

SUMMONS

To the Members of the County Council

You are hereby summoned to attend the County Council meeting to be held as a Virtual Meeting at 10.05 am on Thursday, 16th July, 2020 to consider and resolve upon the business set out in the Agenda below.

Enquiries to: Debbie Vaughan, Deputy Head of Governance
members.services@hants.gov.uk

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

AGENDA

1. **APOLOGIES FOR ABSENCE**

To receive any apologies for absence.

2. **DECLARATIONS OF INTEREST**

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

3. **MINUTES** (Pages 5 - 12)

To confirm the Minutes of the meeting held on 29 May 2020.

4. **DEPUTATIONS**

There are no deputations on this occasion.

5. **CHAIRMAN'S ANNOUNCEMENTS**

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

6. **LEADER'S REPORT**

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

7. **QUESTIONS UNDER STANDING ORDER 16.1.1**

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

Part I: Matters for Decision

8. **APPOINTMENTS** (Pages 13 - 14)

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

9. **2019/20 END OF YEAR FINANCIAL REPORT** (Pages 15 - 64)

To consider report of the Cabinet setting out the end of year position for the financial period 2019/20, seeking approval of the County Council's treasury management activities and prudential indicators.

10. **MEDIUM TERM FINANCIAL STRATEGY UPDATE** (Pages 65 - 124)

To consider a report and recommendations of Cabinet in regard to the County Council's Medium Term Financial Strategy.

11. **TRANSPORT FOR THE SOUTH EAST (TFSE)** (Pages 125 - 294)

To consider a report of Cabinet seeking approval of recommendations to endorse the establishment of a sub national transport body for the South East called Transport for the South East (TfSE) together with constitutional arrangements and functions.

Part II: Matters for Information

12. HAMPSHIRE FIRE AND RESCUE AUTHORITY / SHADOW HAMPSHIRE AND ISLE OF WIGHT FIRE AND RESCUE AUTHORITY

a) Hampshire Fire and Rescue Authority - Questions

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

b) Hampshire Fire and Rescue Authority - Report (Pages 295 - 296)

To receive a report of the Authority.

c) Shadow Hampshire and Isle of Wight Fire and Rescue Authority
(Pages 297 - 298)

To receive a report of the Shadow Authority.

13. ANNUAL REPORT OF THE POLICY AND RESOURCES SELECT COMMITTEE (Pages 299 - 306)

To receive the annual report of the Policy and Resources Select Committee summarising the work carried out by the County Council's Select Committees during 2019/20.

14. ANNUAL REPORT OF THE HEALTH AND ADULT SOCIAL CARE SELECT COMMITTEE (Pages 307 - 318)

To receive the annual report of the Health and Adult Social Care Select Committee summarising the health scrutiny work carried out by the Committee during 2019/20.

15. EXECUTIVE AND COMMITTEE REPORTS

To receive for information the reports of the following:

a) The Leader/Cabinet (Pages 319 - 320)

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

Wednesday, 8 July 2020

Agenda Item 3

AT A MEETING of the County Council of HAMPSHIRE COUNTY COUNCIL held
at the castle, Winchester on Friday, 29th May, 2020

Chairman:

- * Councillor Mel Kendal

Vice-Chairman:

- * Councillor Marge Harvey

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

*Present via MS Teams

Outgoing Chairman's Comments

The Retiring Chairman welcomed everyone to the first remote meeting of the County Council with Members in attendance via video conferencing. For the purpose of the public record, the Members in attendance will be named.

All Members were reminded that in accordance with the County Council's Constitution, if they believed they had a Disclosable Pecuniary Interest, or a Personal Interest in any item on today's agenda, they should be declared at the relevant time. If appropriate they should leave the meeting while the item is being discussed. No declarations of interest were declared at this point.

Prior to the commencement of formal business, the Retiring Chairman presented his final announcements to the Council and reflected on his year as Chairman, grouped around the key themes of remembrance, forging alliances and promoting positive mental health and wellbeing.

The Retiring Chairman extended his thanks to community colleagues – The Dean of Winchester and representatives from the Muslim and Jewish communities; the Lord Lieutenant of Hampshire; County Council officers including the Chief Executive and his Corporate Management Team, Natalie Jones, Debbie Vaughan and Jo Weeks, and family members for their help and support throughout his chairmanship, which had been much appreciated.

The full announcements are attached at Appendix 1 to these Minutes.

The Retiring Chairman then invited the Chief Executive to make a statement.

Statement from the Chief Executive

“As you know we have been through an extraordinary few weeks, and I am proud that as an organisation collectively we have put our utmost into delivering a high level response to the Covid-19 pandemic. I am very much aware that the democratic process sits at the heart of our organisation, and I am pleased that we are able to hold today's AGM further to the first remote meeting of the Cabinet two weeks ago. Today is however the first remote meeting of the County Council, and in order for us to better manage the process of a remote meeting not all Members of the Council are present at the meeting today. This is in no way a reflection on those Members who are not with us today, and their co-operation in enabling us to hold a scaled down meeting is recognised and appreciated. You will also have seen my note earlier today I hope offering reassurance about how we are handling apologies for today's meeting.”

“Members, these arrangements are for this meeting only to enable essential business to be done, and the smooth running of the meeting under arrangements which are new to all of us. So far as the July meeting of the Council is concerned, while that meeting will almost certainly be remote, normal attendance procedures will apply.”

196. APOLOGIES FOR ABSENCE

Further to the statement above from the Chief Executive, and in light of the exceptional steps required to progress this meeting, no apologies were required.

197. ELECTION OF CHAIRMAN

The Chief Executive, as the Proper Officer, called for nominations. Councillor Keith Mans, seconded by Councillor Rob Humby proposed that Councillor Mel Kendal be elected Chairman of the Council until the Annual General Meeting of the Council in 2021. No other nominations were received therefore the proposition was put to the vote and carried.

ORDERED:

That Councillor Mel Kendal be elected Chairman of the County Council until the Annual General Meeting in 2021. Councillor Kendal accepted the Office and took the chair.

198. APPOINTMENT OF VICE-CHAIRMAN

The Chairman invited nominations for the position of Vice-Chairman of the Council. Councillor Keith Mans, seconded by Councillor Rob Humby proposed Councillor Marge Harvey. In the absence of any other nominations and no dissent from Members present, it was

ORDERED:

That Councillor Marge Harvey be appointed as Vice-Chairman of the County Council until the Annual General Meeting in 2021.

199. INCOMING CHAIRMAN'S ANNOUNCEMENTS

The Incoming Chairman thanked Members for the support given to him and the trust placed in him as the new Chairman of the County Council.

The Chairman thanked Councillor Choudhary for his outstanding service as Chairman over the past year and particularly noted the importance of the Outgoing Chairman's theme of Health and Wellbeing, and a focus on mental health, in light of the outbreak of the Covid-19 pandemic.

The Chairman also had pleasure in congratulating Councillor Marge Harvey on her appointment as Vice-Chairman of the County Council and looked forward to working with her.

It was with sadness that the Chairman reported the passing of former County Councillor Frank Rust who passed away at the end of March. Frank had represented the Aldershot East Division from May 2013 to May 2017. The Chairman referred to the press release issued by the Leader in April recording the County Council's sadness at Frank's passing and how he had served the

County Council on a number of committees and represented the County Council on a number of outside bodies.

The Chairman confirmed that his theme during his year in office would focus on a Cleaner and Greener Hampshire, in particular encouraging the use of clean energy wherever possible to continue the reduction of carbon emissions and improving air quality.

The Chairman also highlighted a number of accolades awarded to the County Council in Property Services, education, heritage, HC3S and Adult Services; the details of which are contained in the Chairman's full announcements at Appendix 2 to these Minutes.

200. **MINUTES**

The Minutes of the meeting held on 13 February 2020 were confirmed as a correct record subject to noting a correction to Councillor Huxstep's surname at Minute 190 in the recording of the FOR votes.

201. **DEPUTATIONS**

There were no deputations on this occasion.

202. **LEADER'S REPORT**

The Leader thanked Councillor Choudhary for his year as Chairman and the work he had done. He also congratulated Councillor Kendal on his election as Chairman of the County Council and Councillor Harvey on her appointment as Vice-Chairman of the County Council.

The Leader referred to the meeting being the first County Council Meeting held remotely which had been designed to deal with essential business only to ensure that the County Council's Constitution is in line with new Government legislation. The next meeting will involve all Members of the Council.

Subject to Members approving the recommendations in Item 9 on the Agenda, Executive decision-making, with appropriate scrutiny, can also be conducted remotely.

In turning to the Covid-19 crisis, the Leader confirmed the County Council's objective was to slow and stop the spread of the virus by work as one team with partners in both the private and public sectors. Regular contact was being maintained with Hampshire's MPS, local councils, Local Enterprise Partnerships, Hampshire's Local Resilience Forum and the three unitary councils. The County Council's Communications Team had been providing much appreciated updates on the crisis to everyone. The Leader expressed his continuing concern about care homes and carers and welcomed new government grant to support this sector. As schools start to open up more spaces to pupils on a phased return, the County Council has been providing high levels of support and everyone was working hard to ensure a safe environment for all concerned.

The Leader reported on the important role the County Council will play in carrying out the test, track and trace procedures in the Government's recently published Outbreak Management Plan following the successful pilot in the Isle of Wight under the leadership of the County Council's Director of Public Health.

Finally, the Leader expressed thanks on behalf of all Members for the hard work carried out by all County Council staff and its partners who had performed magnificently over recent months in responding to the crisis.

203. **PROPORTIONALITY AND APPOINTMENTS**

The Council considered a report of the Chief Executive as presented by the Leader, to review the Council's Proportionality Table and to make Member appointments or alterations as required to the membership of the County Council's committees and standing panels, to statutory joint committees, to other proportional bodies the County Council is represented on, or to any other bodies which are not subject to proportionality rules as listed at 8 b) – e) on the Agenda.

In presenting the report, the Leader moved an additional recommendation and proposed the following appointments:

- i) That Councillor Rob Humby replace Councillor Mel Kendal as one of the County Council's representatives on the Local Government Association General
- ii) That Councillor Roy Perry replace Councillor Mel Kendal as one of the County Council's representatives on the Assembly of European Regions (AER)
- iii) That Councillor Alexis McEvoy replace Councillor Mel Kendal as one of the County Council's representatives on the New Forest National Park Authority
- iv) That Councillor Michael White replace Councillor Mel Kendal as the County Council's representative on the Community Rail Partnership – Lymington to Brockenhurst
- v) That Councillor Peter Latham replace Councillor Mel Kendal as one of the County Council's representatives on the Manydown, Basingstoke JMC
- vi) That Councillor Russell Oppenheimer replace Councillor Mel Kendal as the County Council's deputy representative on the Southampton Port Consultative Committee
- vii) That Councillor Bill Withers replace Councillor Marge Harvey on the Children & Young People Select Committee
- viii) That Councillor Rod Cooper replace Councillor Marge Harvey on the Health and Adult Social Care Select Committee

- ix) That Councillor Andrew Gibson replace Councillor Marge Harvey on the Regulatory Committee
- x) That Councillor Stephen Barnes-Andrews (Southampton City Council) be appointed as the Substitute Employer Representative on the Hampshire Pension Fund Panel and Board for the municipal year 2020/21.

NB: A vacancy exists for the Employer Representative (Portsmouth City Council).

RESOLVED:

- a) That the Proportionality Table at Appendix 3 to these Minutes be approved.
- b) That the appointment of Chairmen and Vice-Chairmen of the County Council's committees and panels at Appendix 4 to these Minutes be approved.
- c) That the appointment of the County Council's representatives on the Hampshire Fire and Rescue Authority and the Shadow Hampshire and Isle of Wight Fire and Rescue Authority, as set out in paragraphs 3.2 and 3.3 of the report, be approved.
- d) That the additional appointments proposed by the Leader, as set out above, be approved.

204. **THE LOCAL AUTHORITIES AND POLICE AND CRIME PANELS (CORONAVIRUS) (FLEXIBILITY OF LOCAL AUTHORITY AND POLICE AND CRIME PANEL MEETINGS) (ENGLAND AND WALES) REGULATIONS 2020 - AMENDMENT TO STANDING ORDERS AND EXECUTIVE PROCEDURES**

The Council considered the report of Cabinet (Item 9 in the Minute Book) recommending some constitutional changes in light of The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations.

During the course of debate, Members welcomed the proposals set out in the report to continue to uphold democracy and ensure that the full range of the County Council's decision-making will be conducted remotely where it is necessary to do so and in accordance with the Regulations, and those decisions fully accessible to the public. The importance of the continuance of current practices such as opposition spokesperson briefings and opposition spokespersons having a standing invitation to attend Executive decision days was stressed.

