Bronze accreditation achieved in April 2019 having been assessed against their criteria as providing freshly made, locally sourced food
Eat Out Eat Well	HC3S	Trading Standards, Environmental Health and others by Public Health	Awarded to Titchfield Haven Nature Reserve and EII Restaurant and Coffee Shop in 2018/19
European Notified body Status for measuring instruments and Non-automatic Weighing machines	Trading Standards	External - National Weights & Measures Laboratory (NWML) on behalf of the Secretary of State for BEIS	Status maintained. Latest external surveillance audit undertaken on 24 September 2018. Due for full external reassessment in November 2019 (reported to Regulatory Delivery at the Department for Business, Energy & Industrial Strategy)
Institute of Road Transport Engineers (IRTE) Workshop Accreditation	Hampshire Transport Management	External - Freight Transport Association	HTM have an external accreditation and audit by the FTA every 3 years for the workshop to be IRTE Workshop accredited. All 5 workshops were audited and passed in February 2018. The duration is 3 years and is due again in February 2021.
Compliance with the Port Marine Safety Code	River Hamble Harbour Authority	External - Maritime and Coastguard Agency	Certification of compliance with the Port Marine Safety Code. Compliance at 3 yearly intervals. Expires March 2021.

Assessment title	Area	External/internal	Latest judgement
Compliance with Merchant Shipping (Oil Pollution Preparedness Response and Co-operation Convention Regulations 1998)	River Hamble Harbour Authority	External - Maritime and Coastguard Agency	Endorsement of Oil Spill Contingency Plan. Compliance with Merchant Shipping (Oil Pollution Preparedness Response and Co-operation Convention Regulations 1998). 5 yearly intervals. Expires August 2023
Compliance with the Merchant Shipping and Fishing Vessels' (Port Waste Reception Facilities) Regulations 2003	River Hamble Harbour Authority	External - Maritime and Coastguard Agency	Endorsement of Port Waste Management Plan. Compliance with the Merchant Shipping and Fishing Vessels' (Port Waste Reception Facilities) regulations 2003. 3 yearly intervals. Expires September 2020
Corporate Services			
2019 National Inclusion Standard	Corporate	External – Inclusive Employers	*Bronze* *Bronze* in September 2019 Standard
Accreditation to ISO20000 Service Management and ISO27001 Information Security for IT services	IT services.	External - British Standards Institute (BSI)	Audited on compliance in July 2019, with certificate of compliance reissued in August 2019 to run until August 2020
Public Sector Internal Audit Standards	Audit services	External - Institute of Internal Auditors	Awarded for 2015-2020
Shared Services infrastructure and business processes have been independently accredited to ISAE3402	Shared Services	External – audit undertaken by Ernst and Young	ISAE3402 has been successfully achieved for 19/20 based on the design of the control environment. This enables all partner organisations to get independent assurance comfort to an external accredited standard on the overall control environment. In 2020/21, this assurance work will extend to both the design and operation of controls

Assessment title	Area	External/internal	Latest judgement
Annual Payment Card Industry (PCI) Data Security Standard	Corporate	Internal audit	Self-assessment against an industry standard, but is subject to Independent Internal Security Assessor

Appendix Two: 2019/20 half year key performance achievements

***Serving Hampshire* priority**	**Achievement**
Outcome one: Hampshire maintains strong and sustainable economic growth and prosperity	In May 2019, work started on a £45m maintenance, repair and overhaul facility for the jet manufacturer Gulfstream, in Farnborough. The 200,000 sq ft state of the art facility is due for completion in June 2020 and will create up to 600 new jobs. The County Council's Economic Development function has worked with the Enterprise M3 Local Enterprise Partnership, Farnborough Airport and Rushmoor Borough Council to deliver a package of measures to support the company's relocation.
	£13m funding was secured by the County Council from the Enterprise M3 Local Enterprise Partnership for the Brighton Hill improvement scheme in Basingstoke. The investment totals £20 million, which will involve improvements to roads and roundabouts in the area.
	The County Council signed up to the *Positive Parking Agenda* - a national initiative between local authorities and the British Parking Association, which works to promote best practice in the parking sector

Serving Hampshire **priority**	**Achievement**
	Good progress was made to prepare the county for the UK's planned departure from the European Union. This has included: • working with the Hampshire and Isle of Wight Local Resilience Forum (LRF) to develop plans to identify and prepare sites for Heavy Goods Vehicles to wait in a safe and managed way; • undertaking a survey to understand Voluntary and Community Sector organisations' concerns regarding EU Exit, and what support is required; • launching dedicated webpages signposting information, advice and guidance as part of a wider communications and engagement strategy; and • supporting local chambers of commerce to secure funding from the Government's Business Readiness Fund, which is being used to deliver bespoke events on trade (export and import) and support to Small and Medium Sized Enterprises.
Outcome two: people in Hampshire live safe, healthy and independent lives	Ofsted rated the County Council's Children's Services as ***Outstanding*** in all areas. The County Council is one of only two authorities to have received this judgement across the board
	More than 98% of Hampshire families (not including Portsmouth and Southampton) applying for school places for Year R and Year 3 were successful in obtaining one of their top three choices for September 2019, consistent with 2018's performance of 99%

***Serving Hampshire* priority**	**Achievement**
	At the end of Key Stage 2 (Year 6, age 11) 68% per cent of Hampshire's primary school children met the required standards for reading, writing and mathematics, compared with 65% nationally. As well as the overall score, the percentage of Hampshire children who achieved the expected level in individual subjects was higher than the national average: • reading: 76% versus 73% nationally; • writing: 81% versus 78% nationally; and • mathematics: 80% compared with 79 per cent nationally
	A-level, vocational and technical results showed improvement when compared with the previous year, with the average A-level grade moving up to a B minus from a C plus in 2018. Point scores (translating to UCAS points) across all types of qualification have also improved to an average of: • 35.5 at A-level (up from 33.4 in 2018); • 29.9 for technical qualifications (compared with 28.2 the previous year); and • 39.6 for vocational qualifications (against 27.8 last year)
	Hampshire's secondary schools reported that 69% of pupils taking their GCSE exams achieved a pass at grade 4 in English and mathematics, compared to 67% last year. The 'attainment 8' outcome, which measures the results across the wider curriculum, has also improved from a score of 47.2 in 2018 to 47.6 in 2019.
	Children in Hampshire read over 174,000 books over the summer period as part of this year's Summer Reading Challenge – 73,500 more than in 2018.

Serving Hampshire priority	Achievement
	The Hampshire Safeguarding Children Board and NHS West Hampshire Clinical Commissioning Group were recognised at national level for the ICON initiative, being awarded *Regional Winner for Excellence* in Primary Care in the NHS Parliamentary Awards. The ICON Preventative Programme supports parents and carers to cope with a crying baby, reducing the risk of Abusive Head Trauma. ICON involves midwives, health visitors, GP's and other professionals, who work with families, from a range of different organisations.
	The County Council's Catering Service, HC3S, celebrated three decades of preparing nutritious, award-winning meals to thousands of school children in the county and beyond. Awards received by HC3S in 2019 to date include: • the *Food for Life Served Here* (Bronze) Award from the Soil Association; • the Hyperactive Children's Support Group's (HACSG) highest award for excellence; and • the Good Egg, Good Chicken and Good Pig awards from Compassion in World Farming.
	The County Council successfully increased the number of people receiving support for substance misuse, with 999 people accessing the Hampshire Substance Misuse Treatment Service in 2019 compared to 744 in 2016 (a 34% increase – the highest growth across the South East)

***Serving Hampshire* priority**	**Achievement**
	The Carers' Support and Dementia Advisor Service, provided by Andover Mind, launched across the county on 1 September 2019. This Hampshire-wide service was commissioned jointly by the County Council, NHS Hampshire Clinical Commissioning Group (CCG) and the Hampshire and Isle of Wight Partnership of CCGs to provide support and advice to people aged 18 and over who care for another adult, as well as people living with dementia.
Outcome three: People in Hampshire enjoy a rich and diverse environment	126,335 volunteer hours in CCBS services were provided in the first half of 2019/20. This puts the County Council on track to improve on the 225,000 hours of volunteering provided in 2018/19.
	The Hampshire 2050 Commission concluded its inquiry into the key issues that are likely to shape Hampshire over the next 31 years. The Commission's final report set out a vision for Hampshire's future that addresses the challenges of climate change, whilst taking advantage of opportunities. The report and recommendations were endorsed by the County Council in September 2019.
	CO_2 emissions continued to fall, down to 67,889 tonnes in 2018/19 (the most recent data). This is a decline from 78,685 tonnes in 2017/18 and exceeds the 2025 target of 79,080 tonnes.
	The County Council announced £370,000 to provide 136 new charging points for electric vehicles, following a 55% increase in electric vehicle registrations in 2018. This is just one aspect of the County Council's programme of work to address the Climate Change emergency and support carbon neutrality

Serving Hampshire priority	Achievement
	Property Services completed improvements to key sites across the county, including: • Extension projects at 28 school sites, with a total value of £11.5m • Accommodation for people with complex learning disabilities at Sonnet Court in Eastleigh • children's facilities, a registration office and ceremony room at Aldershot Library • Beechwood Kitchen Café and visitor centre at Queen Elizabeth County Park • Refurbishment of Winchester's Theatre Royal
	A virtual tour of the Royal Victoria Hospital was introduced at the County Council's Royal Victoria Country Park enabling people to experience the Hospital online, as well as through Virtual Reality headsets, which can be used for free within the chapel
	The County Council's Country Parks were awarded the *Green Flag* status for 2019. Lepe, River Hamble, Queen Elizabeth and Royal Victoria country parks have the highest possible environmental standards. Royal Victoria Country Park also received the Green Heritage Site Accreditation for the management of its historic features.
Outcome four: people in Hampshire enjoy being part of strong, inclusive communities	The Hampshire Domestic Abuse Service launched on 4 June 2019, providing crisis accommodation and community-based support to break the cycle of abuse for families across Hampshire

Serving Hampshire priority	Achievement
	The County Council supported a range of events to commemorate the 75th anniversary of D-Day across the county. These included the *Lepe into History* Festival in June and a concert in Gosport bringing together 90 Junior School children and students from the Hampshire Music Service.
	The County Council secured the 15th July as a designated *Hampshire Day*, providing an annual opportunity for people across the county to share in celebrating Hampshire's history, its traditions, and the diverse culture of Hampshire communities. As part of the national campaign to celebrate historic counties of England, the Lord-Lieutenant of Hampshire, together with Hampshire local authorities and other organisations supported the design and registration of a county flag earlier this year. The flag is not owned by any one organisation but signifies the whole of Hampshire.
	Independent evaluation by Solent University in 2019 showed that vulnerable families have benefitted from the County Council's Supporting Families programme. The external assessment confirmed that co-ordinated ways of working between agencies was positively transforming the way support is being delivered. In addition, between 2015-19, the help given to families translated into savings, or costs avoided, of £27million.
	The County Council signed up to the Mental Health Prevention Concordat, which was officially launched at an event for World Mental Health Day on 10th October. The Concordat involves a pledge to work with partners to collectively develop an approach to improve wellbeing and prevent mental ill health across the county.