In regard to the County Council's deputation procedure, a request was received to consider deputations being received remotely are both heard and seen. The Leader agreed to look into this request with officers.

RESOLVED:

That the County Council:

- a) Agreed that for clarity the deputation rules be amended so as to allow deputations to be received remotely at remote Meetings of the County Council, Cabinet, Committees, Standing Panels and Individual Executive Member Decision Days for the duration of the Regulations.
- b) Agrees in light of the Coronavirus epidemic and its consequential impact on the holding of Individual Executive Member Decision Days, that the Constitution should be amended in order to allow Individual Executive Member Decision Days ordinarily held in public, to be held remotely for the duration of the Regulations.
- c) Agrees in consequence of a) and b) above that amendments as indicated at Annex One and Annex Two to this report be made to Standing Orders and Executive Procedures and Role of the Executive, contained respectively within Part 3, Chapter 1, and Part 3, Chapter 2 of the Constitution.

205. **APPROVAL OF MEMBER ABSENCE – SECTION 85 LOCAL GOVERNMENT ACT 1972**

The Monitoring Officer advised prior to consideration of the item that all Members present might have a personal interest in the item by virtue of them being Members of the County Council. It was accordingly agreed that it should be taken as read that all Members had so declared a personal interest.

The Council considered the report of the Chief Executive (Item 10 in the Minute Book) recommending that the County Council approves an extended period of absence, pursuant to Section 85 of the Local Government Act 1972, to 31 December 2020, for any Member of the County Council who is unable to attend a Meeting of the County Council, its Committees, Outside Bodies or Joint Committees to which any such Member of the County Council has been appointed, as a result of illness, social distancing, self-isolation or shielding as a consequence of the Covid-19 virus. The report was presented by the Leader.

Clarification was provided that the extended period of absence sought for any Member affected would expire on 31 December 2020.

RESOLVED:

That the County Council approved an extended period of absence, pursuant to Section 85 of the Local Government Act 1972, to 31 December 2020, for any Member of the County Council who is unable to attend a Meeting of the County Council, its Committees, Outside Bodies or Joint Committees to which any such Member of the County Council has been appointed, as a result of illness, social distancing, self-isolation or shielding as a consequence of the Covid-19 virus.

Chairman,

COUNCIL MEETING, 16 JULY 2020

REPORT OF THE
Chief Executive
PART I

1. APPOINTMENTS

The following appointment is proposed by the Leader of the Council:

a) Standing Advisory Council for Religious Education:

That Julie Kelly and Carson Elday be appointed as main representatives of the Teachers' Liaison Group replacing Susannah Burns and Patrizia Timms Blanch respectively and that Rachel Jackson and Jon Hamer become deputies for the Teachers' Liaison Group.

b) That Councillor Cal Corkery (Portsmouth City Council) be appointed as his Council's Employer Representative as the full co-opted member on the Hampshire Pension Fund Panel and Board for the municipal year 2020/21.

NB: In accordance with the Appointments Policy for the Hampshire Pension Fund Panel and Board, the respective representatives from Southampton and Portsmouth City Councils rotate between being a full co-opted member and co-opted substitute member on an annual basis.

RECOMMENDATION

That the County Council approves the appointments set out above.

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COUNCIL MEETING, 16 JULY 2020

REPORT OF THE
Cabinet
PART I

1. 2019/20 – End of Year Financial Report

- 1.1. At its meeting of 14 July 2020 (following publication of this report), Cabinet will consider a report providing a summary of the 2019/20 final accounts.
- 1.2. Net service cash-limited expenditure was £7.2m lower than expected against an overall gross budget of approaching £2.0bn, a variance of less than 0.4%. This position, which is after substantial transformation costs have been met in year, reflects the County Council's continuing successful financial strategy and the application of strong financial management, This provides funding that can then be used to meet the future costs of change, to cash flow the necessarily slower delivery of some savings or to offset other service pressures, for example within social care.
- 1.3. The position for each of the departments is summarised in the table below:

	Variance (Under) / Over Budget £'000
Adults' Health and Care	0
Children's Services - Non Schools	0
Economy, Transport and Environment	(1.8)
Policy and Resources	(5.4)
Total Departmental Expenditure	(7.2)

- 1.4. Savings on non-cash limited budgets total just over £11.9m and were achieved largely as a result of the ongoing trend of a very prudent approach to capital financing costs and the continuing use of 'internal borrowing' to fund capital expenditure rather than taking out long term loans at this point, additional grant income and unused contingencies. Contingencies were in the main set aside in recognition of the increased risk in the budget due to ongoing pressures within demand led services, such as waste disposal and to cover potential inflationary pressures.
- 1.5. The report recommends that these corporate savings are added to the Budget Bridging Reserve (BBR), in preparation for any future draw required beyond 2020 as set out in the Medium Term Financial Strategy (MTFS) which was approved by the County Council in November 2019.
- 1.6. In addition, in view of the impact of the Covid-19 crisis on the County Council's financial position it is even more important that we continue to make

contributions to reserves as in the short term, in the absence of any further commitments from the Government, the County Council will need to look towards existing reserves to meet the unfunded costs.

- 1.7. More information about the potential impact of the Covid-19 pandemic on the financial position of the County Council and the response that will be needed are set out in the MTFS Update report presented elsewhere on this Agenda.
- 1.8. The report to be considered by Cabinet is attached in full as an Annex to this Council report.
- 1.9. In addition to a proposed recommendation to Council, set out below, it is recommended that Cabinet:
 - Approves the outturn position set out in Section 3.
 - Approves the increase of service capital programme cash limits for 2020/21 to reflect the carry forward of capital programme schemes and shares of capital
 - Approves the transfer of the balance of the net corporate savings of just over £11.9m to the Budget Bridging Reserve (BBR).
- 1.10. When introducing this Part I report, the Leader will confirm to the County Council the resolutions made by Cabinet on 14 July.

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

- [Cabinet - 14 July 2020](#)

RECOMMENDATIONS

With reference to the report annexed to this Council report, Council is recommended to approve:

- a. The report on the County Council's treasury management activities and prudential indicators set out in Appendix 2.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	14 July 2020 16 July 2020
Title:	2019/20 – End of Year Financial Report
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Rob Carr, Head of Finance

Tel: 01962 847508

Email: Rob.Carr@hants.gov.uk

1. Recommendations

RECOMMENDATIONS TO CABINET

It is recommended that Cabinet:

- 1.1 Approves the outturn position set out in Section 3.
- 1.2 Approves the increase of service capital programme cash limits for 2020/21 to reflect the carry forward of capital programme schemes and shares of capital
- 1.3 Approves the transfer of the balance of the net corporate savings of just over £11.9m to the Budget Bridging Reserve (BBR).
- 1.4 **Recommends to County Council that:**
 - a) The report on the County Council's treasury management activities and prudential indicators set out in Appendix 2 be approved.

RECOMMENDATIONS TO COUNTY COUNCIL

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

County Council is recommended to approve:

- a) The report on the County Council's treasury management activities and prudential indicators set out in Appendix 2.

2. Executive Summary

- 2.1 This report provides a summary of the 2019/20 final accounts. The draft statement of accounts was submitted for audit early in June 2020 and will be reported to the Audit Committee in July, in conjunction with the External Audit report on the accounts.

- 2.2 Net service cash-limited expenditure was £7.2m lower than expected against an overall gross budget of approaching £2.0bn, a variance of less than 0.4%. This position, which is after substantial transformation costs have been met in year, reflects the County Council’s continuing successful financial strategy and the application of strong financial management, This provides funding that can then be used to meet the future costs of change, to cash flow the necessarily slower delivery of some savings or to offset other service pressures, for example within social care.
- 2.3 The position for each of the departments is summarised in the table below:

	Variance (Under) / Over Budget £'000
Adults’ Health and Care	0
Children's Services - Non Schools	0
Economy, Transport and Environment	(1.8)
Policy and Resources	(5.4)
Total Departmental Expenditure	(7.2)

- 2.4 The position for Adults’ Health and Care reflects sustained management activity during the year to control spend in the face of well publicised care pressures. In addition, the use of substantial non-recurrent funding including the Cost of Change Reserve to offset significant service pressures that have crystallised in the year.
- 2.5 As a response to greater emerging service pressures revised funding for growth due to complexity and demography for Adults’ Health and Care was provided for as part of the Medium Term Financial Strategy (MTFS) and the Department also developed a cost recovery plan.
- 2.6 The breakeven position in Children’s Services equally reflects the pro-active management of the services. The application of strong management focus to limit pressures in the Children Looked After (CLA) budget as far as possible alongside the early delivery of resources, use of cost of change reserves and agreed targeted corporate support has resulted in a balanced position despite the considerable pressures.
- 2.7 The final outturn position for Economy, Transport and Environment (ETE) shows planned savings against the budget of just over £1.8m due to delivery of savings primarily in Highways Traffic and Transport of which approaching £0.6m relates to the winter maintenance budget as a consequence of the relatively mild and dry weather. The savings on the winter maintenance budget will be carried forward to be spent in 2020/21 as part of an ongoing programme of maintenance work. As set out in the Revenue Budget and Precept 2020/21 Report approved by County Council in February 2020 this will be supplemented from corporate contingencies to ensure that a minimum allocation of £2.0m is available.
- 2.8 Policy and Resources achieved a saving against budget of just over £5.4m, mainly due to ongoing efficiency savings, additional income and the early

delivery of aspects of the Tt2021 Programme, notably the addition of three London Boroughs to the Corporate Shared Services Partnership in December 2019.

- 2.9 The net savings within ETE and Policy and Resources have been set aside for use by the respective services to meet restructuring and investment costs associated with the Tt2021 Programme and beyond, in accordance with the current financial management policy and the MTFS. These net savings do not represent a deterioration of service delivery but do represent careful stewardship.
- 2.10 In addition, within ETE it is specifically proposed to again reinvest available funding associated with the winter maintenance budget in highways maintenance to provide additional one-off resources to supplement existing maintenance programmes.
- 2.11 Schools are facing increasing financial pressure, in particular relating to high needs for children with special educational needs and or disabilities (SEND), both at an individual school level and within the overall schools' budget. These pressures are outside the County Council's core budgets, but the County Council retains an active role and interest as the local education authority. In 2019/20 the overall position has once again been balanced through the use of the Dedicated Schools Grant (DSG) Reserve, as allowed by the Department for Education (DfE).
- 2.12 The resulting DSG deficit of approaching £22.8m (up from £13.7m last year) will be funded from future years DSG funding. A DSG Deficit Recovery Plan was produced last year, at the request of the DfE, and the local authority continues to develop this and implement strategies to reduce the pressure on the High Needs Block.
- 2.13 Savings on non-cash limited budgets total just over £11.9m and were achieved largely as a result of the ongoing trend of a very prudent approach to capital financing costs and the continuing use of 'internal borrowing' to fund capital expenditure rather than taking out long term loans at this point, additional grant income and unused contingencies. Contingencies were in the main set aside in recognition of the increased risk in the budget due to ongoing pressures within demand led services, such as waste disposal and to cover potential inflationary pressures.
- 2.14 This report recommends that these corporate savings are added to the Budget Bridging Reserve (BBR), in preparation for any future draw required beyond 2020 as set out in the MTFS which was approved by the County Council in November 2019.
- 2.15 In addition, in view of the impact of the Covid-19 crisis on the County Council's financial position it is even more important that we continue to make contributions to reserves as in the short term, in the absence of any further commitments from the Government, the County Council will need to look towards existing reserves to meet the unfunded costs.
- 2.16 More information about the potential impact of the Covid-19 pandemic on the financial position of the County Council and the response that will be needed are set out in the MTFS Update report presented elsewhere on this Agenda.

2.17 The report contains a small section on reserves and balances highlighting that in line with the MTFS, the level of reserves has fallen as planned draws have been made in 2019/20 to fund transformation and cash flow safe delivery of Tt2019 savings over an extended time frame.

2.18 The report also recommends approval of:

- The annual report on the operation of the treasury management strategy and the County Council's end of year prudential indicators, for subsequent approval by the County Council.
- A revised capital financing plan for 2020/21.

3. 2019/20 Revenue Outturn

Service Cash Limits

3.1 The table below summarises the net outturn position for each department compared to the final cash limit for the year. The figures exclude schools spending but include cost of change drawn during 2019/20:

	Variance (Under) / Over Budget £'000
Adults' Health and Care	0
Children's Services - Non Schools	0
Economy, Transport and Environment	(1.8)
Policy and Resources	(5.4)
Total Departmental Expenditure	(7.2)

3.2 The monitoring position as at the end of November (Month 8) was presented to Cabinet in February and indicated that all departments were anticipating that they would be able to manage the large-scale investment required to deliver their planned transformation activity and to meet service pressures through the use of cost of change and other reserves, along with agreed corporate funding.

3.3 Strong financial management has remained a key focus throughout the year to ensure that all departments stay within their cash limits, that no new revenue pressures are created and that they deliver the savings programmes that have been approved. Enhanced financial resilience monitoring, which looks not only at the regular financial reporting but also at potential pressures in the system and the early achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.

3.4 This focus has ensured that at the end of the year the final position is in line with expectations and that departments have, where safe and practical to do so, delivered savings. These savings have been proportionate given the scale of the Council's finances, and have not been to the detriment of services, but

they will provide invaluable funding that can then be used to meet the costs of change and to cash flow the delivery of savings or offset service pressures.

- 3.5 Key issues across each of the departments are highlighted in the paragraphs below. Whilst pressures within social care services remain the highest risk and most volatile area of the County Council's budget the impact of successive savings programmes along with other service pressures means that all departments continue to face considerable and developing financial pressures and the financial consequences of the Covid-19 pandemic will exacerbate this.

Adults' Health and Care

- 3.6 Adults' Health and Care have successfully contained growing care pressures, arising through demography and complexity changes in clients and delivered a breakeven position in 2019/20. However, this is after the utilisation of a substantial proportion of available non-recurrent funds including the Cost of Change Reserve to offset significant service pressures that have crystallised in the year.
- 3.7 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 £11.6m and £0.6m respectively, although it should be noted that the latter is a significant improvement on the previous year when the outturn was £2.9m.
- 3.8 The pressure on purchased care is primarily within the Older Adults service area and has been driven by 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 from the need to support greater throughput of clients out of hospital and the general increase in complexity of clients.
- 3.9 In response the Department has utilised much 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 have used more than £35.7m to offset planned late delivery of Tt2019 and in year transformation costs, with the remainder being used to offset the recurrent service pressures outlined above.
- 3.10 As we entered 2020 there was a stabilising of the position with limited further increases overall, and indeed some reductions, but the impact of the Covid-19 pandemic was felt towards the end of the financial year and will have a fundamental effect in 2020/21.
- 3.11 The 2019/20 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.
- 3.12 Public Health ended the year with a balanced position, after a draw from the ring-fenced reserve of approaching £2.1m. This has been achieved through planned work to deliver efficiencies and innovation within existing services to meet the reduction in grant of over £8.0m over the last four years. This programme of work, including holding vacancies in the Public Health team and

making reductions in contractual and non-contractual spend, continues into 2020/21 to drive out the remaining savings so as to align the recurrent expenditure with the level of grant by the end of 2020/21. The 2019/20 closing balance of the Public Health Reserve is just under £5.5m and it is planned to further utilise this reserve over the short term to provide investment for the further initiatives already highlighted and to provide similar support for the delivery of Tt2021 savings prior to the savings being achieved.

Children's Services

- 3.13 The 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.
- 3.14 The Department have applied strong focus to these pressures and the breakeven position reflects the pro-active management of the services together with early delivery of savings, the use of the departmental reserves and agreed corporate support. However, these pressures continue to be areas of some concern in Children's Services and for the County Council as a whole, particularly in light of the potential impact of the Covid-19 pandemic, as a consequence of the prolonged lock down period and the impact on family settings, and will be closely monitored throughout the coming year.
- 3.15 Other challenges faced by the Department relate to the short supply of qualified social workers and the costs associated with the provision of school transport, mainly relating to those with special educational needs.
- 3.16 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.
- 3.17 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 for which has been allocated within the MTFS.

Economy, Transport and Environment (ETE)

- 3.18 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.
- 3.19 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 the final outturn position shows a planned in year saving against the budget of more than £1.8m (1.6%). This is due to a combination of holding vacant posts, tightly controlling non-pay budgets and increased 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.
- 3.20 Included within this result is an amount approaching £0.6m within the winter maintenance budget which will be carried forward to be spent in 2020/21 as part of an ongoing programme of maintenance work. As set out in the Revenue Budget and Precept 2020/21 Report approved by County Council in February 2020 this will be supplemented from corporate contingencies to ensure that a minimum allocation of £2.0m is available to provide greater certainty over reactive maintenance funding.
- 3.21 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.
- 3.22 The impact of the Covid-19 crisis in 2019/20 was not material in financial terms, however, a more significant impact is anticipated in 2020/21 with pressures including the costs associated with safely and securely stopping work on transport improvement schemes, reduced income from parking and licences, and additional costs to maintain safe distancing at Household Waste Recycling Centres on their reopening, albeit these pressures may be offset to some extent by initial lower waste disposal costs.

Policy and Resources

- 3.23 Policy and Resources achieved a saving against the budget of more than £5.4m, after substantial transformation costs have been met in year, mainly due to ongoing efficiency savings, additional income and the early delivery of

aspects of the Tt2021 Programme, notably the addition of three London Boroughs to the Corporate Shared Services Partnership in December 2019.

- 3.24 The successful implementation of the Tt2021 Programme and the resulting early delivery of savings will be crucial as successive budget reductions mean there is less scope to generate savings across the services and high levels of investment and resources are required over a longer time period to generate further savings, as is the case with other departments.
- 3.25 The 2019/20 outturn position includes a pressure of approximately £350,000 due to the impact of Covid-19 and the nationwide lockdown, relating to the investment in e-Books within the Library Service and reduced income for example from our country parks. Clearly there will be a significantly higher impact in 2020/21.
- 3.26 Policy and Resources 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. Predictions were that a deficit of around £1.0m could be expected by the end of the financial year.
- 3.27 Actions were being put in place to mitigate the level of the deficit, however, HC3S has been particularly impacted by the Covid-19 pandemic, with the additional pressure due to lost income from school meals calculated at more than £0.9m in 2019/20 alone. The deficit in 2019/20 has been covered by trading unit reserves at this point and the extensive plan which was put in place to ensure that the service returns to a break even position in the future, and was already showing promising results until the pandemic took effect, will be revisited as recovery begins.

3.28 Overall Position

- 3.29 Detailed explanations for the outturn position for all departmental budgets are provided in Appendix 1.
- 3.30 The departmental savings will be set aside to meet the future cost of change in line with the current financial policy which incentivises good stewardship.
- 3.31 In addition, within ETE the remaining resources associated with the 2019/20 winter maintenance budget (approaching £0.6m) will be set aside to provide additional one-off resources in 2020/21 as part an ongoing programme of highways maintenance. As set out in the Revenue Budget and Precept 2020/21 Report approved by County Council in February 2020 this will be supplemented from corporate contingencies to ensure that a minimum allocation of £2.0m is available.

Schools Budget

- 3.32 The financial pressures facing schools are well documented and in 2019/20 there was a net pressure of £9.0m against the school budget (including a £10.5m pressure on the High Needs Block) which has been offset by a charge to the Dedicated School Grant (DSG) reserve, as allowed by the Department for Education (DfE).

3.33 This year, the charge will increase the deficit on the DSG reserve to a total of approaching £22.8m which will be funded from future years DSG funding. A DSG Deficit Recovery Plan was produced last year, at the request of the DfE, and the local authority continues to develop this and implement strategies to reduce the pressure on the High Needs Block.

Other Budgets

3.34 The outturn for other items contained within in the budget is shown in the following table:

	Variance (Under) / Over Budget £m
Capital Financing / Interest on Balances	(0.6)
Contingencies	(14.2)
Increase in Doubtful Debt Provision	3.3
Specific Grants	(0.4)
Total	(11.9)

3.35 The main reasons for these variances are set out in the paragraphs below.

Capital Financing and Interest on Balances (£0.6m Saving)

3.36 These savings reflect the ongoing trend of a very prudent approach to capital financing costs and interest on balances and the continuing use of 'internal borrowing' to fund capital expenditure rather than taking out long term loans at this point.

Contingencies (£14.2m Saving)

3.37 The level of contingencies held as part of the 2019/20 budget reflected the well documented pressures and risk around demand and costs. Through strong management, applied to manage demand and suppress the additional costs, savings against these contingency amounts were realised.

3.38 Contingencies which were not required in the year related to waste management, inflation / risk provisions (in particular for energy and business rates) and a central provision for carbon allowances.

Doubtful Debt Provision (£3.3m Increase)

3.39 The County Council's policy is to make a provision against a proportion of debts that could prove to be irrecoverable. The provision is assessed on the basis of the age profile of outstanding debts and partly on the probability of specific larger debts being irrecoverable. There is no annual budgeted amount because the provision varies significantly from year to year. Part of the increase relates to the potential for greater bad debts as a result of the Covid-19 pandemic and organisations and individuals reduced ability to pay.

Specific Grants (£0.4m Saving)

- 3.40 This relates to the grant payment of £0.4m to Hampshire County Council which represents a surplus of Business Rates Levy income, that the Secretary of State has decided to return to local authorities. This reflects increased growth in business rates income which has generated a surplus in the business rate levy account.

Allocation of Net Saving

- 3.41 The net saving totals £11.9m and it is recommended that this amount is added to the Budget Bridging Reserve (BBR), in preparation for any future draw required beyond 2020 as set out in the MTFS which was approved by the County Council in November 2019.
- 3.42 In addition, in view of the impact of the Covid-19 crisis on the County Council's financial position it is even more important that we continue to make contributions to reserves as in the short term, in the absence of any further commitments from the Government, the County Council will need to look towards existing reserves to meet the unfunded costs.

4. General Balances and Earmarked Reserves

- 4.1 The County Council's reserves strategy, which is set out in the MTFS, is now well rehearsed and continues to be one of the key factors that underpin our financial resilience and ability to provide funding for the transformation of services and give the time for changes to be properly planned, developed and safely implemented.
- 4.2 We have made no secret of the fact that this deliberate strategy was expected to see reserves continue to increase during the period of tight financial control by the Government, although it was always recognised that the eventual planned use of the reserves would mean that a tipping point would come and we would expect to see reserves start to decline as they are put to the use in the way intended as part of the wider MTFS.
- 4.3 At the end of the 2019/20 financial year the total reserves held by the County Council together with the general fund balance stand at just over £643.1m a decrease of more than £26.3m on the previous year. The following table 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 2018/19:

	Balance 31/03/2019 £'000	Balance 31/03/2020 £'000	% of Total %
General Fund Balance	21,398	22,298	3.5
HCC Earmarked Reserves			
Fully Committed to Existing Programmes	170,157	184,546	28.7
Departmental / Trading Reserves	128,113	92,217	14.3
Risk Reserves	38,817	45,913	7.1
Corporate Reserves	104,225	111,093	17.3
HCC Earmarked Reserves	441,312	433,769	67.4
Non HCC Earmarked Reserves	31,525	20,436	3.2
Total Revenue Reserves & Balances	494,235	476,503	74.1
Total Capital Reserves & Balances	175,228	166,637	25.9
Total Reserves and Balances	669,463	643,140	100.0

- 4.4 General Balances at the 31 March 2020 stand at £22.4m, following the planned contribution in 2019/20, which is broadly in line with the current policy of carrying a general balance that is approximately 2.5% of the County Council's Budget Requirement (currently a sum of circa £20m).
- 4.5 In addition to the general balance, the County Council maintains earmarked reserves for specific purposes and to a large extent the majority of these are committed either to existing revenue or capital programmes or to mitigate risks that the County Council faces through self insurance or funding changes by government.
- 4.6 In overall terms the total value of earmarked revenue reserves has decreased largely due to the planned use of departmental Cost of Change reserves in line with the MTFs. This reflects the continued strategy of achieving savings early and then using those savings to fund the next phase of savings delivery and to allow delivery of the more complex savings to be achieved safely over a longer time period.
- 4.7 Other earmarked reserves have increased due to the timing of receipt of funds in advance of their planned use for an intended purpose, in particular in funding the Capital Programme.
- 4.8 Corporate Reserves relate to those reserves which whilst set aside for a specific purpose could be used to limit the impact of savings in services, which is exactly what for example the BBR does on a short term basis giving the County Council the time and capacity to properly and safely implement savings programmes.
- 4.9 The net impact of the changes in the revenue account during 2019/20 mean that the BBR will stand at just over £78.5m, which is in line with the financial

strategy of supporting the revenue spend position as savings are developed and delivered on a two year cycle; or longer where appropriate. Provision is being made for a draw in 2020/21 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.

- 4.10 In addition, in view of the impact of the Covid-19 crisis on the County Council's financial position it is even more important that we continue to make contributions to reserves as in the short term, in the absence of any further commitments from the Government, the County Council will need to look towards existing reserves to meet the unfunded costs. This is considered in more detail in the update to the MTFS Update report presented elsewhere on the Agenda.
- 4.11 Non HCC reserves include schools' balances, over which the County Council has no direct control, and which have decreased and are expected to decrease further in the medium term, and reserves held for the Enterprise M3 Local Enterprise Partnership (EM3 LEP).
- 4.12 In addition, a further £166.6m is held within capital reserves and balances, although of this sum almost £25.8m relates to the EM3 LEP which is included in the annual accounts, as the County Council is the Accountable Body. These reserves hold capital grants that have been received in advance of the matched spending being incurred. They are not available for revenue purposes.