Serving Hampshire priority	Achievement
	A new video explaining the steps that Armed Forces parents and carers need to take to secure a school place for their child was developed and launched by the County Council, helping to remove disadvantage for Service families. Furthermore, during the first half of 2019/20, organisations were supported to secure £62,998 grant funding for projects to support the Armed Forces Community.
The way we work: • Develop accessible and efficient online services • Work closely with our partners • Use taxpayers' money wisely • Value people's differences • Keep improving	Customer satisfaction within the County Council for the IBC averaged 85% satisfied and 78% highly satisfied in Q2 of 2019/20, delivering its customer feedback target.
	County Supplies were awarded a new framework for Office Stationery, achieving savings on average of 2.4% and reducing costs to County Council services
	The County Council retained the *Bronze* Inclusion Standard for the second year following an external assessment by Inclusive Employers. Of the 20 organisations that participated in the 2019 Standard, the County Council ranked third and top of the *Bronze* category.

Decision Report

Decision Maker:	Cabinet
Date:	3 February 2020
Title:	Children's Services Partnership with West Sussex County Council
Report From:	Chief Executive

Contact name: John Coughlan

Tel: 01962 845252 **Email:** John.coughlan@hants.gov.uk

Purpose of this Report

The purpose of this report is to confirm with Cabinet the details of the Commission on behalf of the Department for Education (DfE) through which the County Council will provide continuing support for children's services in West Sussex County Council.

Recommendations

1. That Cabinet notes the contents of this report and confirms its support for the Commission on behalf of DfE and the partnership for children's services between the two local authorities.

Executive Summary

2. HCC undertook the role of Commissioner for children's services in West Sussex County Council on behalf of DfE in May 2019 to support that authority in its response to an Inadequate Ofsted inspection of its children's services. This was largely an assessment and diagnostics task. That task was completed according to DfE requirements and HCC has now accepted DfE's further invitation to retain the roles of Commissioner and Improvement Partner, through the Chief Executive and the Director of Children's Services, supported by a team of HCC children's services specialists, to support a longer programme of service improvement. This will last initially for one year but is likely to be extended as the tasks involved typically take two to three years to secure lasting improvement.

Contextual information

3. Hampshire County Council has a strong reputation for working in partnership with other local authorities in the improvement of children services. This particularly began through our partnership with the Isle of Wight Council in 2013 following that local authority's poor Ofsted inspection. As members are aware that has now become a permanent partnership and the services are formally rated as Good by Ofsted. Since then Hampshire has supported a number of local authorities on behalf of DfE in response to poor Ofsted results. These have included Torbay Council, Surrey County Council and most recently Buckinghamshire County Council. This work is consistent with Hampshire County Council's trading and commercial strategies. The work earns a modest income which at a minimum covers HCC costs; it creates internal capacity; it especially strengthens our teams and builds reputation. It also signals this strong authority's commitment to sector led improvement within local government and has been recognised as a strength for Hampshire in both the 2014 and 2019 Ofsted inspections of our social care functions.

4. Hampshire County Council is now accredited as a Partner in Practice for children's services by the Department for Education. This accreditation brings funding which is additional to the bespoke funding which is earned through the specific partnerships described above. As a Partner in Practice, and as an Outstanding local authority in these terms, Hampshire is expected to provide routine support and guidance for other local authorities, especially (but not exclusively) those within the South East region.

5. In early 2019 West Sussex County Council (WSCC) received a particularly damning Ofsted inspection report which judged the authority to be Inadequate across all of the principal judgement domains. In such circumstances, DfE now appoints a Commissioner to assess the scale of the problem within the local authority for children's services and to consider options for improvement. Partly because of our geographical closeness and our role as the South East Partner in Practice, Hampshire County Council was appointed to this role with the Chief Executive identified as DfE Commissioner, supported by the Director of Children Services and his team in the work of assessing the services and considering next steps for improvement.

6. In what is now a well established process, the first stage of such a Commission lasts approximately 3 months and essentially involves 3 tasks. The Commissioner and team are required to: consider in diagnostic terms the scale of the problems within children's services and the likely necessary remedies; take urgent steps to rectify any immediate problems that may place children at immediate risk; and in particular to form a judgment about the capacity of the corporate environment in the local authority to effectively support the necessary future sustainable improvement of children's services.

7. The Chief Executive and the Hampshire improvement team concluded this initial phase of work in September 2019 and reported to DfE accordingly. It is fair to acknowledge that the report was a difficult process because as well as identifying a series of challenges within children's services, the process identified significant additional corporate challenges which will require

additional strategic work within the wider local authority. This led to the conclusion that an Alternative Delivery Model (a children's trust) would need to be established. These issues have been reported in more detail elsewhere and are not for deeper consideration by Hampshire County Council or this cabinet.

8. The Secretary of State for Education has accepted the Commissioner's report in full and invited Hampshire County Council and the Chief Executive to take on the roles of Improvement Partner and Commissioner respectively for West Sussex County Council for the period of at least the next 12 months. This work will involve a team of Hampshire specialists under the direction of the Hampshire Director of Children's Services working closely with their counterparts in West Sussex to secure the necessary service specific improvements. It will also involve the chief executive of Hampshire County Council in the role of commissioner supporting both the work of the children's improvement programme and the allied work to secure progress in necessary council wide strategic and service-related improvements. The Commission is also subject to a Statutory Direction from DfE to West Sussex County Council affirming Hampshire CC's role and powers in this work.

9. On the latter, wider corporate point, WSCC has now embarked on a significant council-wide improvement programme which includes the introduction of a new Chief Executive, the current Chief Executive of East Sussex County Council who will now take on that role for both East and West Sussex County Councils. This means that a strong three-way partnership is being established between the three neighbouring South East County Councils as a unique arrangement for sector led improvement. The Commissioner is required to report formally to DfE on a quarterly basis. Hampshire County Council is not directly accountable as an organisation for the improvement progress Of West Sussex through this arrangement but should receive at least an annual report about its progress.

Conclusion

10. Hampshire County Council has a well established, hard earned and highly positive reputation for its strength in children's services. That includes its support for other local authorities at times of need. This work, now with West Sussex County Council, while highly complex and challenging, brings substantial benefits as described above and is closely in line with the wider corporate trading and commercial strategy. As in all such enterprises, there is a core principle of "no detriment" to the County Council's central duties to its own residents. The work would not be conducted or sustained if there were any signs of detriment. However, as it has progressed and is now planned, this partnership with West Sussex is a positive step for both authorities and especially for vulnerable children.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Section 100 D - Local Government Act 1972 - background documents

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

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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

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

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

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

2. Equalities Impact Assessment:

This report relates to work that the County Council is undertaking to support West Sussex County Council with regard to its Children's safeguarding responsibilities and the recommendations do not impact directly on groups with protected characteristics.

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ANNEX J: CONDITIONS FOR INTERVENTION SUCCESS

The conditions that must be in place in an LA prior to an intervention for that intervention to be successful

	Political Support	Corporate Support	Children's services leadership	Middle management	Size	Scale	LA partner availability	Failure to deliver best value
	The council leader and lead member accept the need to improve and are supportive of the intervention The council lead is willing to replace the CEO and DCS to secure improvement	The CEO accepts the need to improve and is willing to share the problem with the DCS (or a CEO meeting these criteria can be rapidly brought in)	The DCS understands why things have gone wrong and accept the need to improve (or a leader meeting this criteria can be rapidly brought in)	Middle managers have the skills or support from senior leadership to drive improvement across all levels of the organisation	The LA is sufficiently small relative to a LA partner or peer	The LA is sufficiently large for a trust to be viable	A suitable LA is able to provide intensive improvement advice or take over the delivery of services	The LA has demonstrably failed to deliver best value according to a review undertaken by DCLG
Improvement advice	Required	Required	Required	Required	Required	Not required	Not required	Not required
Intensive improvement advice	Required	Required	Required	Not required	Required	Not required	Not required	Not required
LA partnership	Required	Required	Not required	Not required	Required	Not required	Not required	Not required
Voluntary Trust	Required	Required	Not required	Not required	Not required	Required	Not required	Not required
Enforced Trust	Not required	Not required	Not required	Not required	Not required	Required	Not required	Not required
Executive Commissioner	Not required	Not required	Not required	Not required	Not required	Not required	Not required	Required

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HAMPSHIRE COUNTY COUNCIL

Report

Decision Maker:	Cabinet
Date:	3 February 2020
Title:	Insurance Strategy
Report From:	Director of Transformation and Governance

Contact name: Barbara Beardwell, Head of Law and Governance

Tel: 01962 845157 **Email:** barbara.beardwell@hants.gov.uk

Purpose of this Report

1. The purpose of this paper is to outline to the Cabinet the County Council's approach to insurance that is articulated in an Insurance Strategy, which Cabinet is asked to adopt.

Recommendations

2. **That Cabinet:**
    a. Notes the contents of this Report.
    b. Agrees that the County Council should continue to maintain its overall approach to insurance whereby the County Council self-insures its assets and liabilities, subject to appropriate catastrophe insurance cover purchased from the commercial insurance market, supplemented by commercial insurance where necessary and appropriate.
    c. Approves the adoption of an Insurance Strategy (Appendix 1).
    d. Delegates authority to the Head of Law and Governance, in consultation with the Director of Corporate Resources, to review and update the Insurance Strategy on an annual basis.
    e. Recommends to the Full Council that Financial Regulations are amended by the addition of the wording set out in Paragraph 42 of this Report.
    f. Notes the changes to Financial Procedures set out in Paragraph 43 of this Report.

Executive Summary

3. This paper seeks to provide the Cabinet with comprehensive and accessible details of the County Councils insurance arrangements, in accordance with the County Council's Financial Regulations, and seeks approval of an Insurance Strategy (attached to this report as Appendix 1).

4. The report focuses on the County Council's arrangements for risk financing, specifically its insurance arrangements.

5. A key element of its overall approach to risk is the strategic approach the County Council follows towards self-funding insurable losses; that is, using commercial insurance only where there are compulsory requirements or where it has deemed it more appropriate to do so, particularly to provide a cap to its financial liabilities in respect of third-party liability claims.

6. The County Council's insurance arrangements are a mixture of self-insurance and commercially purchased insurance, with decisions on the balance between the two based on risk. The insurance arrangements cover the various activities and services undertaken by the County Council and include both staff and Members.

7. A review of the County Council's insurance arrangements has been undertaken in conjunction with the County Councils Insurance Brokers and Insurers. A number of changes have been implemented, with further options for improvements to be included in the tender of the major insurance contracts scheduled for 2020, with details of those improvements included in this paper.

8. This also paper advises the Cabinet as to recent developments in the local authority insurance arena, including changes to the calculation of the discount rate and associated changes in premiums in consequence.

Insurance Strategy

9. The County Council's insurance strategy provides the framework to ensure that the County Council has in place an optimal balance between external insurance and self-insurance, an evidence based calculation and maintenance of the insurance reserve, and that appropriate and robust arrangements are in place for the handling of insurance claims. As a large organisation, with a diverse portfolio of assets and liabilities, it is prudent for the County Council to insure itself against the financial consequences of unexpected events.

10. Insurance comes at a cost however, and the County Council has to undertake a number of risk-based decisions to determine the most effective balance between the cost of commercial insurance and the cost of retaining the risk through self-insurance.

11. Insurance is a financial mechanism through which an individual or organisation can transfer an unknown potential liability into the certainty of a smaller but fixed annual cost. By combining a large number of exposures into a group, the insurer can predict the probability of loss relating to uncertain events with a degree of accuracy for the group as a whole. With large organisations, such as the County Council, that combining of large numbers of exposures can be undertaken across the organisation with similar degrees of accuracy in relation to possible losses to the whole organisation.

12. The County Council has, for the last 40 years, followed the strategic approach of self-funding insurable losses, using commercial insurance only where there are compulsory requirements or where it has deemed it more appropriate to do so, particularly to provide a cap to its financial liabilities in respect of third-party liability claims.

13. The County Council's insurance arrangements are therefore a mixture of self-insurance and commercially purchased insurance, with decisions on the balance between the two based on risk.

14. The arrangements fall into three groupings:
    a) risks that the County Council entirely self-insures
    b) risks that the County Council self-insures, with commercially obtained insurance that caps the amount of losses
    c) risks that have the benefit of commercially obtained insurance cover

15. Under the self-insuring arrangements (a & b), losses are met from monies set aside for the purpose, on the basis of defined events, just as though there was conventional insurance cover. At the County Council this is referred to as the Insurance Fund.

16. Each year the County Council sets aside an insurance provision in the Insurance Fund to meet claims resulting from incidents that have occurred during the year, along with reserves to cover potential claims arising from incidents in that year but where the claims are received in the future.

17. Decisions about the risks and the appropriate self-funding provision for them are made based on a balance of four factors:
    a) **Risk Tolerance**: The County Council's capability to withstand shocks.
    b) **Risk Appetite**: The County Council's willingness to assume insurance risk

c) **Risk Modelling**: The profile of our insurance loss distributions (e.g. previous claims)

d) **Market Pricing**: How insurers will price our risk.

18. Details of the decisions that are made to balance the risk between self-insurance and commercial insurance (risk retention versus risk transfer) and an outline of the various insurances are outlined in Sections 2 and 3 of the Insurance Strategy that is appended to this report.

19. The Insurance Strategy will be reviewed, and updated as appropriate, on an annual basis by the Head of Law and Governance, in consultation with the Director of Corporate Resources, to ensure its continual fitness for purpose.

Details of the actuarial reports that inform the funding provision in the Insurance Fund.

20. The principle of self-insurance is that the County Council sets aside a sum of money from which insurable losses (i.e. claims) can be met.

21. To assist in the calculation of the appropriate sum to set aside in its Insurance Fund, the County Council uses the services of external actuaries employed by its broker.

22. The Insurance Fund maintained by the County Council has been subject to regular actuarial review and the conclusions of the most recent review are explored in more detail below. In addition, the claims handling processes operated by the County Council's Legal Services are audited by insurers to ensure that they comply with best practice.

23. Actuarial reviews were held in 2011 and 2014, both of which recommended no significant changes. A further actuarial review of the County Council's Insurance Fund was undertaken in 2017.

24. The broad assessment of the actuary was that the amount set aside for claims occurring and paid in each financial year was appropriate, but that there was a possible shortfall in the amount set aside for historic claims. The review recommended increasing the amount set aside to reserve against future claims for historic events.

25. A proportionate and long-term approach has been taken to adjusting the Insurance Fund to reflect the assumptions of the 2017 actuarial review, given that the County Council would not expect all potential liabilities to arise at the same time. An adjustment was made as part of the final accounts for 2017/18 with an additional year end contribution.

26. The intention is to regularly review the Insurance Fund and to make year end contributions that move the County Council towards the level outlined in the latest actuarial assessment over time.

27. A further actuarial report was commissioned as part of a biannual programme and to provide background information in advance of tendering the major commercial insurance policies later in the year. The County Council is awaiting the conclusion of the actuarial evaluation and will take a proportionate and long-term approach to any recommended adjustments.

28. The difference in the conclusions reached by the actuaries in 2011, 2014 and those in 2017 is due to increasing claims costs and the rising number of complex historic claims being made. This has led to actuaries altering the methodology and assumptions they use when calculating reserves for historic claims. It is fair to say that the conclusions of the 2017 actuarial report are in line with the experience of those insurance companies that are underwriting business in the local authority marketplace.

29. In coming to these conclusions, the actuaries have also taken into consideration the potential for occupational disease claims which may take decades to gestate, including: mesothelioma, fibrosis of the lung tissue, lung cancer, noise induced deafness, vibration white finger, upper limb disorders, skin diseases and asthma, along with emerging losses such as stress, post-traumatic stress disorder, bullying, abuse and sexual harassment.

Review of the County Councils Purchased Insurance

30. In consultation with the County Council's Insurance Brokers and Insurers, Officers have undertaken a focused review of the County Council's insurance arrangements. A number of changes have been implemented as a result, with further options being explored as part of the tender of the commercially purchased major insurance policies for April 2020.

31. The limit of indemnity for public indemnity claims, i.e. the maximum amount insured for each claim or series of claims has been reviewed. This is in line with reviews undertaken by a number of local authorities following the Grenfell fire in 2017 and the size of claims arising from that tragic event. In line with decisions made by other large Local Authorities, additional layers of insurance have therefore been purchased to raise the previous limit of indemnity from £50 million per incident to a figure of £200 million, with effect 1 February 2019.

32. The personal accident arrangements for Elected Members have been incorporate into the County Council's Travel Insurance Policy from the previous stand-alone arrangement. The Policy cover remains the same but is now provided more efficiently.

33. Options are being explored with the County Council's current property insurers on the cost effectiveness of providing a possible cap to the County Council's liability for multiple property losses across key parts of the built estate, for example in the event of multiple fires effecting a number of buildings within the same year.

34. Options have also been explored in relation to professional indemnity insurance cover to reflect the increasing commercial activities that the County Council is engaged in, across a wide spectrum of services. Again, insurance brokers have advised to explore options in detail with the current insurers over a period of months leading to implementation of any changes for April 2020.

Recent developments in the local authority insurance arena

35. A number of developments have recently occurred that have affected the Local Authority Insurance Market and Hampshire County Council.

36. In February 2017 the Lord Chancellor announced changes to the calculation of the discount rate used to calculate the appropriate settlement in complex personal injury claims.

37. When victims of life-changing injuries accept lump sum compensation payments, the actual amount they receive is adjusted according to the interest they can expect to earn by investing it. In finalising the compensation amount, courts apply a calculation called the Discount Rate – with the percentage linked in law to returns on the lowest risk investments, typically Index Linked Gilts. The changes announced by the Lord Chancellor increased settlement amounts in such cases, having a significant effect on insurers and organisations like the County Council which bear much of the cost of settlements themselves. On 15 July 2019 the Lord Chancellor announced a slight amendment to the rate that will be in place from 5 August 2020 for the next 5 years.

38. The effect of the changes has caused insurers to raise insurance premiums, with both insurers and self-insurers making greater provisions for higher claims costs in future.

39. In addition, all insurers are seeing a rise in the number of complex major claims that do not fit into previous underwriting models, i.e. they are unexpected and not part of any pattern. This has resulted in insurers making additional provision within premiums for these "black swan" events.

40. On 1 June 2017 the standard rate of Insurance Premium Tax (IPT) increased from 10% to 12%. This followed a previous rise in 2016. This tax is levied on

all insurance premiums. Unlike VAT the County Council is unable to claim back any of this tax. It affects the cost of external insurance premiums, but not any self-insurance costs. Industry commentators are predicting that IPT will eventually level out on a par with VAT.

41. The Local Government Association (LGA) has been working on the establishment of a Local Government Insurance Mutual. This is a stand-alone provider of insurance for Local Authorities through a pooled risk arrangement. Members of the mutual would pay into a central fund, operated by representatives of the members, from which insurance claims could be paid. A similar arrangement was in place up until 1992, in the form of the Municipal Mutual Insurance Company, which went into administration and run off in 1992. An advantage of this arrangement is that any surpluses would be retained by the members of the pool, in the same way that currently any surpluses from the County Council's self-insurance arrangements are retained by the County Council. A disadvantage for the County Council of this arrangement is its newness in a complex marketplace and potential loss of some control over the claims handling and settlement of claims. Officers are taking a watching brief on developments, but do not recommend participation in the LGA mutual at this time as the County Council already benefits from many of the advantages of a mutual through its self-insurance arrangements.

Governance Arrangements

42. In order to provide certainty about the responsibility for the Insurance Fund it is suggested that Financial Regulations are amended as follows:

    a) A new paragraph 3.13 titled 'Maintenance of an Insurance Reserve' is added to Financial Regulations. The new paragraph to be as follows

    'It is the responsibility of the Chief Financial Officer to advise the County Council and the Cabinet on the prudent level of Insurance Reserve required to meet the assessed potential liabilities of the County Council.'

43. In the meantime a new paragraph C1.11 has been added to Financial Procedures as follows:

    a) The Chief Financial Officer has responsibility on the advice of the Head of Law and Governance for determining whether or not a claim (both internal departmental claims on the County Council's Insurance Reserve and third-party claims) are covered by the County Council's self-insurance arrangements.