5. Treasury Management and Prudential Indicators

- 5.1 The County Council's treasury management policy requires an annual report to the Cabinet on the exercise of the treasury management function, details of which are set out in Appendix 2. Under the Treasury Management Code of Practice, the end of year report has to be submitted to the County Council.
- 5.2 The Prudential Code for Capital Finance in Local Authorities requires that the County Council reports its actual performance against the Prudential Indicators that were set in its Treasury Management Strategy. Appendix 2 summarises the relevant indicators for the 2019/20 outturn which are in accordance with the figures approved by the County Council.

6. Capital Spending and Financing 2019/20

- 6.1 From the 2019/20 Capital Programme, schemes to the value of £217.4m were committed during the year, leaving £157.2m to be carried forward to 2020/21. The approval of Cabinet is required for proposals to carry forward schemes to the value of £127.9m, which are largely committed against named projects. This sum excludes £27.4m of Children's Services and £1.9m of Policy and Resources schemes for which approval to carry forward to 2020/21 has previously been given during 2019/20.
- 6.2 During 2019/20 capital expenditure of £190.0m was incurred, which can all be financed within available resources. This includes prudential borrowing of just over £42.8m. There will also be a further repayment of prudential borrowing from capital receipts and other funding sources of approaching £10.5m. Further details of the outturn position for capital are provided in Appendix 3.

7. Assurance Statement

7.1 The code of Practice on Local Authority Accounting in the UK requires the County Council to publish, together with its Statement of Accounts, an annual governance statement signed by the Leader and Chief Executive. As part of this process, the Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control operating in the County Council as a whole. The Chief Internal Auditor's Annual Report and Opinion is approved by the Audit Committee.

7.2 The Chief Internal Auditor has concluded that:

"In my opinion, Hampshire County Council's framework of governance, risk management and management control is 'Adequate' and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

8. Pension Fund

8.1 The separate accounts for the Hampshire Pension Fund will also be incorporated in the County Council's Statement of Accounts. The accounts for 2019/20 record that the value of the fund's assets reduced from £7.2bn to £6.9bn during the year. The Chief Internal Auditor has provided a separate assurance opinion for the Pension Fund and has concluded that:

"In my opinion, based on internal audit work completed 'Substantial Assurance' can be placed on Hampshire County Council (Pension Services) framework of governance, risk management and management control and audit testing has demonstrated controls to be working in practice. Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."

8.2 For the Local Government Pension Scheme (LGPS) administered by Hampshire County Council, the latest actuarial valuation, as at 31 March 2019, showed it to be 98.9% funded – a significant increase from the position three years prior of 81%. The impact of the Covid-19 pandemic on investment markets has affected the value of the Fund to 31 March 2020. The Fund's investment return for 2019/20 was -2.8% per annum, less than the actuary's target return for the Fund of +4.3% per annum. However the Fund still has the remaining three years of the actuarial period to achieve the target return, and beyond this has agreed a 16 year recovery period in its Funding Strategy Statement should this be necessary to make good an increase in the funding deficit at the next actuarial valuation.

9. Statutory Statement of Accounts

9.1 Usually, the Accounts and Audit Regulations 2015 require local authorities to publish their draft accounts by 31 May, with the audited accounts required to be published by 31 July.

- 9.2 Due to the disruption caused by Coronavirus, the Government issued legislation (The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020) which gives local authorities more time to prepare their accounts for 2019/20. This year, the draft accounts have to be published by 31 August, with the audited accounts due by 30 November, although authorities are encouraged to publish accounts earlier if possible. The change in publication dates is expected to be temporary, with the deadlines likely to revert to the usual dates for the 2020/21 accounts.
- 9.3 Given the efficient accounting processes established in previous years and the swift implementation of home working for finance staff during March, Hampshire County Council's draft accounts were published in early June, well before this year's new deadline. In consultation with the external auditor, a target date of 31 July 2020 has been set for completing the audit and publishing the final audited accounts. This will ensure this important aspect of corporate governance is concluded within the normal timescale and ensure that maximum focus is on the current and future requirements of the County Council.
- 9.4 It was not until near the end of 2019/20 that coronavirus began to cause severe disruption, so most of the financial impact will be shown in a year's time in the accounts for 2020/21, rather than those for 2019/20.

CORPORATE OR 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

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

Date

Revenue Budget and Precept 2020/21 and Capital Programme 2020/21 – 2022/23
<https://democracy.hants.gov.uk/ielIssueDetails.aspx?IId=25254&PlanId=0&Opt=3#AI24895>

Cabinet – 3 February 2020
 County Council – 13 February 2020

Medium Term Financial Strategy Update and Transformation to 2021 Savings Proposals
<http://democracy.hants.gov.uk/ielIssueDetails.aspx?IId=22267&PlanId=0&Opt=3#AI22852>

Cabinet - 15 October 2019 and
 County Council – 7 November 2019

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

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

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- 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 disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely impacted by the proposals in this report.

Adults’ Health and Care Department – Revenue Expenditure 2019/20

Major variations in cash limited expenditure – No variance against the adjusted cash limit.

Main variations

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Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Director	(44)	(2.58)	The savings mainly relate to staffing budgets due to delayed recruitment to vacancies within the management team.
Strategic Commissioning & Business Support	(1,726)	(10.0)	The savings are mainly due to reduced spend on non-care contracts and staff budgets due to the difficulties in recruiting to vacant posts. A significant proportion of the favourable variance has arisen from elements of the non-recurrent work programme slipping into 2020/21 rather than being a genuine saving.
Transformation	149	2.3	The pressure is mainly due to the additional cost of IT kit above what had been budgeted for.
Older People and Physical Disabilities	12,817	8.6	There were significant pressures on residential, nursing and homecare budgets due to higher client numbers and above budgeted average weekly costs. This is an underlying pressure for which a cost recovery plan has been implemented to resolve the position in future years. In this year the pressure has been offset through the use of the cost of change and reduced usage of the REACT contract.

Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Younger Adults	1,731	1.3	There were pressures on home care and supported living budgets due to the increasing use and cost of supported living arrangements above what was budgeted for. The pressures have been partially offset by savings in residential care due to lower than anticipated inflationary price increases being lower.
HCC Care	719	1.7	The main area of pressure is within the Older Persons in-house homes due to the use of agency staff to cover the vacant posts whilst permanent recruitment is undertaken. This pressure has been partially offset by increased income when compared to the budget. This pressure is a significant reduction from the position in previous years.
Safeguarding, Quality & Governance	(592)	(15.2)	The savings mainly relate to staff budgets due to the difficulty in recruiting to vacant posts and also additional income in relation to deputyship fees.
Contingencies	(13,054)	(78.9)	The savings relate to one off funding that was available to offset the bottom line position including the winter pressures grant and the Department's Cost of Change Reserve.
Public Health	0	0.0	-
Total	0	0.0	

Children’s Services Department – Revenue Expenditure 2019/20

Major variations in cash limited expenditure – No variance against the adjusted cash limit.

Main variations

Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Early Years free entitlements	(2,665)	(3.4)	There has been reduction in spend on the free entitlements for two year olds and three and four year olds (universal and extended entitlement for eligible working parents) due to fewer children accessing the entitlements across the year and as a result of £1.9m lagged funding relating to 2018/19 being accounted for in 2019/20.
Growth Fund	(1,793)	(31.9)	The position includes savings for infant class size funding, new / re-organising schools and growing schools, due to fewer schools being eligible for funding than budgeted.
High Needs top up funding	10,336	21.8	The pressure experienced in Hampshire is reflected in many other authorities and relates predominantly to demand led budgets funding pupils with high levels of additional need, where there are increasing numbers of pupils with Education, Health and Care plans (EHCPs); and the result of extending this support for young people up to the age of 25. The includes mainstream schools, special schools, post-16 provisions and education centres. There is also a continuation of the pressure on the service for discretionary and direct payments.

Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Independent and Non-maintained Special Schools	5,389	27.0	The pressure is due to a 15% increase in the number of pupils placed in out of county provision (from 410 pupils in March 2019, to 472 pupils in March 2020), as well as an increase in the average cost.
Central Schools Services	(1,015)	(9.0)	There is a saving of £510,000 on the premature retirement and redundancy budget funded by maintained schools, which is due to a reduction in activity this year and some staff finding suitable alternative posts through voluntary means. There are further smaller savings on historic commitments, statutory and regulatory services and fees to independent schools for pupils without Special Educational Needs (SEN).
Various other (net)	(1,244)	(0.2)	Various smaller budget savings across the department.
Carry Forward of Dedicated Schools Grant (DSC) Deficit	(9,008)	(1.1)	The total 2019/20 pressure of more than £9.0m has been offset by a charge to the DSG reserve, as allowed by the Department for Education (DfE). This year, the charge will increase the deficit on the DSG reserve to a total of approaching £22.8m which will be funded from future years DSG funding. A DSG Deficit Recovery Plan was produced last year, at the request of the DfE, and the local authority continues to develop this and implement strategies to reduce the pressure on the High Needs Block.
Sub-Total Schools Budget	0	0.0	

Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Children Looked After (including CLA placements, SGOs, adoption and leaving care)	(1,846)	(1.9)	<p>The underlying saving has mainly arisen on Non-County Placements (NCPs) and Independent Fostering Placements (IFPs) with reduced activity and average costs less than budgeted offset by a higher than forecast number of placements within in house fostering. In addition, there is a one-off saving due to backdated health income which relates to previous financial years.</p> <p>This has been closely monitored throughout the year, and as a result additional corporate funding of £18.1m has been given to offset what would otherwise have been a significant pressure.</p> <p>There are significant savings attached to this area as part of the Transformation to 2019 (Tt2019) Programme.</p>
Legal costs	710	77.7	<p>Pressure on external legal fees relating to costs such as counsels (barristers) and expert witnesses have increased with the number of care proceedings going to court.</p>
Swanwick Lodge	723	148.8	<p>Lower income at Swanwick Lodge Secure Unit resulting from a refurbishment programme and issues recruiting to vacant residential care worker posts which restricts the number of beds that can be opened.</p> <p>A recovery plan is in place to increase the income generated along with a recruitment strategy to ensure the unit can be appropriately staffed. Use of agency staff has also added to this pressure.</p>

Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Safeguarding & Young People's Services	4,657	17.5	<p>The pressure mainly results from the use of social work agency staff. Whilst recruitment through the Graduate Employment Trainee Scheme (GETS) continues, reliance on agency staff to cover for the short supply of qualified social workers and to balance the experience within frontline teams is required.</p> <p>Corporate support has been agreed to increase the numbers of social workers, leading to a reduced caseload for teams and thereby increasing retention of social workers and reducing the need for agency staff. This investment commenced in 2017/18.</p>
Skills & Participation	655	60.7	<p>Activity in the Skills, Training and Engagement Programme (STEP) funded by the European Social Fund (ESF) has been significantly below the first year's profiles in the new contracts that started in April 2019, which has caused a pressure due to the payment-by-results funding mechanism.</p> <p>Costs associated with the supported internship programmes were higher than budgeted and further means of maximising funding for these learners, including Access to Work funds from the DWP, is being explored.</p>
Inclusion Services (Special Educational Needs, Educational Psychology and Services for young children inclusion)	835	15.4	<p>This pressure is mainly due to the cost of agency Educational Psychologists (EP) and a significant decrease in income as EP resources were diverted on a risk assessed basis, away from income generating work towards statutory work; supporting clearing the backlog in SEN assessments.</p> <p>The SEN pressure is mainly from mediation costs and external EHCP writing service</p>

Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Family Support Services	(465)	(4.5)	The saving mainly relates to respite and support for disabled children. There has been reduced spend on equipment and adaptations this year and a change in funding whereby adaptations over £5,000 are being funded via the capital budget. In addition, there has been a saving short breaks due to underutilisation of care support in the community and the short breaks exceptions fund, compared to the budget. This is part of the current short breaks consultation for achieving Transformation to 2021 (Tt2021) savings.
Net Early Achievement of T2021 Savings	(4,188)	(100.0)	Planned early achievement of savings used to offset the department's other pressures and contribute towards of change items. The early achievement is in relation to the Tt2021 Programme and £8.1m of additional funding for social care from central government allocated to Children's Services.
Various other (net)	(1,081)	(1.9)	Various smaller budget savings across the Department.
Sub-Total Non-Schools Budget	0	0.0	
Total	0	0.0	

Economy, Transport & Environment Department – Revenue Expenditure 2019/20

Major variations in cash limited expenditure – Under Budget by £1.8m (1.6%) against the adjusted cash limit.