Finance

44. The decision which is sought to be recommended by this report will have no effect upon the budgetary position of Hampshire County Council.

Performance

45. The recommended decision sought ensures that the County Council continues to maintain appropriate measures to mitigate the financial impact of insurable events.

Conclusions

46. The County Council’s insurance approach has provided a stable and consistent financial platform from which to meet the costs of insurable events to its assets and liabilities, with external spend on insurance being kept at a minimum.

47. The decision to purchase catastrophe cover for its liability programme made by the County Council in 2002 has placed an effective cap on potential costs. However current circumstances mean that it is appropriate that a review of the arrangements for property insurance is undertaken to determine whether similar catastrophe insurance in this area would be cost effective.

48. During the period since 1992, the local authority insurance market has been volatile, with a number of company failures and withdrawals of companies from underwriting local authority business. In addition, premium costs have swung dramatically during this period. The County Council has benefited from a stable cost basis due to the high level of self-insurance it has operated.

49. Regular actuarial reviews on the Insurance Fund have provided assurance that the County Council has been setting aside appropriate levels of funding against future liabilities during this period, although changes to the way that claims will be funded going forward have caused actuaries to alter their calculation models and a need to adopt a long-term approach to increasing that provision going forward.

REQUIRED CORPORATE AND 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:	no
People in Hampshire enjoy being part of strong, inclusive communities:	no

Other Significant Links

Links to previous Member decisions:	
Title	Date

Direct links to specific legislation or Government Directives	
Title	Date

Section 100 D - Local Government Act 1972 - background documents

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

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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

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

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

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

2. Equalities Impact Assessment:

2.1. As there are no proposed changes to the existing self-insurance approach a full Equalities Impact Assessment is not required, however potential impacts have been considered in the development of this report and no adverse impact has been identified.

Hampshire County Council

Insurance Strategy

1. Introduction

This insurance strategy provides the framework to ensure that the County Council has in place an optimal balance between external insurance and self insurance and that appropriate and robust arrangements are in place for the handling of insurance claims and the calculation and maintenance of the insurance reserve.

The key strategic elements of this strategy are set out in detail within the remainder of this document, they are:

Strategic aim 1: To maintain an adequate insurance reserve to meet potential and contingent liabilities and to support the County Council's insurance programme.

Strategic aim 2: To maintain an insurance programme that provides the optimal balance between insurance and risk retention.

Strategic aim 3: To maintain appropriate operational policies for the handling of insurance claims, recharging to services and presentation of risks to insurers.

2. Approach to Risk Financing and Insurance

Insurance is a financial mechanism through which an individual or organisation can transfer an unknown potential liability into the certainty of a smaller but fixed annual cost. By combining a large number of exposures into a group, the insurer can predict the probability of loss relating to uncertain events with a degree of accuracy for the group as a whole. With large organisations, such as the County Council, that combining of large numbers of exposures can be undertaken across the organisation with similar degrees of accuracy in relation to possible losses to the whole organisation.

The County Council has, for the last 40 years, followed the strategic approach of self funding insurable losses, using commercial insurance only where there are compulsory requirements or where it has deemed it more appropriate to do so, particularly to provide a cap to its financial liabilities in respect of third party liability claims.

The County Council's insurance arrangements are therefore a mixture of self insurance and commercially purchased insurance, with decisions on the balance between the two based on risk. The arrangements fall into three groupings:

a) risks that the County Council entirely self insures

b) risks that the County Council self insures, with commercially obtained insurance that caps the cost of losses

c) risks that have the benefit of commercially obtained insurance cover

Under the self funding arrangements (a & b) losses are met from a fund of money set aside for the purpose, on the basis of defined events, just as though there was conventional insurance cover. At the County Council this is referred to as the Insurance Fund.

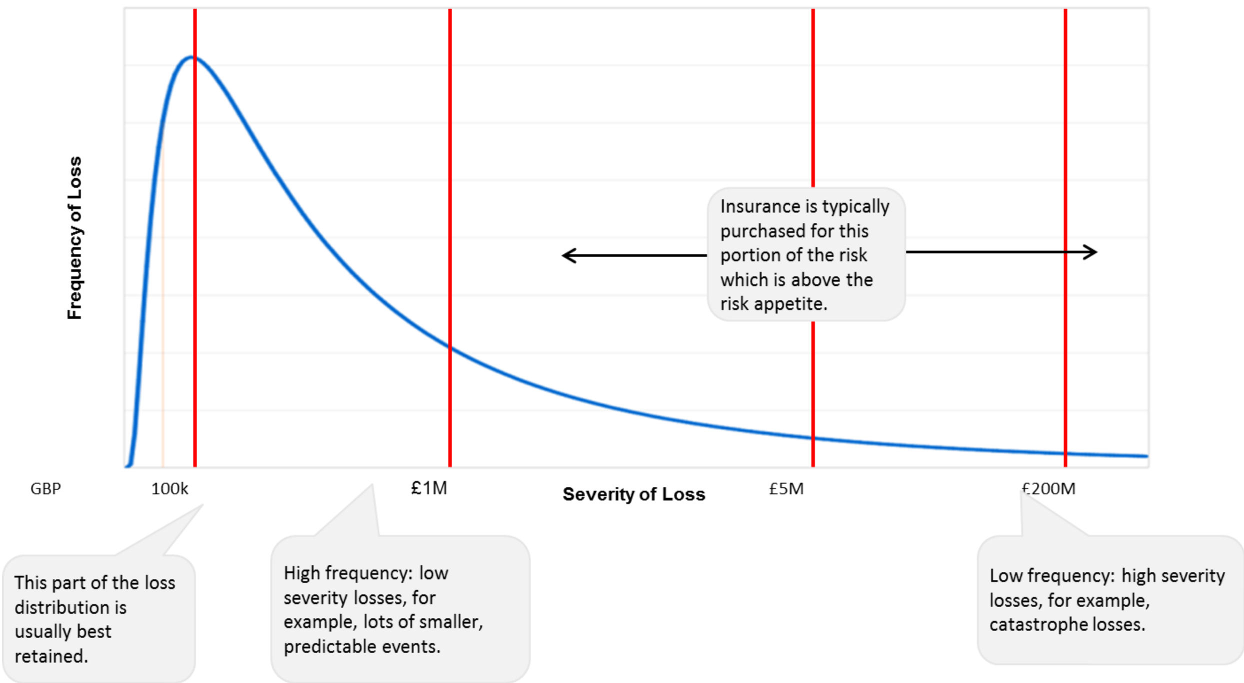
Each year the County Council sets aside an insurance provision in the Insurance Fund to meet claims resulting from incidents that have occurred during the year, along with reserves to cover potential claims arising from incidents in that year but where the claims are received in the future.

Decisions about the risks and the appropriate self funding provision for them are made based on a balance of four factors:

1. **Risk Tolerance**: The County Council's capability to withstand shocks.
2. **Risk Appetite**: The County Council's willingness to assume insurance risk
3. **Risk Modelling**: The profile of our insurance loss distributions (e.g. previous claims)
4. **Market Pricing**: How insurers will price our risk.

The diagram below outlines the advice provided by insurance brokers to optimise the balance between the costs of risk retention and risk transfer. In areas where there are high numbers of frequent claims it is easier to calculate potential annual loss costs more accurately:

How to Optimise Insurance Purchase



Numbers are for illustrative purposes only

The table below summarises the decision-making process:

Type of Loss	Frequency	Severity	Predictability	Impact	Decision
Low	High	Low	High	Small	Self Insure
Medium	Low	Medium	Reasonable	Serious	Part self-insurance Part Insurance
High	Rare	High	Minimal	Catastrophic	Insure

The County Council will regularly review the balance between self-insurance and commercially purchased insurance policies.

3. The Advantages of Self Funding Insurance Arrangements

The payment of an insurance premium to an insurer provides a known cost for an unknown outcome, in that the customer does not know in advance the amount of claims they are likely to have. For large organisations such as the County Council it is possible to calculate the likely losses accruing from insurable events over the year, based on the cost of claims in previous years and trend analysis.

In adopting a self insurance approach for a number of years, the County Council has been able to take advantage of a number of benefits and incentives.

The economic benefits have been:

- Savings made on the extra costs insurers load on premiums for expenses, profits and reserves.
- Savings arising from the County Council's good loss experience, any surpluses have accrued to the County Council rather than the insurer.
- Savings in Insurance Premium Tax (IPT) as IPT is payable on insurance premiums (currently at 12%) but not payable on self insurance recharges. (Unlike VAT this is not recoverable).
- Premiums are paid at the beginning of the policy year, whereas claims payments are made as insurable events occur during the year; therefore, investment income on retained premiums will have accrued to the County Council rather than an insurer.

In addition, the managerial incentives are:

- Increased flexibility in handling risk
- Retention of control over the funds that would otherwise be paid to the insurer
- Increased potential to extend control over losses
- Greater control over the management of individual claims
- Greater control over the quality and price of ancillary services such as claims handling and preferred suppliers. The internal claims handling, managed by Legal Services, in particular, has provided both considerable cost advantages, control and continued high levels of professional service.

4. Insurance Programme

As stated above, the County Council's insurance arrangements are a mixture of self insurance and commercially purchased insurance, with decisions on the balance between the two based on risk. The arrangements fall into three groupings:

a) risks that the County Council entirely self insures

b) risks that the County Council self insures, with commercially obtained insurance that caps the cost of losses

c) risks that have the benefit of commercially obtained insurance cover

The Insurance Programme

a) Risks that the County Council entirely self insures by making provision in the Insurance Fund

- **The cost of fraudulent acts by members of staff,** often know as the Fidelity Guarantee
- **Personal Accident Cover,** for staff, this provides set benefits in accordance with contractual requirements in the event that staff suffer injuries whilst at work.
- **Damage to the majority of the County Council's Property**, this covers most of the County Council's built estate against fire, lightning and explosion only, with the addition of major storm and flood damage cover for maintained school buildings.
- **Property and Building Works, Contractors All Risk**, this covers buildings works on/in existing buildings within the works area.
- **Contents**, the risk of loss of property, equipment and monies belonging to the County Council and appearing on the establishment's inventory as a result of theft, fire, lightning and explosion only, with the addition of major storm and flood damage cover for maintained school buildings.
- **Ex Gratia Payments,** this scheme covers damage to, or loss of, employees personal property incurred during the course of their employment without any negligence on the part of the Council. The ex-gratia scheme, is extended to cover fees for medical treatment of staff who have suffered a personal injury, as a result of an extraordinary event or act of aggression whilst on duty.
- **Leased IT/Electrical equipment**, this covers schools who have leased equipment for All Risks perils following a payment of an additional premium.
- **Additional contents**, this covers schools for a range of risks not offered by the Insurance SLA i.e. minor water damage, accidental damage, vandalism. Schools pay an additional premium to cover contents that are owned and on school inventory.
- **Cash on premises (non-schools)**, this covers a maximum £1000 cash holding within a safe (or in transit in a County Council vehicle).

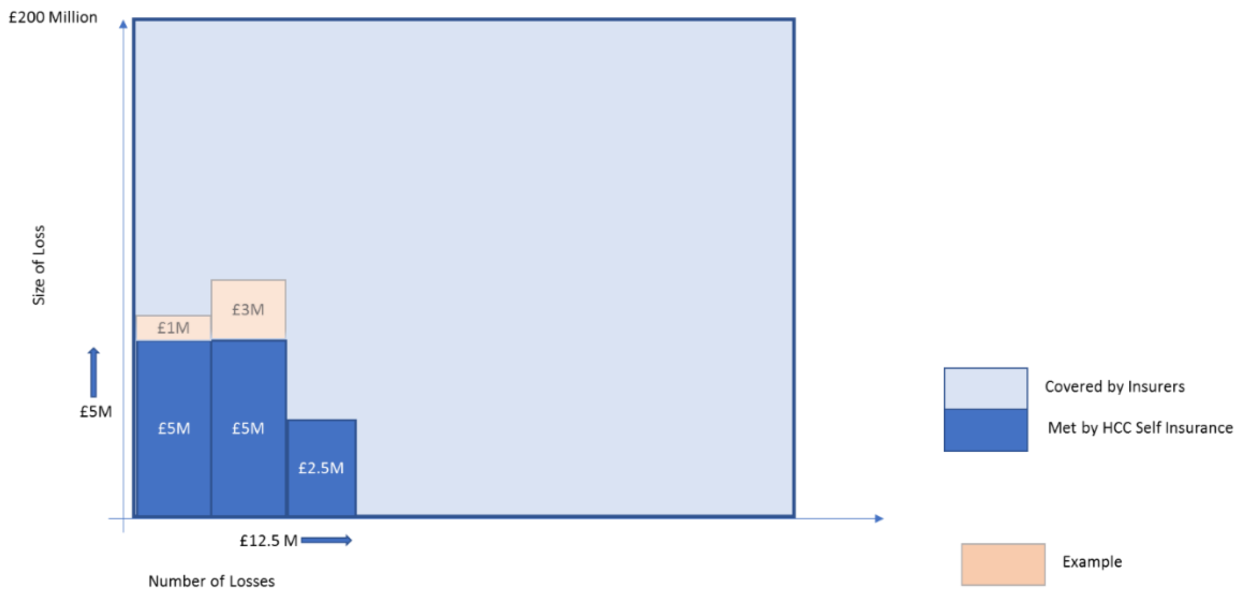
b) Risks that the County Council self insures, with commercially obtained insurance that caps the cost of losses

- **Third Party Liability claims from members of the public employees and pupils/service users,** the County Council is liable to pay the first £5 million of any claim, up to a total amount of £12.5 million in any one year, and any part of a claim in excess of £200 million. This insurance is on a Combined Liability basis and consists of **Public and Products Liability, Employers' Liability and Pollution Liability** and provides insurance against third party claims for injury, damage to property and financial loss arising from activities as a County Council. This includes claims against the County Council arising from the use of the Highways. The current arrangements consist of a commercially tendered insurance policy with a deductible (policy excess) of £5 million, with an aggregate of £12.5 million and a limit of indemnity of £50 million. A series of insurance policies provides additional layers of insurance, up to a limit of indemnity of £200 million.

As the table below illustrates, this means that for claims from third parties, the County Council is liable to pay the first £5 million of any individual claim from the self insurance arrangements, with insurers meeting costs of individual claims over £5 million and up to £200 million for any incident or series of incidents arising from the same cause. This operates in a similar way to an excess in a domestic insurance policy. In addition, should the County Council be liable for more than £12.5 million in claims in any year in aggregate, any liability beyond £12.5 million during that year would also be met by the insurers.

So, for example if claims of a) £6 million, b) £8 million and c) £2.5 million were received in 1 year, the County Council would meet £5 million for each of claims a) and b) and £2.5 million in claim c). The amounts above £5 million in claims a) and b) (£1 million and £3 million) would be met by insurers. In addition, because the County Council would have met £12.5 million in total that year, any further claims would be met in their entirety by insurers.

Operation of the Deductible and Aggregate - 3rd Party Liability Claims



The aggregate is calculated based on the total cost of claims paid set against the year the accident occurred. The payments made against that year are monitored to determine whether the aggregate level is breached. As liability claims may take years to settle, the aggregate level for that year may not be exceeded until a number of years later.

So, for example, in year X £7million worth of claims are received for events that occurred during that year. In the next year, Y, a further £3 million worth of claims are received for year X, making an aggregate total of £10 million. In the following year, Z, a further £3 million worth of claims are received for incidents that occurred during year X, making a total aggregate level of £13 million. Of this £12.5 million has been paid by the County Council, with £0.5 million being met by insurers. Any further claims in subsequent years for claims occurring in year X would be met by insurers.

Liability claims may be received some time after an accident or event occurs, in some cases years after. In addition, complex cases may take some time before a conclusion on the appropriate amount of compensation is reached. An estimate of the final cost of a claim, or reserve, is made at the commencement of the claims handling process. This is monitored and may alter throughout the life of the claim as facts develop. This reserving practice means that at all times the County Council can monitor its self insurance liability in relation to the aggregate limit.

It is the County Council's responsibility to advise the insurer of the potential breach of the aggregate. When the breach is as a result of paid claims and reserves on outstanding claims, it is referred to as a "theoretical" breach. At this point, the insurers will require reassurance from the County Council that claims paid by the County Council have been handled within the scope of the policy wording, the liability decisions are correct, and settlement amounts are reasonable. All numbers on claims files must tally 100% with IT systems and reports. The insurer is likely to hold a file audit of claims paid. At the point of an actual breach (i.e. when claims have been paid up to the aggregate value), the insurer may wish to handle any outstanding claims and all new claims. As different insurers take different approaches to this area, specific arrangements for payments of claims following a breach of the aggregate would need to be agreed with the insurer concerned.

It should be noted that to date there are no instances where the payments made by the County Council have approached the aggregate limit.

In addition to Public Liability, Employer's Liability and Pollution Liability, the following areas of claims are also counted towards the Combined Liability aggregate limit of £12.5 m.

- **Community Use**, this covers schools that sign up to an additional premium. This is an extension of PL/EL cover and covers third party claims arising from the use of school buildings for non-school activities.

- **Hirer's liability covers non-commercial hirers using HCC premises,** the County Council is liable to pay the first £100 of any claim up to a total of £12.5m in any one year, and any part of a claim in excess of £5m. This provides cover for small organisations and individuals who hire County Council buildings.

- **Libel/slander covers HCC for defamation claims**, the County Council is liable to pay the first £5000 of any claim up to the total of £12,5m in any one year, and any part of the claim in excess of £1m.

- **Officials Indemnity provides coverage for the errors and omissions of public officials. T**he County Council self-insures these claims, with insurance above £5 million up to £10 million, but payments made below £5 m count towards the Combined Liability aggregate of £12.5 m.

c) Risks that have the benefit of commercially obtained insurance cover

- **Motor**, this covers the County Council's general fleet of vehicles for third party fire and theft, with cover up to £5 million (commercial vehicle), £50 million (any motor car) and a £100,000 excess per claim. This excess was derived on the basis of premium terms offered by insurers and an analysis of previous claims costs.

- **Professional Indemnity Insurance,** this covers the County Council against claims from third parties for financial loss arising from the County Council's commercial activities, with cover up to £5 million. As the scope and size of the County Council's commercial activities have expanded the level of risk of claims in this area has also increased. The insurable risk relates to claims for compensation from individuals or organisations for financial loss arising from the professional services provided by the County Council under contracts with others.

  The County Council has three commercial professional indemnity policies in place. The first covers all County Council departments up to £5 million with a £5,000 excess per claim. The second covers Property Services up to £5 million with a £10,000 excess per claim. The third covers Scientific Services up to £5 million with a £5,000 excess per claim.

  The premiums for these insurance policies are calculated from annual returns from Departments that outline the activities the Departments need cover for and the estimated fee income derived from those activities.

  Only those activities notified to the insurers in the annual return from Departments are covered by the Professional Indemnity Policy, any other activities are uninsured (i.e. the costs of any claims relating to activities not recorded in the annual return from Department will be met by the Department concerned). The cost of claims below the excess are met by the Insurance Fund. The costs of claims over the limit of indemnity is also met by the Insurance Fund.

Options to reflect the increasing commercial activities that the County Council is engaged in across a wide spectrum of services will be explored during 2020.

- **Medical Malpractice**, this covers the County Council in respect of claims from third parties arising from the County Council's provision of nursing homes, nurses, non-clinical nurses and occupational health services. The County Council has a commercial policy in place which provides cover up to £10 million (aggregate) with a £1,000 excess per claim.

- **Personal Accident and Travel Cover for Members**, this provides set benefits for Elected Members whilst they are travelling in the course of their duties (business travel) and should they suffer serious injury whilst performing their duties as a County Councillor. There is £10,000,000 cover for any one accident and specified sums insured for particular injuries and death, with no excess.

- **Travel for Officers and School Trips insurance**, this provides cover whilst staff are on business travel and for children whilst on school trips. There is £10,000,000 cover for any one accident and specified sums insured for particular injuries and death, with an excess of £50 for Cancellation /Curtailment claims.

- **Legal Expenses, insurance** is in place to provide protection in respect of legal expenses of foster carers, partners and children, with cover up £50,000, with no excess.

- **Property**, a small specified number of County Council buildings are insured, for example the Great Hall is insured for fire, lightning and explosion and commercial, industrial properties are insured for storm and flood damage and leasehold properties are insured where the lease contains specific insurance obligations, with various excesses and sub limits relating to particular buildings or insured perils.

- **Contractors All Risk**, whilst normally self-insured, in the case of high value projects (over £10 million or otherwise complex), bespoke contractors insurance is obtained as appropriate.

- **Aviation,** this covers the legal liability to third parties for death, injury or property damage caused by the aircraft or any article dropped from it; and covers the use of a drone.