Main variations

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Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Economic Development and Research & Intelligence	(114)	(10.8)	The end of year position reflects savings as a result of delays in planned expenditure, which will now take place in 2020/21.
Waste, Planning & Environment	(260)	(0.5)	The outturn includes £201,000 savings against the Waste budget, achieved from waste prevention measures. The balance predominantly relates to additional income generation from the Specialist Environmental Services teams.
Early Delivery of Tt2021 savings and General Departmental	(289)	(8.0)	In view of the current financial situation for Local Government (excluding the impact of Covid-19), the Department continues to take every opportunity to make savings in 'business as usual' work where possible. The identification of opportunities for the early delivery of Tt2021 activity has resulted in savings of £0.1m being achieved in 2019/20. In addition, further targeted staff and non-pay savings of £191,000 were achieved.

Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Highways, Traffic & Transport	(1,162)	(2.0)	<p>In Highways the mild winter weather resulted in savings against the winter maintenance budget, although the storm events towards the end of the financial year created significant additional costs, reducing the overall saving to £0.6m. The saving will be reinvested in highways maintenance in 2020/21 in accordance with established principles, providing additional one-off resources to supplement existing planned maintenance programmes.</p> <p>Higher than forecast staff recharges to capital schemes reflecting the significant scale of the current capital programme for the Department, staff vacancies, and increased income offset by one-off investment to be made to improve the Highways Lab and work to refresh the Integrated Transport for North Hampshire Transport Model study (net saving £1.2m).</p> <p>The budget for other revenue maintenance work continues to be under pressure, exacerbated by the recent storm events which led to additional drainage costs and costs on the maintenance of safety defects resulting from flooding. The outturn reflects a pressure of £1.2m.</p> <p>In Transport a combination of fewer Concessionary Fares journeys, and increased staff recharges to revenue and capital schemes has resulted in a net saving of £0.6m against these budgets.</p>
Total	(1,825)	(1.6)	

Policy and Resources Department – Revenue Expenditure 2019/20

Revenue Expenditure 2019/20

Major variations in cash limited expenditure – Under budget by £5.403 (4.7%) against the adjusted cash limit.

Main variations

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Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Corporate Services	(3,818)	(6.4)	Corporate Services continues to implement a strategy of strong budgetary control, managing expenditure and gaining economies of scale through expanded joint working and generating income, for example for legal, internal audit, and other services. In particular the addition of three London Boroughs to the Corporate Shared Services Partnership, commencing in December 2019 as part of the planned Tt2021 contribution, added significantly to the one-off addition to the early achievement of Tt2021 savings to contribute to the cost of change reserve to be used for future investment in further transformation work.
Non Departmental Policy and Resources	(821)	(4.0)	The saving largely reflects lower costs or additional income in a number of budget areas. This includes lower disposal costs as these are subject to variation from year to year as the inventory of sites being disposed of changes, one-off adjustments, lower grants to local organisations and grants to voluntary organisations as agreed projects will be progressed in subsequent years and the saving will be carried forward to match the expenditure as it is incurred.

Service Area	Variance (Under) / Over Budget		Reason for Variation
	£'000	%	
Culture, Community and Business Services	(764)	(2.2)	<p>Savings in Community and Regulatory Services (including the Library Service, Registration and Trading Standards) £0.5m, resulting from vacancy management and income, together with net savings of £0.8m across Culture and Heritage, Property and Facilities and Transformation and Business services, resulted in 'business as usual' savings of more than £1.3m across the Department. In view of the current financial situation for Local Government (excluding the impact of Covid-19), the Department is taking every opportunity to make savings in business as usual work where possible. The position also includes £0.6m one-off savings within the grants budget relating to historic unallocated balances. In addition, the Department secured £0.6m of early Tt2021 savings which, together with the 'business as usual' savings enabled one-off investment of £1.7m during the year, leaving a net saving of circa £0.8m.</p> <p>Given the nature of the services provided Covid-19, and the subsequent national lockdown, has had a significant financial impact. The reduction in the expected saving against the budget has been calculated at more than £0.3m due to increased costs, such as the investment in eBooks for the Library Service, and reduced income at the Country Parks and Great Hall in March. The impact will be greater still in the 2020/21 financial year.</p>
Total	(5,403)	(4.7)	

Treasury Management Outturn Report 2019/20

1. Summary

- 1.1. The County Council adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2017. These recommendations include approving a Treasury Management Strategy (TMS) before the start of the year and a semi-annual and annual treasury outturn report.
- 1.2. This report fulfils the County Council's legal obligation to have regard to the CIPFA Code and provides an update on the performance of the treasury management function during 2019/20.
- 1.3. The County Council's treasury management strategy was most recently updated and approved at a meeting of Full Council in February 2020. The County Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the County Council's treasury management strategy.
- 1.4. Treasury management in the context of this report is defined as:
"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.5. This annual report sets out the performance of the treasury management function during 2019/20, to include the effects of the decisions taken and the transactions executed in the past year.
- 1.6. Overall responsibility for treasury management remains with the County Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the County Council's treasury management objectives.
- 1.7. All treasury activity has complied with the County Council's TMS and Investment Strategy for 2019/20, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the County Council's treasury advisers, Arlingclose. The County Council has also complied with all of the prudential indicators set in its TMS.
- 1.8. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The County Council's Capital and Investment Strategy, complying with CIPFA's requirement, was approved by full Council on 13 February 2020.

2. External Context

- 2.1. The following sections outline the key economic themes currently in the UK against which investment and borrowing decisions were made in 2019/20.

Economic commentary

- 2.2. The UK's exit from the European Union was one of the main drivers of sentiment on the UK economy for the majority of 2019/20, before focus then shifted to the nation's response to the global Coronavirus pandemic in the latter part of the year.
- 2.3. Prior to the pandemic, labour market data remained positive as the employment rate reached a record high of 76.6% in the three months to March 2020, unemployment was 3.9%, and annual pay growth was positive in real terms.
- 2.4. As the early effects of the pandemic and the government measures to reduce transmission began to be felt, the headline rate of UK Consumer Price Inflation fell to 1.5% year on year in March 2020 (and further still to 0.8% in April 2020), below the Bank of England's target of 2%. Gross Domestic Product (GDP) growth in Quarter 1 of 2020 is also estimated to have reduced by 2.0% alongside falls in financial markets not seen since the Global Financial Crisis, triggered by a flight to quality into sovereign debt and other perceived 'safe' assets.
- 2.5. In response to the spread of the virus, the UK government enforced lockdowns, central banks and governments around the world cut interest rates, and massive stimulus packages were introduced in an attempt to reduce the negative economic impact on domestic and global growth.
- 2.6. The Bank of England, which had previously held policy rates at 0.75% through 2019/20, moved in March 2020 to cut rates to 0.25% and then swiftly brought them down further to the record low of 0.1%. In conjunction with these cuts, the UK government introduced measures to help businesses and households impacted by a series of social restrictions.

Financial Markets

- 2.7. Financial markets sold off sharply towards the end of the financial year as the impact of the pandemic worsened. After starting positively in 2020, the FTSE 100 fell over 30%, with stock markets in other countries seeing similar drops. In March, sterling touched its lowest level against the dollar since 1985.
- 2.8. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark fell from 0.75% in April 2019 to 0.26% on 31 March 2020 and there were similar falls in 10-year and 20-year gilts over the same period, dropping from 1.00% to 0.40% and 1.47% to 0.76% respectively.

Credit Review

- 2.9. Prior to the Coronavirus crisis, both the Fitch and Standard & Poor's rating agencies affirmed the UK's AA sovereign rating and revised the outlook from negative to stable
- 2.10. However, Fitch then downgraded the UK sovereign rating to AA- in March 2020 and revised the outlook on the majority of banks on the Arlingclose counterparty list to negative and in some cases also amended the long-term rating (upwards in the case of Canadian and German banks and downwards for Australian banks).
- 2.11. While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the recommended maximum duration for unsecured investments with all these banks was cut to 35 days in mid-March 2020.
- 2.12. In December 2019, the Bank of England announced its latest stress test results for the main seven UK banking groups. All seven passed on both a Common Equity Tier 1 (CET1) ratio and a leverage ratio basis. Under the test scenario the banks' aggregate level of CET1 capital would still remain twice the level it was before the 2008 financial crisis, suggesting the banks are in a much stronger position than in 2008.
- 2.13. After remaining flat in January and February, Credit Default Swap spreads rose sharply in March as the potential impact of the coronavirus on bank balance sheets gave cause for concern. Spreads declined in late March but remained above their initial 2020 levels.

3. Local Context

- 3.1. At 31 March 2020, the County Council's underlying need to borrow for capital purposes was £783.5m as measured by the Capital Financing Requirement (CFR), while usable reserves and working capital (which are the underlying resources available for investment) amounted to £870.4m. These factors are summarised in Table 1 below:

Table 1: Balance Sheet Summary

	Balance 31/03/2019 £m	Movement £m	Balance 31/03/2020 £m
CFR	780.91	2.57	783.48
Less: Other debt liabilities*	(156.99)	7.56	(149.43)
Borrowing CFR	623.92	10.13	634.05
External Borrowing	(314.02)	6.78	(307.24)
Internal Borrowing	309.90	16.91	326.81
Less: Usable Reserves	(669.46)	26.32	(643.14)
Less: Working Capital	(209.48)	(17.80)	(227.28)
Net Investments	(569.04)	(25.43)	(543.61)

* PFI liabilities that form part of the County Council's debt.

- 3.2. The CFR increased by £2.6m during 2019/20, as a result of the County Council's Capital Programme, and other debt liabilities reduced by £7.6m in accordance with the PFI repayment models. External borrowing reduced by £6.8m during 2019/20 as a result of repayment of £9.1m Public Works Loan Board (PWLB) borrowing and other fixed term borrowing of £0.1m, partly offset by a change in the short-term balances held on behalf of other organisations, which vary from year to year.
- 3.3. At the end of the 2019/20 financial year the total reserves held by the County Council together with the general fund balance stand at just over £643.1m a decrease of more than £26.3m on the previous year. The decrease in reserves is largely due to the planned use of departmental Cost of Change reserves, reflecting the continued strategy of achieving savings early and then using those savings to fund the next phase of savings delivery and to allow delivery of the more complex savings to be achieved safely over a longer time period..
- 3.4. The County Council's strategy was to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, in order to reduce risk and keep interest costs low. The treasury management position as at 31 March 2020 and change during the year is shown in Table 2 below:

Table 2: Treasury Management Summary

	31/03/19 Balance £m	Movement £m	31/03/20 Balance £m	31/03/20 Rate %
Long-term borrowing	(271.3)	10.1	(262.1)	4.7
Short-term borrowing	(9.1)	(0.9)	(10.0)	4.1
Total Borrowing	(280.4)	9.2	(271.2)	4.6
Long-term investments	342.3	(68.0)	274.3	3.7
Short-term investments	184.0	(56.5)	105.5	1.0
Cash and cash equivalents	56.2	145.5	201.7	0.4
Total Investments	582.5	(1.0)	581.5	2.1
Net Investments	302.1	8.2	310.3	

Note: The figures in the table above are from the balance sheet in the County Council's Statement of Accounts, adjusted to exclude operational cash, accrued interest, short term balances held on behalf of others and other accounting adjustments.

- 3.5. The increase in net investments of £8.2m shown in Table 2 above reflects the combination of repayment of PWLB borrowing of £9.2m and a small reduction in investment balances of £1.0m. The repayment of borrowing is in line with the County Council's policy on internal borrowing.

4. Borrowing Update

- 4.1. On 9 October 2019, the PWLB raised the cost of certainty rate borrowing by 1% to 1.8% above UK gilt yields as HM Treasury was concerned about the overall level of local authority debt. PWLB borrowing remains available but

the margin of 180 basis points (bp) above gilt yields appears expensive relative to other options. Market alternatives are available and new products will be developed; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders

- 4.2. The Chancellor's March 2020 Budget Statement included significant changes to PWLB policy and launched a wide-ranging consultation on the PWLB's future direction. This was in part as a response to what HM Treasury describes as a minority of councils using cheap PWLB finance to buy significant amounts of commercial property for rental income, reducing the availability of PWLB finance for core local authority activities.
- 4.3. Announcements included a reduction in the margin on new Housing Revenue Account (HRA) loans to 0.80% above equivalent gilt yields (which would not directly affect the Council as it is not a Housing Authority), and £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.
- 4.4. The consultation closes on 31 July 2020 with implementation of the new lending terms expected in the latter part of this calendar year or financial year beginning 2021/22, and the County Council intends to respond to the consultation.

5. Borrowing Activity

- 5.1. At 31 March 2020 the County Council held £271.2m of loans, a decrease of £9.2m on the previous year, as part of its strategy for funding previous years' capital programmes. The year-end treasury management borrowing position and year on year change is shown in Table 3 below; which excludes borrowing taken out on behalf of others:

Table 3: Borrowing Position

	31/03/18 Balance £m	Movement £m	31/03/19 Balance £m	31/03/19 Rate %	31/03/19 WAM* Years
Public Works Loan Board	(235.6)	9.1	(226.5)	4.7	11.2
Banks (LOBO)	(20.0)		(20.0)	4.8	13.3
Banks (fixed term)	(24.8)	0.1	(24.7)	3.7	17.1
Total Borrowing	(280.4)	9.2	(271.2)	4.6	11.2

* Weighted Average Maturity

Note: the figures in the table above are from the balance sheet in the County Council's Statement of Accounts but adjusted to exclude short term balances held on behalf of others, and accrued interest.

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

- 5.3. Short-term interest rates have remained much lower than long-term rates and the County Council has therefore considered it to be more cost effective in the near term to use internal resources than to use additional borrowing.
- 5.4. With the assistance of Arlingclose, the benefits of this internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years, when long-term borrowing costs may be higher.
- 5.5. As a result, no new borrowing was undertaken and £9.1m of existing PWLB loans were allowed to mature without replacement. This strategy enabled the County Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.
- 5.6. The County Council continues to hold £20m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate as 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. None of the LOBO loan options were exercised by the lender in the year.

6. Treasury Investment Activity

- 6.1. The County Council holds invested funds representing income received in advance of expenditure plus balances and reserves held. During 2019/20 the Council's investment balances have ranged between £547m and £677m due to timing differences between income and expenditure. The year-end investment position and the year on year change are shown in Table 4 overleaf:

Table 4: Investment Position (Treasury Investments)

Investments	31/03/19 Balance £m	Movement £m	31/03/20 Balance £m	31/03/20 Rate %	31/03/20 WAM* Years
Short term Investments					
- Banks and Building Societies:					
- Unsecured	30.4	(4.1)	26.3	0.68	0.00
- Secured	15.0		15.0	0.81	0.25
- Money Market Funds	55.3	120.0	175.3	0.38	0.00
- Local Authorities	124.5	(44.0)	80.5	1.01	0.27
- Registered Provider	5.0	(5.0)			
- Cash Plus Funds	10.0		10.0	1.37	0.01
	240.2	(32.7)	307.1	0.63	0.08
Long term Investments					
- Banks and Building Societies:					
- Secured	73.3	(40.1)	33.2	0.99	2.36
- Local Authorities	78.0	(38.0)	40.0	1.47	1.91
	151.3	(78.1)	73.2	1.25	2.11
Long term Investments – high yielding strategy					
- Local Authorities					
- Fixed deposits	20.0	0.2	20.2	3.97	13.93
- Fixed bonds	10.0		10.0	3.78	13.77
- Pooled Funds					
- Pooled property**	67.0	10.0	77.0	4.08	N/A
- Pooled equity**	52.0		52.0	5.89	N/A
- Pooled multi-asset**	42.0		42.0	4.52	N/A
	191.0	10.2	201.2	4.61	13.88
Total Investments	582.5	(1.0)	581.5	2.08	1.46

* Weighted Average Maturity

** The rates provided for pooled fund investments are reflective of the average of the most recent dividend return as at 31 March 2020.

Note: the figures in the table above are from the balance sheet in the County Council's Statement of Accounts, but adjusted to exclude operational cash, accrued interest and other accounting adjustments.

- 6.2. Both the CIPFA Code and the government guidance require the County Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The County Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults alongside managing the risk of receiving unsuitably low investment income.
- 6.3. Security of capital has remained the County Council's main investment objective. This has been maintained by following the County Council's counterparty policy as set out in the Treasury Management Strategy Statement.

- 6.4. Counterparty credit quality has been assessed and monitored with reference to credit ratings, for financial institutions analysis of funding structure and susceptibility to bail-in, credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.
- 6.5. The County Council also makes use of secured investments products that provide collateral in the event that the counterparty cannot meet its obligations for repayment.
- 6.6. The UK Bank Rate was cut from 0.75% to 0.25% and then 0.10% in March 2020 due to the effects of the Coronavirus pandemic on the economy. Rates had been historically low even prior to these cuts, impacting the Council's ability to generate income on cash investments.
- 6.7. Against this backdrop the County Council has sought to optimise returns commensurate with the objectives of security and liquidity, achieving a rate of return of 0.97% on internally managed funds at 31 March 2020 whilst also maintaining sufficient liquidity through the use of call accounts and money market funds.
- 6.8. The progression of credit risk and return metrics for the County Council's investments managed in-house (excluding external pooled funds) are shown in the extracts from Arlingclose's investment benchmarking in Table 5 below which compares the data for the quarter ended 31 March 2020 with the same period from the previous year:

Table 5: Investment Benchmarking (excluding pooled funds)

	Credit Rating	Bail-in Exposure	WAM** (days)	Rate of Return
31/03/2019	AA	21%	758	1.35%
31/03/2020	AA	50%	551	0.97%
Similar Local Authorities	AA-	41%	644	0.92%
All Local Authorities	AA-	56%	20	0.64%

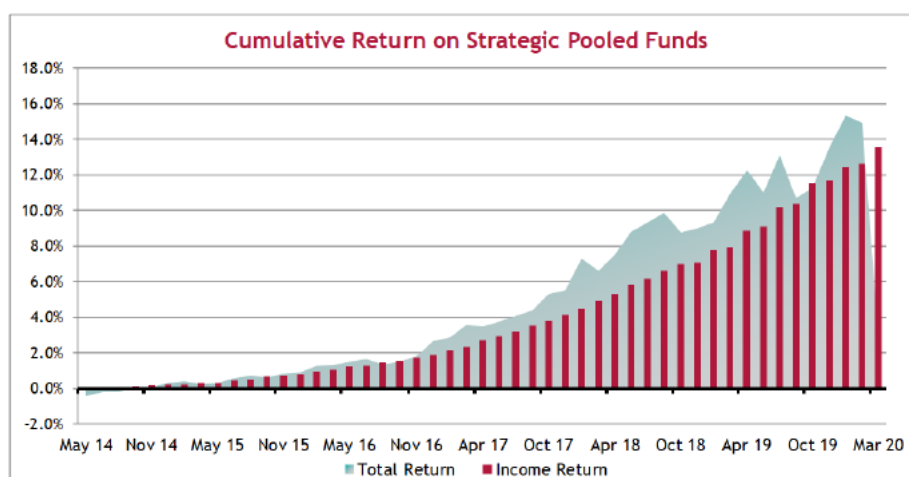
- 6.9. Table 5 shows the average credit rating of the portfolio remained at a high level of AA at 31 March 2020. This was alongside increased liquidity in part to fund the prepayment of three year's Pension Fund contributions on 1 April 2020. This increased liquidity meant higher bail-in exposure as a greater proportion of the Council's funds were invested in money market funds, which invest in instruments that are liable to bank bail-in, but which are highly diversified therefore reducing this risk.
- 6.10. Interest rates on shorter duration investments are often lower and, coupled with the impact of the two Bank Rate cuts in March, meant average investment returns at 31 March 2020 were lower than at the same time the previous year. These returns were however greater than other Local Authorities covered by Arlingclose's benchmarking and the County Council's internal investment portfolio also compared favourably to the benchmark in terms of the average credit rating. Bail-in exposure was higher than for other

similar Local Authorities and the weighted average maturity period was shorter, both of which were as a result of holding cash to make the large advance pension contributions payment on 1 April 2020.

- 6.11. As the County Council has relatively stable cash balances, the allocation to investments targeting higher yielding investments was increased to £235m as part of the Treasury Management Strategy Statement for 2019/20, with the aim of increasing the level of income contributed to the revenue budget without impacting liquidity.
- 6.12. £201m of this amount has now been invested, and the high yielding strategy overall generated an average income return of 4.61%, contributing to an average return for the investment portfolio in aggregate of 2.08% at 31 March 2020. By comparison, the average income return at 31 March 2020 for all other investments was 0.75%. This would equate to £9.3m of income from the high yielding strategy and £2.9m from all other investments based on the snapshot of investments at 31 March 2020.
- 6.13. As part of the high yielding strategy, the County Council has £171m of core balances invested in externally managed pooled property, equity and multi-asset funds, which allow diversification into asset classes other than cash without the need to own and manage the underlying investments. The County Council also invests a further £10m into an externally managed cash plus pooled fund, which forms part of its short-term cash portfolio
- 6.14. Pooled fund investments in property, equities and bonds are likely to be more volatile than cash in the short-term but generate regular revenue income whilst also providing diversification and the potential for enhanced returns over the longer term.
- 6.15. The impact of the Coronavirus pandemic on financial markets at the end of the financial year meant that the Council's investments in these pooled funds suffered a £22.4m fall in capital value (12.84%) over the year to 31 March 2020, meaning these investments are now worth £18.8m less than the Council originally invested. This will only result in the Council losing money if the assets are sold before they have regained their value and the Council has always planned to hold these investments for at least the medium term, accepting that capital values would move both up and down in the short term. Under International Financial Reporting Standard (IFRS) 9 the Council must in the meantime defer these fair value losses to the Pooled Fund Adjustment Account, which is available until at least 2023/24.
- 6.16. The fall in the capital value of the County Council's pooled funds during 2019/20 reflects the wider market reaction to the Coronavirus pandemic, with large falls in equity prices and corporate bond markets, and property markets also affected. Market volatility, as measured by the VIX index, was historically high as investors reacted to the unprecedented situation and attempted to forecast the likely impact on economies, businesses, and individuals. The unrealised capital losses (the 'drawdown' referred to by fund managers) in equity income funds owned by the County Council were especially large at -19.6% and -33.2% respectively.
- 6.17. Although capital values fell, the pooled funds delivered strong positive income returns during 2019/20, contributing £8.1m income (a return of 4.65%pa) to

the revenue budget to support the provision of services by the County Council, significantly more than could have been achieved through cash investments, and in line with the Council's agreed objective of targeting income of 4% per annum from the high yielding strategy.

- 6.18. The total return in 2019/20, allowing for the fall in capital value but offset in part by the income generated, was a loss of £14.3m (8.19% pa).
- 6.19. The cumulative total return from the County Council's investments in pooled equity, property and multi-asset funds since purchase is shown in the graph below. This highlights that the County Council has benefited from the strong and steady income returns over time.
- 6.20. The volatility experienced due to the pandemic has been significant, but this period has not completely eroded the total cumulative positive returns made over the time that these investment have been held by the County Council, and although the pooled funds are reporting a negative capital return of 12.84% for the year to 31 March 2020, the cumulative total return from these investments since purchase is positive at 2.7% (made up of a 10.94% capital loss and a 13.65% income return).



- 6.21. Strategic pooled fund investments are made as long-term investments using core balances that are not required for current day-to-day liquidity. Investments are made based on advice from Arlingclose and in the knowledge that capital values will move both up and down in the short term but with confidence that over longer periods total returns will exceed cash interest returns.
- 6.22. These investments have no defined maturity date but are available for withdrawal after a notice period and their performance and continued suitability in meeting the County Council's investment objectives is monitored regularly and discussed with Arlingclose.
- 6.23. Given the exceptional impact of the Coronavirus crisis on financial markets, the investments in pooled funds have been reviewed with Arlingclose. Despite the current fall in capital values, Arlingclose's advice remains that these investments continue to be appropriate for the Council and will have a positive impact on the County Council's investment income

Financial Implications

- 6.24. The outturn for debt interest paid in 2019/20 was £13.4m against a budgeted £13.7m on an average debt portfolio of £275.8.
- 6.25. The outturn for investment income received in 2018/19 was £13.4m on an average investment portfolio of £617m, giving a yield of 2.17%. By comparison, investment income received in 2018/19 was £12.9m on an average portfolio of £618m with a yield of 2.09%.