- **Foster Carers property,** this covers the personal property owned by foster carers from loss or damage arising during foster activities.

5. Insurance Provisions and reserves (Insurance Fund)

The County Council's self-insurance is met by the Insurance Fund. This consists of a Provision, to meet the cost of claims arising from that year and a Reserve to cover potential claims arising from incidents occurring where the claim is received in the future.

These arrangements meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) prepared by CIPFA/LASAAC.

The definition, within the Code of a Provision is: "a liability of uncertain timing or amount.

A provision shall be recognised when:

- An authority has a present obligation (legal or constructive) as a result of a past event
- It is possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, ad
- A reliable estimate can be made of the amount of the obligation."

Guidelines on the use of the Insurance reserve (Fund) are contained in the CIPFA guidance note on local authority reserves and balances "LAAP bulletin 99 – July 2014", which outline that the Insurance reserve (Fund) is an earmarked reserve, accounted for separately, but remaining legally part of the General Fund, consisting of "sums held to meet potential and contingent liabilities".

The Insurance Fund can be used when the County Council becomes legally liable to settle (compensate) a liability claim that has been made against it or its officers and elected members and for which the County Council is liable for the costs of settlement under the relevant self-insurance criteria and any insurance policy excess. For property damage claims the Insurance Fund can be used to cover the cost of repair, replacement, reinstatement, site clearance, making safe or other associated costs in the event of an insured peril (or agreed peril for self insurance), within the limits of any relevant policy excesses. For all other types of insurance claim the Insurance Fund can be used where the claim meets the requirement for settlement under the terms of the relevant insurance policy (or relevant self insurance criteria). It can also be used to meet the costs of historic claims arising from the County Council's self-insured approach, for example arising from historic Public liability, Employer's liability, Officials Indemnity or Professional Indemnity claims that are not covered by commercial insurance, and to cover losses in excess of the cover provided by commercial insurance.

The cost of settling claims also includes the costs associated with investigating and handling the claim including the County Council's own legal costs, loss adjusters' fees, obtaining necessary reports etc. These costs and the actual monetary compensation or reinstatement value are the only costs that can be met from the insurance provision in relation to liability claims.

For the County Council's own property damage claims (including equipment, contents, loss of money) the costs associated with repair, replacement or reinstatement (including associated professional and legal fees) of the damaged item/s and/or building/s following damage caused by an insured peril, are the only costs that can be met from the Insurance Fund.

6. Reviewing the Insurance Fund to ensure continuing relevance and adequacy

To assist in the calculation of the appropriate sum to set aside in its Insurance Fund, the County Council uses the services of external actuaries employed by its broker.

The Insurance Fund maintained by the County Council has been subject to regular actuarial review and the conclusions of the most recent review are explored in more detail below. In addition, the claims handling processes operated by the County Council's Legal Services are audited by insurers to ensure that they comply with best practice.

Actuarial reviews were held in 2011 and 2014, both of which recommended no significant changes. A further actuarial review of the County Council's Insurance Fund was undertaken in 2017. That review recommended increasing the amount set aside to reserve against future claims for historic events.

A long-term approach is being taken to adjusting the reserves to reflect those assumptions, given that the County Council would not expect all potential liabilities to arise at the same time. The intention would be to regularly review the insurance reserve and to make year end contributions that move the County Council towards the level outlined in the latest actuarial assessment.

Actuarial reviews will be undertaken every two years to review the continued adequacy of the Insurance Fund.

7. Claims Handling

Hampshire Legal Services (HLS) Litigation teams deal with all third-party claims and departmental claims on behalf of the County Council.

Third party claims can be made by members of the public, employees and pupils/service users. These are civil claims made against the County Council and are claims seeking compensation or redress. Each claim is fully investigated by HLS and the relevant law applied. Liability is only accepted if there is legal liability or where it is commercially prudent to do so.

Third party claims alleging libel and slander are dealt with in their entirety by the Insurer's panel solicitor, as per the terms of the policy.

Internal departmental claims are made when departments have an insurable loss. These predominantly relate to property claims and motor claims. Self insured property losses are assessed and determined by HLS. Commercially insured property loss claims are co-ordinated by HLS with the County Council's commercial insurer.

Departmental motor claims are dealt with in their entirety by the County Council's commercial motor insurer and HLS and departments liaise directly with them.

When liability is accepted in a third-party claim HLS negotiates the settlement on the best possible terms and in the best interests of the County Council. This can include commercial decisions to settle claims taking into account the prospects of success versus the costs of running matters to trial.

The County Council self insures third party claims for personal injury and damage to property up to £5m. HLS handles all claims up to that value, with reserves above £5 million being handled by the insurers, who appoint their own solicitors, who work closely with HLS

8. Governance Arrangements

Maintaining the Insurance Fund

Part III of Hampshire County Council's Constitution (Financial Regulations) states at paragraph 4.2 "The Cabinet is responsible for ensuring that proper insurance exists where appropriate". It then states at paragraph 4.3 "The Chief Executive is responsible … for advising the Cabinet on proper insurance cover where appropriate."

The Director of Corporate Resources and Chief Financial Officer has delegated authority to commit resources within approved budgets and Financial Regulations pursuant to Part 2, Chapter 4 of the County Council's Constitution.

Pursuant to paragraphs 3.12 and 3.13 of Financial Regulations the Chief Financial Officer is responsible for advising the Cabinet and the County Council on prudent levels of balances and reserves including the prudent level of the Insurance Reserve (Insurance Fund)

The Chief Finance Officer's responsibilities include payments for losses accrued under the County Council's self-insurance arrangements, including third party claims and departmental claims.

Paragraph 2.8 of section A of the County Council's Financial Procedures provides that:

The Chief Financial Officer has authority to make special payments whether or not provision has been made in the approved estimates, in the following cases:

- payments specifically required by law
- payments under a court order
- payments under agreements entered into by and on behalf of the Council.
- payments made on the advice of the Chief Executive in the settlement of any action, complaint, or claim against the Council
- payments made on the advice of the Chief Executive in settlement of any complaint investigated by him or any maladministration identified by the Commissioner for Local Administration.

Paragraph 1.11 of section C of the County Council's Financial Procedures provides that the Chief Financial Officer has responsibility on the advice of the Head of Law and Governance for determining whether or not a claim (both internal departmental claims on the Insurance Reserve and third-party claims) is covered by the County Council's self-insurance arrangements.

Payments/settlements of any action, complaint or claim

The Director of Corporate Resources (who is the County Council's Chief Financial Officer) has authorised the Head of Legal Services to act on her behalf to make any payments under a Court Order or to make payments, on the advice of the Chief Executive, in the settlement of any action complaint or claim (both internal departmental claims and third party claims) against the County Council up to the limit of £75,000.

The Chief Executive has authorised the Head of Legal Services to advise the County Council's Chief Financial Officer on settlements (including meeting the payment of costs) up to £75,000 and to advise the County Council's Chief Financial Officer on settlements over £75,000 in consultation with the Monitoring Officer of the County Council.

A scheme of authorisation from the Head of Legal Services to the Litigation Teams in Hampshire Legal Services authorises:

Settlements up to £5,000 may be agreed by two fee earners; and

Settlements of £5,000 and over must be approved by either the Assistant Head of Legal Services (Resolution) or a Legal Team Leader.

Summary:

Limits	Delegated to	Details
Over £75,000	Head of Finance on the advice of the Chief Executive	Delegated by Director of Corporate Resources
£5,000 - £75,000	Head of Legal Services	Delegated by Chief Executive and Director of Corporate Resources
Up to £5,000	Two Fee Earners approved by either the Assistant Head of Legal Services (Resolution) or a Legal Team Leader	Scheme of Authorisation from Head of Legal Services

Decisions and payments in relation to the placing of proper insurance cover and

determining the extent to which internal or external claims fall within the remit of the self—insurance arrangements

The Director of Corporate Resources has overall responsibility for the operation of the County Council's self-insurance arrangement, and these have been delegated to the Head of Finance. Delegation follows the above arrangements for payments and settlements through local procedures, with the Head of Risk and Information Governance providing advice and assistance where appropriate.

9. Procurement

HCC will procure policies or other forms of alternative risk transfer in accordance with the regulatory requirements applying at the time e.g. OJEU procedures. The County Council will seek Long Term Agreements (LTA's) to ensure value for money. These can range from 3 years to 5 years and some LTA's will have the option to extend for a further number of years. Some insurers will also offer fixed prices throughout the duration of the LTA which means financial certainty for that period of time.

Foster carer's property and Medical Malpractice are currently outside the tender and are procured annually.

10. Insurance Broker

HCC procures an external insurance broker to provide assistance to the Insurance Team. The broker provides advice and support on the day to day management of the portfolio, specialist covers, liaising with insurers when required and assistance with the procurement of policies. They will also do programme design reviews to ensure that the County Council has the most adequate and best value for money insurance programme.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	3 February 2020
Title:	Corporate Parenting Board
Report From:	Director of Children's Services

Contact name: Stuart Ashley

Tel: 01962 846370 **Email:** stuart.ashley@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to set out proposals for revised arrangements for the Corporate Parenting Board (CPB) following recommendations made by Ofsted and a review of its first two years of operation.

Recommendations

2. To consider the draft Terms of Reference for a newly constituted Corporate Parenting Board and recommend to the County Council that a new Board is established as an advisory Committee of the County Council and nine Members are appointed to it in accordance with the County Council's proportionality.

3. Subject to agreement of 2, above to consider the draft update to the Children and Families Advisory Panel (CFAP) Terms of Reference and recommend to the County Council that these be agreed.

Executive Summary

4. This report seeks to set out future options for the Corporate Parenting Board in light of the Ofsted recommendations and the experience of its first two years of operation.

5. The Board was originally established as a sub-committee of CFAP and the recommendations to Cabinet follow consideration of the proposals by CFAP and the sub-committee's formal dissolution.

Contextual information

6. The CPB was established as a sub-committee of CFAP in October 2017 with the purpose of promoting the best outcomes for our children in care and care leavers. This was in line with the remit of CFAP and the sub-committee facilitated a specific focus on this area. The Board has enabled Member led engagement and advice to the Children and Families Advisory Panel and subsequently to the Executive Lead Member for Children's Services on the key area of corporate parenting.

7. In the most recent inspection for Children's Services, Hampshire County Council were judged by Ofsted to be Outstanding in all areas, only one of two local authorities to achieve this. They found that "*Children in care benefit from high-quality support, which is making a real difference to their outcomes" (Ofsted April 2019).* Only two areas were identified as areas needing to improve;

   - The proportion of children who are offered, and take up, a return home interview when they have been missing from home or care.