7. Non-Treasury Investments

- 7.1. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. This is replicated in the Ministry for Housing, Communities and Local Government's (MCHLG) Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.
- 7.2. This could include loans made to Hampshire based businesses or the direct purchase of land or property and such loans and investments will be subject to the County Council's normal approval process for revenue and capital expenditure and need not comply with the TMS.
- 7.3. The County Council's existing non-treasury investments are listed in Table 6 below:

Table 6: Non-Treasury Investments

	31/03/20 Asset Value £m	31/03/20 Rate %
Loans to Hampshire based business	9.5	4.00
Joint Venture Recruitment Agency	0.2	5.00
Total	9.7	4.02

8. Compliance Report

- 8.1. The County Council confirms compliance of all treasury management activities undertaken during 2019/20 with the CIPFA Code of Practice and the County Council's approved TMS.
- 8.2. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 7 overleaf:

Table 7: Debt Limits

	2019/20 Maximum £m	31/03/20 Actual £m	2019/20 Operational Boundary £m	2019/20 Authorised Limit £m	Complied
Borrowing	280	271	700	740	✓
Other long term liabilities	157	149	150	190	✓
Total Debt	437	421	850	930	✓

9. Treasury Management Indicators

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

Interest Rate Exposures

9.2. The following indicator shows the sensitivity of the County Council's current investments and borrowing to a change in interest rates:

Table 8 – Interest Rate Exposures

Sums subject to variable interest rates	31/03/20 Actual £m	Impact of + / - 1% Interest Rate Change
Investment	338	+ / -£3.4m
Borrowing	23	+ / -£0.2m

9.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity Structure of Borrowing

9.4. This indicator is set to control the County Council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement:

Table 9 – Maturity Structure of Borrowing

	31/03/20 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	5%	50%	0%	✓
12 months and within 24 months	3%	50%	0%	✓
24 months and within 5 years	10%	50%	0%	✓
5 years and within 10 years	19%	75%	0%	✓
10 years and within 20 years	53%	75%	0%	✓
20 years and within 30 years	10%	75%	0%	✓
30 years and above	0%	100%	0%	✓

- 9.5. The County Council holds £20m of LOBO loans where the lender has the option to propose an increase in the interest rate as 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. If not repaid before maturity, these loans have an average maturity date of 14 years (minimum 7 years; maximum 25 years)

Principal Sums Invested for Periods Longer than a Year

- 9.6. 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 total principal sum invested to final maturities beyond the period end were:

Table 10 – Principal Sums Invested for Periods Longer than 364 days

	2019/20 £m	2020/21 £m	2021/22 £m
Actual principal invested beyond year end	374	246	211
Limit on principal invested beyond year end	410	330	330
Complied	✓	✓	✓

- 9.7. The table includes investments in strategic pooled funds of £171m as although these can usually be redeemed at short notice, the County Council intends to hold these investments for at least the medium-term

Other

- 9.8. CIPFA/LASAAC has proposed delaying the implementation of the new IFRS 16 Leases accounting standard for a further year to 2021/22.

Capital Spending and Financing 2019/20

1 Introduction

1.1 This Appendix reports that:

- Capital schemes costing £217.4m were started during 2019/20 from the approved capital programme for the year of £374.6m.
- This left £127.8m for named projects not started by 31 March 2020 which will be carried forward to 2020/21, subject to Cabinet's approval.
- Capital payments of £190.0m were incurred in 2019/20 and this can be financed within available resources.
- It is proposed that, under the Prudential Code for Capital Finance, new prudential borrowing of £29.4 is used in 2019/20 to fund previously approved schemes.
- Repayments of prudential borrowing from capital receipts and other sources total £10.5m in 2019/20.
- £25.0m of resources will be drawn down from the capital reserve in 2019/20 for use in funding payments incurred in 2019/20.
- Capital receipts of £10.9m were achieved from the sale of assets in 2019/20.

2 Capital Programme for 2019/20

2.1 Table 1 below shows that 58.1% of the Capital Programme for 2019/20 was started in the year.

Table 1 - Capital Schemes Committed in 2019/20

	£'000	%
Approved value of the Capital Programme for 2019/20	374,613	100.0
Schemes committed in 2019/20	217,455	58.1
Balance of Cash Limit at 31 March 2020	157,158	41.9
Schemes for which approval to carry forward to 2020/21 is now requested	127,855	34.1
Schemes previously approved for carry forward	29,303	7.8
Total Cash Limit to be Carried Forward to 2020/21	157,158	41.9

2.2 An analysis by service of the figures in Table 1 is included in Annex 1.

3. Carry Forward of Schemes not Committed by 31 March 2020

- 3.1 The approval of Cabinet is required for proposals to carry forward schemes not started at 31 March 2020. The total value of such schemes is £127.9m. This excludes £27.4m of Children's Services schemes and £1.9m of Policy and Resources schemes for which approval to carry forward to 2020/21 has previously been given during 2019/20. These amounts are largely committed against named projects.
- 3.2 As Table 2 below shows, the value of the 2019/20 programme committed in the year, at £217.5m, is lower than the level achieved in 2018/19 of £253.2m. Steady progress is being made given the significant size of the overall Capital Programme.

Table 2 – Percentage of Capital Programme Committed

	2018/19	2019/20
	£m	£m
Value of Projects		
- Committed	253.2	217.4
- Carried forward	122.3	157.2
Total Programme	375.5	374.6
Percentage Committed	67.4%	58.1%

- 3.3 Whilst the impact of the Covid-19 pandemic was not material in 2019/20 it is expected, not surprisingly, that in the coming financial year there will be a consequent increase in slippage compared to the originally planned programme.
- 3.4 Individually, most of the schemes and provisions to be carried forward are relatively small amounts. The larger schemes include:
- Adults with Disability – Accommodation Strategy (£7.4m) – A capital grants programme has been approved and is progressing.
 - Extra care housing transformation (£3.1m) – The remaining projects within this programme are being considered.
 - Relocation of Cornerstones Whiteley Primary (£12.3m).
 - Improvements to Schools (£5.8m) and Children's Services contingency provision to cover future projects and pressures on the Capital Programme (£6.0m).
 - Structural maintenance of roads and bridges – Future projects planned which are linked to the outcome of funding bids (£5.8m).
 - Botley Bypass (£26.1m) – Project designs are progressing.

- Uplands Farm, Botley – Infrastructure and Utility works (£28.1m) – Plans are progressing.

4. Capital Expenditure and Financing 2019/20

- 4.1 Total expenditure actually incurred in 2019/20, arising from the Capital Programme for 2019/20 and earlier years, was £190.0m. This is £72.2m or 27.5% lower than the revised estimate for 2019/20. The timing of capital expenditure flows between financial years is often difficult to predict. The delays in committing a fair proportion of the Capital Programme for 2019/20, as shown in Table 2, will have reduced the level of payments in the year.
- 4.2 An analysis of the expenditure of £190.0m by service and type is included in Annex 2.
- 4.3 The proposed method of financing this expenditure is summarised in Table 3:

Table 3 – Capital Financing 2019/20

	Adjusted Revised Estimate £'000	Actuals £'000	Variation £'000
Prudential borrowing			
- for capital schemes	42,808	29,384	(13,434)
- repayments of specific schemes	(13,598)	(10,464)	3,134
Government capital grants	136,094	83,114	(52,980)
Contributions from developers and outside agencies	48,167	43,883	(4,284)
Capital receipts	1,092	10,943	9,851
Revenue contributions	8,307	11,586	(3,279)
Total Capital Resources	168,017	161,648	(54,424)
Transfers from / (to) reserves			
- Capital Reserve	39,377	24,968	(14,409)
- Revenue Reserve		(3,399)	(3,399)
Total funding for payments in 2019/20	262,247	190,015	(72,232)

- 4.4 In addition to this spend, during 2019/20, the Enterprise M3 Local Enterprise Partnership (EM3 LEP) invested £28.4m in Capital projects within the M3 corridor. This spend is included in the annual accounts, as the Council is the Accountable Body for the LEP.

5. Borrowing

- 5.1 Since 1 April 2004, local authorities have been permitted to borrow for capital purposes without specific approval from the Government, provided their actions meet the requirements of the Prudential Code for Capital Finance introduced by the Local Government Act 2003. This is known as 'prudential borrowing'. It does not attract any support from the Government towards the repayment and interest costs, which fall wholly on the County Council's own resources.
- 5.2 Cabinet agreed criteria for the use of prudential borrowing in November 2003, with revisions in February 2006. Since then, its use has been agreed for a number of capital schemes, primarily on an invest-to-save basis. It is proposed that a total of £29.4m is borrowed in 2019/20 for these schemes, in accordance with the approved criteria.
- 5.3 Prudential borrowing of £10.5m has been repaid in 2019/20 from the use of capital receipts, developer and other contributions.
- 5.4 The Prudential Code includes a number of indicators intended to illustrate whether local authorities are acting prudently. The County Council's latest position on these prudential indicators following the 2019/20 outturn is summarised in Appendix 2. It shows that the County Council continues to be in full compliance with the requirements of the Code.

6. Capital receipts

- 6.1 Capital receipts from the sale of land and property in 2019/20 were £10.9m in total. This has been used to fund capital expenditure in the year.
- 6.2 Services' proposed shares of capital receipts in 2019/20 are summarised in Annex 3. The County Council's policy allows services to retain 25% of capital receipts from the sale of their assets, with up to 100% for approved rationalisation schemes.
- 6.3 In line with this policy, services are entitled to £4.7m of the £10.9m received in 2019/20. Cabinet has previously approved the addition of the majority of this amount to services' capital programmes, leaving a total of £2.2m for which approval is now required for allocation to services, as set out in Annex 3.

Analysis of Capital Programme 2019/20 and Requests by Services to Carry Forward Capital Schemes to 2020/21

	(1)	(2)	(3)	(4)	
	Approved Value of Programme	Schemes Committed in 2019/20	Schemes for Which Approval to Carry Forward is Requested	Schemes Already Approved for Carry Forward	Total Cash Limit Carried Forward to 2020/21 (Columns 3+4)
	£'000	£'000	£'000	£'000	£'000
Adults' Services	25,980	14,482	11,498		11,498
Children's Services	125,832	66,621	31,845	27,366	59,211
Economy, Transport and Environment	135,215	100,515	34,700		34,700
Policy and Resources	87,586	35,837	49,812	1,937	51,749
Total	374,613	217,455	127,855	29,303	157,158
	100.0%	58.1%	34.1%	7.8%	42.0%

The amounts to be carried forward are largely committed against named projects

Summary of Capital Expenditure in 2019/20**Analysis by Service**

	£'000	%
Adults' Services	18,560	9.8
Children's Services	60,825	32.0
Economy, Transport and Environment	76,130	40.1
Policy and Resources	34,500	18.1
	190,015	100.0

Analysis by Type of Expenditure

	£'000	%
Land	401	0.2
Construction work	131,363	69.1
Fees and salaries	24,655	13.0
Furniture, equipment and vehicles	9,213	4.9
Grants	14,383	7.6
Pooled Property Fund	10,000	5.2
	190,015	100.0

Analysis of Capital Receipts 2019/20

	Capital Receipts	Costs of Sales	Shares from in/out and Other Schemes		Share of Qualifying Receipts Now Due to Services
			Previously Added to Programme	Now Available to be Added to Programme	
	£'000	£'000	£'000	£'000	£'000
Adults' Services	1,571	0	1,571	0	0
Children's Services	1,581	1	297	500	72
Economy, Transport and Environment	0	0	0	0	0
Policy and Resources	7,791	76	665	1,610	0
	10,943	77	2,533	2,110	72
Total Now to be Added to Services' Programmes				2,182	

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COUNCIL MEETING, 16 JULY 2020

REPORT OF THE
Cabinet
PART I

1. Medium Term Financial Strategy Update

- 1.1. At its meeting of 14 July 2020 (following publication of this report), Cabinet will consider an update to the Medium Term Financial Strategy (MTFS).
- 1.2. The update is in the context of uncertainty presented by the Covid-19 crisis, the absence of any settlement figures beyond the current financial year and a further delay in the Comprehensive Spending Review (CSR). It outlines what is considered to be as realistic a medium term financial scenario as possible and assess the County Council's ability to agree a strategy to at least ensure continued financial sustainability until the end of 2022/23.
- 1.3. The report to be considered by Cabinet is attached in full as an Annex to this Council report.
- 1.4. In addition to proposed recommendations to Council, set out below, it is recommended that Cabinet:
 - Note the current level of unfunded costs and losses of approaching £103m, as detailed in paragraph 14.
 - Note that the County Council will continue to lobby the Government to underwrite all of the financial consequences of the crisis and that as part of this lobbying, the Leader of the County Council will write to the Government requesting that they honour their commitment to fully fund the financial consequences of Covid-19.
 - Note the urgent decisions taken to date in respect of a number of key issues relating to the County Council's response to the Covid-19 pandemic, as set out in Appendix 1.
 - Approve additional ongoing funding of up to £1.7m to be met from general contingencies to enable the Special Educational Needs service to meet the rising demands they are facing and help them meet their statutory duties.
 - Approve an additional £3.783m for additional social workers in the current year to be met from Covid-19 grant funding and up to £6.7m in 2021/22 subject to a review of demand and caseloads at the end of this financial year.
 - Approve further payments to social care providers of £5.910m to be met from Covid-19 grant funding and delegates authority to the Deputy Chief Executive and Director of Corporate Resources in consultation with the Director of Adults' Health and Care to agree a further month's payments at a cost of £2.418m.
- 1.5. When introducing this Part I report, the Leader will confirm to the County Council the resolutions made by Cabinet on 14 July.