   - The Corporate Parenting Board's rigour in holding partners, including health providers and district councils, to account to ensure that they prioritise services for children and young people more effectively.

8. Ofsted found that "*The corporate parenting board effectively seeks to build a well-informed understanding of the experiences, concerns and achievements of children in care. The board is energetic in taking steps to ensure that all children receive good services. The board's ongoing engagement with children is an essential, primary focus of its work and is gained through a wide variety of sources, including the involvement of an expanding number of children in care, engaged as care ambassadors."*

   "The board has not extended its membership to include partner agencies due to concerns about the impact this might have on the engagement of children in care and care leavers. While the board effectively scrutinises all the important areas of services for children in care, it does not have a systematic way of ensuring consistent collaboration with key partners, such as health services, district councils or foster carers. This dilutes its ability to ensure a joined-up response to areas for development, such as ensuring timely health assessments and delivering a more consistent approach to council tax exemption for care leavers."

Developing the Corporate Parenting Board for the Future

9. Every County Councillor has a responsibility as a corporate parent, to act for the children and young people in the council's care as a parent would their own child. Looking after and protecting children and young people is one of the most important jobs that councils do. Corporate parents have the responsibility to ensure that children in care and care leavers are supported well for them to achieve their full potential.

10. It is clear that the Corporate Parenting Board has achieved a great deal in its first two years and above all has set the foundation of direct Member engagement with corporate parenting. In light of the Ofsted findings, an opportunity exists to develop the Corporate Parenting Board function for the future. This should seek to achieve stronger engagement with partners and to further broaden the engagement of Members.

11. The arrangement whereby the Board was a sub-committee of CFAP was successful in establishing the purpose of the Board but had limited reach and impact on the County Council as a whole. It is therefore proposed that, on the basis of this experience, a new structure is recommended to form a Corporate Parenting Board as a committee of the County Council. This would better reflect the direct relationship between all Councillors and their corporate parenting responsibilities. It would furthermore hold greater prominence within the Council and with partners in order to be able to carry out its functions.

12. Corporate parenting is a singular focus to improve the outcomes for Children in Care and Care Leavers whereas the Children and Families Advisory Panel (of which the Board was until recently a sub-committee) has responsibility for advising the Executive Member in relation to all children and young people. Establishing the Corporate Parenting Board in its own right would enable a complete focus on this area and furthermore allow CFAP to fully engage with its own remit.

13. As a sub-committee of CFAP, the current Corporate Parenting Board had a membership of three, drawn from the membership of CFAP. There would be scope under new arrangements for the size of the Board to be increased to give greater capacity for partner engagement. It is proposed that the new Board consist of nine County Councillors appointed proportionately.

14. The original Corporate Parenting Board also comprised three co-opted members, who were drawn from the County's group of "Care Ambassadors". Historically, attendance by the co-opted members at Board meetings was low. This is believed to have been for a number of reasons, including the timing and location of meetings. The requirement for a co-opted member of the Council to be over the age of 18 limited the ability to appoint representative Care Ambassadors. It is proposed that going forward, individual Care

Ambassadors are not co-opted on to the Board, but instead the Board's remit includes engaging with Care Ambassadors as a group along with other relevant partners through a programme that is managed by the Children's Services department.

15. As an advisory Committee the Corporate Parenting Board would not have decision making powers.

16. Draft terms of reference for a newly constituted Corporate Parenting Board are appended to this report at Appendix 1.

17. Should the Corporate Parenting Board be established as a committee of the Council in its own right, to avoid an overlap of responsibilities with CFAP, the CFAP Terms of Reference should also be reviewed and revised where necessary. A draft revision of the CFAP Terms of Reference is appended to this report at Appendix 2.

Next steps

18. In accordance with Part 1, Chapter 4 of the Constitution, County Council has responsibility for:

    Appointment of and agreeing and/or amending terms of reference for Committees and Standing Panels of the County Council, in accordance with the proportionality rules and legislative requirements.

19. Therefore any proposed changes to the County Council's governance structure are to be considered by Cabinet and recommendations made to a future meeting of the County Council.

20. At its meeting on 15 October 2019 the Children and Families Advisory Panel received a report detailing the above Ofsted recommendations and proposed way forward. CFAP accepted the recommendations in the report and resolved to dissolve the existing Corporate Parenting Board as a sub-committee of the Children and Families Advisory Panel with immediate effect. Draft Terms of Reference for a newly constituted Corporate Parenting Board and subsequent updates to CFAP's own Terms of Reference were considered and recommended to Cabinet and County Council for adoption.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because: The existing Corporate Parenting Board was established by CFAP as a sub-committee and therefore dissolving the sub-committee and recommendations about its future structure require a decision of CFAP.

Other Significant Links

Links to previous Member decisions:	
<u>Title</u> Establishing a Corporate Parenting Board (CFAP) Corporate Parenting Board (CFAP)	<u>Date</u> 17 October 2017 15 October 2019
Direct links to specific legislation or Government Directives	
<u>Title</u> n/a	<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	

EQUALITIES IMPACT ASSESSMENT:

1. **Equality Duty**

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

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

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

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

2. **Equalities Impact Assessment:**

The recommendations in this report relate to the governance structure of the County Council with regard to its corporate parenting responsibilities and do not impact on groups with protected characteristics.

Draft Terms of Reference for the Corporate Parenting Board

Overall Purpose:

To advise the relevant Executive Member(s) in relation to the Council's requirement to be a Corporate Parent for children in care and care leavers; to support the overall effectiveness of the Council's corporate parenting function.

Membership

The Corporate Parenting Board shall be proportionally constituted and consist of nine members.

The Chairman and Vice-Chairman of the Corporate Parenting Board shall be appointed by County Council in accordance with Standing Order 6.2.

The Members of the Corporate Parenting Board, including Substitute Members, shall be appointed by the County Council in accordance with Standing Order 24.

Objectives:

To provide holistic, member driven engagement with the key areas of the corporate parenting function. These include:

(i) The views of children in care about the services they receive from the Council.

(ii) Methods to raise the aspiration, ambitions and life chances of children in care and care leavers, narrowing the gap of achievement and outcomes between children in care (CIC) and their peers.

(iii) Raising awareness amongst all elected members of their corporate parenting responsibilities as per Part 1, Chapter 2, paragraph 3.2.7 of the County Council's Constitution.

(iv) Ensuring that all Council services are mindful of the needs of children in care and care leavers and respond accordingly within their remit.

(v) The outcomes of Ofsted inspections as they may arise and any actions that are required to improve services to children in care and care leavers.

(vi) The promotion of excellent and innovative practice in relation to the Corporate Parent role from which others can learn.

To pro-actively engage with forums that include and represent children in care and care leavers in Hampshire; in particular with the Hampshire Care Ambassadors, and with other relevant partners and stakeholders in pursuance of achieving positive outcomes for children in care. Such engagement may include members of the

Corporate Parenting Board attending formal or informal events involving partners and stakeholders with the objective of gaining a better understanding of the key issues. The Chairman of the Corporate Parenting Board may also extend an invitation to relevant partners and stakeholders, including representatives of the Hampshire Care Ambassadors to attend meetings of the Board to seek their view on appropriate agenda items.

Frequency of Meetings:

Proposed as three times per year

Governance:

All formal meetings of the Corporate Parenting Board shall be conducted in accordance with the County Council's Constitution, in particular with Part 3, Chapter 1 (Standing Orders) and Part 3, Chapter 4 (Public Access to Information).

Children and Families Advisory Panel Terms of Reference
[Draft Proposed Update]

The Children and Families Advisory Panel is an Advisory Panel made up of 9 Members appointed proportionally and meeting three times a year. The Panel's function is to advise the relevant Executive Member in relation to:

(i) The development of further strategies that will enhance the safeguarding of children in Hampshire and ensure that ~~children in care~~ the Children and Families branch of the Children's Services department in Hampshire County Council achieves the best possible outcomes.

(ii) The performance of the Children and Families Branch of the Children's Services Department and that of its partners in relation to such national and local targets as may be set.

(iii) The outcomes of Ofsted inspection of safeguarding, ~~children in care,~~ children's homes, fostering services and adoption services, as they may arise from time to time and any actions that are required to improve services.

(iv) Excellent and innovative practice in children's social care settings from which others can learn.

(v) ~~Any matters that may arise in relation to the Council's requirement to be corporate parents for children in care.~~

(vi) ~~The views of children in care about the services they receive from the Council.~~

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HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	3 February 2020
Title:	Responsibilities for Executive Functions
Report From:	Chief Executive

Contact name: Barbara Beardwell

Tel: 01962 845157 **Email:** Barbara.beardwell@hants.gov.uk

Purpose of this Report

1. The purpose of this report is to report changes to the allocation of Executive Functions from 1 April 2020.

Recommendation

2. That the revised allocation of responsibility for Executive Functions at Appendix One of this Report from 1 April 2020 is noted by Cabinet and reported to the County Council at the County Council meeting on 13 February 2020.

Executive Summary

3. Part 1, Chapter 17, Paragraph 1.3 of the County Council's Constitution requires that changes to the Constitution consequential upon the allocation of responsibility for Executive Functions decided by the Leader, be reported to the Cabinet and then to the County Council. In the interests of business efficiency, the Leader has revised the allocation of Executive Functions within Policy and Resources, allocating responsibility for a number of 'business as usual' functions to the Executive Member for Commercial Strategy, Human Resources and Performance and the Executive Member for Recreation and Heritage. This Report identifies the revised portfolios and the functions, powers and responsibilities around which they can make decisions.

Contextual information

4. By virtue of Section 9E of the Local Government Act 2000 (as amended) ('the 2000 Act'), and by virtue of operation of a Leader and Cabinet form of Executive Arrangements, Members of Cabinet are appointed by the Leader. Allocation of Executive Functions between individual Members of Cabinet is also the responsibility of the Leader.

5. Responsibility for Executive Functions as allocated by the Leader is set out in Part 2, Chapter 3 of the Constitution. Attached at Appendix One to this Report is a revised Part 2, Chapter 3 of the Constitution consequential upon the revised allocation of Executive Functions as determined by the Leader. The Leader has determined that the revised allocation of Executive Functions will be effective from 1 April 2020.

6. There is no impact on responsibility for Scrutiny Functions occasioned by this decision.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

This proposal does not link to the Strategic Plan but, nevertheless, requires a decision for the good governance of the County Council.

Direct links to specific legislation or Government Directives	
Title	Date
Local Government Act	2000

Section 100 D - Local Government Act 1972 - background documents

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

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. **Equality Duty**

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

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

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

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

2. **Equalities Impact Assessment:**

It is considered that this Report will have no adverse impact or cause no disadvantage to groups with protected characteristics.

Part 2: Chapter 3

Executive Functions

1. Responsibility for Executive Functions

1.1 The following table sets out the allocation of responsibilities within the Executive. The portfolios are expressed in broad terms and may be varied, as provided for in the Executive Procedure Rules set out in Part 3 Chapter 2 of this Constitution.

1.2 The principles of responsibility are as follows:

1.2.1 unless a function, power or responsibility is specifically reserved to the County Council or a Committee of the County Council, the Executive is authorised to exercise the function or power.

1.2.2 the Executive collectively will be responsible for those decisions falling appropriately to it.

1.2.3 all decisions will be recorded.

1.2.4 if a decision is made by an individual Member of the Executive, this will be stated openly and clearly.

1.2.5 the Executive or individual Members of the Executive will normally be making Key Decisions, as defined at Part 3, Chapter 2, Paragraph 3 of this Constitution, or decisions which are significant (even though they may not be Key Decisions).

Responsible Person	Functions
Leader and Executive Member for Policy and Resources	Leader of the County Council and Chairing and managing the Executive and its work. Overall strategy (including Serving Hampshire - Strategic Plan), policy and co-ordination ‘across the board’, and the direction and utilisation of resources. Primary departmental links – Corporate Services, and Culture, Communities and Business Services departments. Service area responsibilities – services within the above departmental remit areas; except where any area has been specifically allocated within the remit

	of another Executive Member. Functional areas – policy; strategic overview; overall performance; budget strategy; and personnel policies, including strategy for pay and remuneration, asset management, and IT services; strategic land matters. Monitoring and developing the sustainability of the natural environment and heritage of rural Hampshire. Appointments to relevant outside bodies not on a proportional basis in consultation with minority parties.
Deputy Leader and Executive Member for Economy, Transport and Environment	Overall strategy and policy for all environmental matters (including planning and transportation, and mineral and waste), but excluding regulatory matters within the remit of the Regulatory Committee. Primary departmental link – Economy, Transport and Environment Department. Service area responsibilities – within the remit of the above department. Functional areas - Transport strategy; spatial planning; minerals and waste planning; waste management, re-cycling; highways and bridges; highway maintenance; winter maintenance; structural maintenance; passenger transport; traffic and road safety; highways lighting; integration of public and private transport; environmental and information services; flood and coastal erosion risk management; and all ancillary activities. Monitoring and developing the County Council's economy; co-ordinating and developing the County Council's involvement in European projects sponsored or led by the Economy, Transport and Environment Department. Appointments to relevant outside bodies not on a proportional basis in consultation with the minority parties. NB: This Executive Member is also the County Council's Executive appointment to Project Integra Strategic Board Joint Committee and Solent

	Transport.
Assistant to the Executive – Climate Change	Primary Departmental link - Economy, Transport and Environment Department, but with engagement across all departments of the County Council. Functional area - supporting the Leader, Deputy Leader and Cabinet on the co-ordination of Climate Change policy, initiatives and projects with particular emphasis on the Climate Emergency Declaration and Action Plan, and the Hampshire 2050 declaration regarding Climate Change. Assisting in the development of and maintenance of political links with key partner organisations, such as Hampshire District, Town and Parish Councils, National Park Authorities, and neighbouring Councils, in relation to Climate Change matters. Assisting in developing and managing engagement with key agencies involved in Climate Change initiatives and activity, such as Natural England, the Environmental Sustainability Agency, and Hampshire Wildlife Trust. Promoting the County Council's objectives policies and priorities and associated partnerships as a key contribution to help mitigate against further Climate Change, and to develop greater resistance to Climate Change across the area of the County Council. N.B. This position does not have Executive decision making powers, but is consulted on Climate Change matter. This position reports to the Executive Member for Economy, Transport and the Environment.
Executive Member for Commercial Strategy, Human Resources and Performance	To assist the Executive Member for Policy and Resources. Overall strategy for human resources and performance matters. Primary department links – Corporate Services and Culture, Communities and Business Services Departments. Service area responsibilities – human resources services within the remit of Corporate Services, including strategic workforce development and

	corporate performance, and otherwise where relevant to the role. Functional areas – Property Services and Facilities Management (excluding strategic land matters), Commercial strategy, including: Procurement policies and outcomes; Corporate Services and Culture, Communities and Business Services business units and trading arrangements; business and trading arrangements in other departments where relevant; development of income generation policies across the board, energy related matters, rural broadband. Personnel policy formulation and skills development in relation to the County Council's directly employed workforce (excluding schools), and review of corporate performance through the Annual Performance Report. Advisory areas – to advise the Executive Member for Policy and Resources on revenue and capital related matters, property matters, and major land policy and disposal matters and programmes; to develop with the Director of Corporate Resources relevant financial plans for approval by the Executive Member for Policy and Resources. Appointments to relevant outside bodies not on a proportional basis in consultation with minority parties. N.B. This Executive Member is also Chairman of the Buildings, Land and Procurement Panel. (BLAPP), and Chairman of the Employment in Hampshire County Council (EHCC) Committee.
Executive Lead Member for Children's Services and Young People	Designated Lead Member for Children's Services pursuant to Section 19 of the Children Act 2004. Overall strategy and policy for all Children's matters, i.e. Education, Children and Families pursuant to the requirements of the Children Act 2004. Approval of the Children and Young People's Plan. Primary departmental link – Children's Services Department. Service area responsibilities – all services within the remit of the above department.

	Functional areas – statutory Social Services functions of the County Council relating to children, and all education functions exercisable by the County Council as Local Education Authority. Responsibility for building relationships with businesses in Hampshire, the Corporate Apprenticeship Programme. Primary Department links – Corporate Services and Culture, Communities and Business Services Departments. Service area responsibilities – services within Corporate Services and Culture, Communities and Business Services Departments relevant to the role and relevant external and International links. Appointments to relevant outside bodies not on a proportional basis in consultation with the minority parties.
Executive Member for Education and Skills	To support the Executive Lead Member for Children's Services and Young People because of the breadth of the portfolio, by providing additional capacity at Executive level to drive improvements in school standards and educational attainment and liaising with schools, academies, colleges and other representatives of the education sector. Primary departmental links – Children's Services Department. Service area responsibilities – education and schools; co-ordination of post 16 skills policies and initiatives. Functional areas – working with the Executive Lead Member for Children's Services and Young People to develop policy and strategy in relation to school improvements and educational standards; where agreed with the Executive Lead Member for Children's Services and Young People determining infrastructure and school organisation matters, in accordance with policies and strategies agreed by the Executive Lead Member for Children's Services and Young People, the Children and Young People's Plan, and where relevant the Children's Services Capital Programme.

	Determining appeals in respect of exceptions to school transport policies, other than appeals relating to the safety of walking routes. Appointments to relevant outside bodies not on a proportional basis in consultation with the minority parties. N.B. This Executive Member is also Chairman of the Education Advisory Panel.
Executive Member for Recreation and Heritage	Overall strategy and policy for libraries, museums, archives, arts, outdoor activities and leisure. Primary departmental link – Culture, Communities and Business Services Department Service area responsibilities – Recreation and Heritage Services within the Culture, Communities and Business Services Department Functional areas – libraries, museums, archives and records, country parks, countryside sites and nature reserves, sport and culture community support, recreation and all ancillary activities, regulatory services, including registration, coroners' services, trading standards, asbestos and scientific services~~.~~ Appointments to relevant outside bodies, not on a proportional basis in consultation with the minority parties.
Executive Member for Adult Social Care and Health	Overall strategy and policy for all Adult Social Care matters. Primary departmental links – Adults, Health and Care Department. Service area responsibilities – all services within the remit of the above department including all duties relating to adult social care including safeguarding, including under (inter alia), the Care Act 2014, the Mental Capacity Act 2005 and the Mental Health Act 1983. Primary responsibility for liaison with the National Health Service. Functional areas – services for adults, including older people, learning disability, physical disability, mental health and all ancillary services.

	Appointments to relevant outside bodies – not on a proportional basis in consultation with the minority parties. N.B. This Executive Member is also Chairman of the Health and Wellbeing Board.
Executive Member for Public Health	Overall strategy and policy for Public Health matters. Primary Department links – Adults', Health and Care, and Children's Services Departments. Service area responsibilities - all services within the remit of the County Council's public health responsibilities pursuant to the National Health Service Act 2006. All duties relating to the County Council's responsibilities to improve public health. Functional areas – Development of the County Council's strategy and policy in relation to public health. Functions related to the Supporting Troubled Families Programme. Appointments to relevant outside bodies – not on a proportional basis in consultation with the minority parties.
Executive Member for Communities, Partnerships and External Affairs including Brexit	Primary departmental links – Culture, Communities and Business Services and Corporate Services Departments. Service area responsibilities – services within Corporate Services and Culture, Communities and Business Services Departments relevant to the role. Functional Areas - Co-ordinating County Council representation on District Local Strategic Partnerships (LSP's) and Community Safety Partnerships (CSP's); Functions related to Community Safety, and Equalities. Emergency Planning functions pursuant to the Civil Contingencies Act 2004. Corporate oversight of the County Council's Grant Management System. Responsibility for the County Council's relationships with the Interfaith Network Community, the

	Voluntary and Community Sector, and other partners. Corporate oversight of external and International policy and activities; championing the County Council's relationship with external and international/national bodies. Responsibility for the County Council's relationship with the Armed Forces Community. Appointments to relevant outside bodies not on a proportional basis in consultation with minority parties.
Executive Member for Countryside and Rural Affairs	Overall strategy for promoting the Hampshire rural estate and partnerships with the focus on rural initiatives, to the benefit of Hampshire. Primary departmental links – Culture, Communities and Business Services and all departments of the County Council relevant to the responsibilities. Service Area Responsibilities – the Policy Framework for the County Farm Estate, Rural Affairs, Rights of Way and responsibility for the Parish and Town Council Investment Fund and the Rural Affairs Development Fund. Functional Areas – development of rural initiatives into the formulation of major policy. Developing links with other agencies and other local authorities regarding the development of rural activity. Overall responsibility for the County Council's relationships with Parish, Town and District and Borough Councils. Promoting Hampshire rural interests, countryside estate and partnerships with the focus on rural initiatives, to the benefit of Hampshire. Appointments to relevant outside bodies not on a proportionate basis in consultation with the minority parties