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

- [Cabinet - 14 July 2020](#)

RECOMMENDATIONS

With reference to the report annexed to this Council report, Council is recommended to approve:

- a. A capital underwriting of up to £5m to be met from capital receipts to enable existing schemes to continue where there may be increased costs and to delegate authority to the Deputy Chief Executive and Director of Corporate Resources to allocate this funding as appropriate.
- b. The timetabling options for a successor savings programme as set out in paragraph 163.
- c. The Departmental savings targets as set out in paragraph 165.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet County Council
Date:	14 July 2020 16 July 2020
Title:	Medium Term Financial Strategy Update
Report From:	Deputy Chief Executive and Director of Corporate Resources

Contact name: Carolyn Williamson

Tel: 01962 847400

Email: Carolyn.Williamson@hants.gov.uk

VALID AS AT 1 JULY 2020

Section A: Purpose of this Report

1. The purpose of this report is to provide an update on the medium term financial prospects for the County Council to 2022/23, in particular in view of the impact of the Covid-19 pandemic.
2. Under normal circumstances it would be usual to provide a fully updated Medium Term Financial Strategy (MTFS) in July that would cover a forward three year period. However, in the absence of any settlement figures beyond the current financial year and a further delay in the Comprehensive Spending Review (CSR) it is difficult to predict with any certainty what the financial prospects for the public sector will be beyond the current financial year.
3. On top of this, the financial uncertainty caused by the Covid-19 pandemic means that short term financial sustainability is called into question and it is therefore not practical to try to produce a 'normal' MTFS at this point. The main purpose of this report therefore is to outline what is considered to be as realistic a medium term financial scenario as possible and to assess the County Council's ability to agree a strategy that at least ensures our continued financial sustainability until the end of 2022/23.
4. The report also takes advantage of the opportunity to seek several new approvals including social workers for Children's Services, resources for Special Educational Needs and underwriting for capital schemes that are currently in progress. Furthermore, the report summarises the urgent financial decisions that have been taken so far in response to the pandemic.

Section B: Recommendation(s)

It is recommended that Cabinet:

5. Notes the current level of unfunded costs and losses of approaching £103m, as detailed in paragraph 14.
6. Notes that the County Council will continue to lobby the Government to underwrite all of the financial consequences of the crisis and that as part of this lobbying, the Leader of the County Council will write to the Government requesting that they honour their commitment to fully fund the financial consequences of Covid-19.
7. Notes the urgent decisions taken to date in respect of a number of key issues relating to the County Council's response to the Covid-19 pandemic, as set out in Appendix 1.
8. Approves additional ongoing funding of up to £1.7m to be met from general contingencies to enable the Special Educational Needs service to meet the rising demands they are facing and help them meet their statutory duties.
9. Approves an additional £3.783m for additional social workers in the current year to be met from Covid-19 grant funding and up to £6.7m in 2021/22 subject to a review of demand and caseloads at the end of this financial year.
10. Approves further payments to social care providers of £5.910m to be met from Covid-19 grant funding and delegates authority to the Deputy Chief Executive and Director of Corporate Resources in consultation with the Director of Adults' Health and Care to agree a further month's payments at a cost of £2.418m.
11. **Recommends to County Council that:**
 - a) A capital underwriting of up to £5m be approved to be met from capital receipts to enable existing schemes to continue where there may be increased costs and to delegate authority to the Deputy Chief Executive and Director of Corporate Resources to allocate this funding as appropriate.
 - b) The timetabling options for a successor savings programme as set out in paragraph 163 be approved.
 - c) The Departmental savings targets as set out in paragraph 165 be approved.

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.

Council is recommended to approve:

- a) A capital underwriting of up to £5m to be met from capital receipts to enable existing schemes to continue where there may be increased costs and to delegate authority to the Deputy Chief Executive and Director of Corporate Resources to allocate this funding as appropriate.
- b) The timetabling options for a successor savings programme as set out in paragraph 163.
- c) The Departmental savings targets as set out in paragraph 165.

Section C: Executive Summary

12. Members will be fully aware of the significant financial impact locally, nationally and globally of the Covid-19 pandemic, not least due to the level of spend that has already been necessary to respond to the crisis and support the economy but also as a result of the long term impact on the economy and public finances going forward.
13. The speed of lockdown which came at the end of March had implications for decision making within the County Council and in the absence of the ability to hold virtual meetings, the key decisions that were made in respect of response costs were taken under the urgent provisions within Financial Regulations. These allow the Chief Financial Officer in consultation with the Leader and Chief Executive to take urgent financial decisions where necessary as long as these are reported to Cabinet or County Council in due course. Appendix 1 provides a summary of these decisions and provides links through to the formal decision records.
14. The latest return to the Ministry for Housing Communities and Local Government (MHCLG) in June saw a decrease in the net position of £14.7m, but still leaves the County Council with unfunded costs and losses in the region of £103m, before the impact on future years is taken into account. This figure includes income losses which for the most part relate to the consequential losses arising from lockdown (country parks, outdoor centres, registration services etc) or relate to trading type services that the County Council provides in areas such as school catering, county supplies, school improvement services and property services.
15. Of the total £20.7m reported as income or commercial losses in the June MHCLG return only £3.5m relates to lost investment income linked to the stock market crash at the end of March 2020. Whilst some of this relates to our pooled property funds, we hold no direct property assets and are not therefore suffering the significant hardships in this area as many other authorities are doing and for which the Government has made it clear that any bail out will be 'painful'. This once again underlines that the Council's prudent investment approach in this area was the correct one.

16. Covid-19 has also impacted on both the Transformation to 2019 (Tt2019) and the Transformation to 2021 (Tt2021) Programmes and an early assessment of the cash flow impact of this was included in the report to Cabinet in May and totalled more than £30.8m across the three years. This exercise has been repeated taking into account the greater levels of information available at this time and a revised figure of approaching £37.8m has been forecast which has been fed into the financial assessment outlined in the report.
17. This is clearly a concerning time for public sector finances and most authorities will be trying to assess what the medium term impact is for their organisation and what it means for their financial sustainability. Indeed, Chief Financial Officers (CFOs) in their Section 151 role are required to make such an assessment and the purpose of this report is to consider the County Council's position over the period to the end of 2022/23.
18. In assessing our financial viability, we have taken the view that it is not sufficient just to be able to survive the current crisis, we must at least be in a position to also respond to the challenges that lie beyond 2022/23, within what will almost certainly be a period of further challenge for public sector finances, on top of the usual inflationary and growth pressures that we face.
19. In this context, we have made the assumption that in order to be financially viable, the County Council must at least be in the same financial position at the end of 2022/23 as it was expecting to be in the last Medium Term Financial Strategy (MTFS) approved in November 2019. Even this position showed a shortfall of funding available to support a successor programme beyond Tt2021 but given the significant uncertainty on all aspects of costs and funding, this was thought to be a reasonable position against which to assess our financial sustainability.
20. One of the most difficult but important aspects of the process is to come up with a base case for costs, income losses and spending pressures. This has been developed using a range of specific assumptions that have been prepared by departments in relation to their services, which are detailed in Appendix 2. At this stage, the base case has been developed by looking at only the key services that we believe have been or will be, impacted by Covid-19 over the next few years. As ever, adults' and children's social care account for the major proportion of the additional costs based on the assumptions that are set out in detail in Appendix 2.
21. The report then considers three potential scenarios in terms of further government funding against this base case for 2020/21, 2021/22 and 2022/23 as a result of Covid-19. The base case also assumes that the pre Covid-19 projections of a £40.2m gap each year after 2021/22 still hold true and the scenarios deal with the marginal changes over and above this position. Finally, a Reasonable Worst Case Scenario (RWCS) has also been calculated at a very high level to provide further context to the sustainability assessment.
22. In summary, the impact of each of the scenarios is outlined overleaf:

Scenario	Scenario Description	Financial Sustainability Impact
1	No further government funding announcements or support for council tax and business rate losses.	There is still a small deficit even after all of the General Fund Reserve has been used. The County Council is not considered to be financially viable.
2	Additional government funding to meet response, recovery and demand costs in 2020/21, but no support for council tax and business rate losses.	£3.7m of General Fund Reserves would need to be used, which would need to be replaced in future years. Given the extra strain that this would cause, and the sensitivity of this scenario to any other financial shocks, the County Council is not considered to be financially viable.
3	The best case scenario assuming both additional government funding and council tax and business rate support is provided for the current year only.	Requires no use of the General Fund Reserve and still retains £30.9m of headroom in swapping out existing capital funding for prudential borrowing. The County Council is considered to be financially viable.
Reasonable Worst Case	Reasonable Worst Case Scenario for costs / losses and highest level of government funding / support as per Scenario 3 above.	There is still a significant deficit of £11.3m after the use of all General Fund Reserves. The County Council is not considered to be financially viable.

23. It should be noted that the assumptions and forecasts that underpin this assessment are very high level and are a snapshot at a point in time - they are not of the same accuracy that we would normally expect to find in an MTFs. In essence, the process of assessment will need to be constantly updated as more information becomes available and in light of changing circumstances and assumptions based on the progress of the infection, the Government's response and all of the other factors that influence the overall position.
24. It is also very important to note that whilst these response packages have been developed in a crisis situation and significant sums have been pulled together as a result, it must be understood that for all scenarios, **this makes the County Council VERY vulnerable to any future financial shocks!**
25. In Capital Programme terms there has not been a significant impact arising from Covid-19. Some programmes of works were temporarily suspended but most of these re-started again soon after. We anticipate that there may be some claims for compensation together with potential increased costs for social distancing measures, but overall, the immediate financial impact is expected to be less than £5m. This report seeks a capital underwriting up to this value to

enable existing schemes already in progress to continue without the need to seek further financial approvals.

26. Given the overall financial position and the future impact of Covid-19 on some of our asset base, it is also not considered the right time to be considering options for new capital investment outside of any urgent health and safety works which may be required, which will be brought forward for consideration in due course.
27. Later sections of the report consider the financial prospects beyond 2022/23 and the timing of any potential successor savings programmes. The financial landscape is so uncertain at the moment that keeping to normal timescales is neither practical nor possible and two options for a revised timetable are therefore considered but are dependent on our financial position at budget setting time in February 2021.
28. The final section of the report considers financial resilience and sustainability in the context of the current environment. The key purpose of this report is to assess our financial sustainability going forward and as outlined above there are scenarios where the County Council is not considered to be financially viable in the medium term that would require the County Council to take appropriate action.
29. There has been discussion across the sector about the issuing of Section 114 Notices and revised guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) encourages CFO's to discuss the potential issue of Section 114 Notices with the Government prior to issuing them. However, this is a last resort position assuming that the CFO does not think that appropriate action is being taken by the authority, which is not expected to be the case in Hampshire County Council.
30. What this report demonstrates is that once again the strong financial performance of the County Council in the past means that it has sufficient 'firepower' in the short term to deal with the impact of Covid-19 whilst it waits for further information on government funding and the prospects for next year's settlement.
31. The intention is to continue to provide regular updates to Cabinet on the overall position, but a key decision point will be reached in February 2021 when we set the budget for 2021/22. At that point we can take stock of everything that is known at that time and consider how it influences the assessments made within this report and the timing of any successor savings programme.

Section D: Contextual Information

32. The financial strategy which the County Council has been successfully following since 2010 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.

33. The model has served the authority well to date and the County Council's strategy placed it in a very strong position to produce a 'steady state' budget for 2020/21 and safely implement the next phase of changes through the Transformation to 2021 (Tt2021) Programme to deliver further savings totalling £80m.
34. The outturn position for 2019/20, which is set out in the 2019/20 - End of Year Financial Report presented elsewhere on the Agenda, highlighted the strong financial performance across the County Council with the achievement of a net saving against the budget of £19.1m; despite having taken a further £140m of savings from the budget that year.
35. Both the Transformation to 2019 (Tt2019) and Tt2021 Programmes were progressing to plan and there were clear signs that the strategies being applied in the more complex areas of adults' and children's social care were having an impact on controlling demand. This is particularly true for Children Looked After (CLA) where reductions in the overall number of children in care have been achieved against the trends nationally and our own experience of increasing demand.
36. However, since the budget was set in February an unprecedented national crisis, in the shape of the Covid-19 pandemic has demanded a similarly unprecedented set of responses from across the public sector, most notably the NHS, but also local government. The County Council's response to the Covid-19 crisis has been wide ranging both in terms of its own service provision and in supporting a number of partners both directly and through the Local Resilience Forum (LRF).
37. In view of the urgent requirement for the County Council to respond at pace to emerging events, especially during the early stages of the crisis, a number of urgent financial decisions were needed to facilitate timely action. Where an urgent financial decision is required that falls outside of the defined process or limits within Financial Regulations or Financial Procedure Rules, but is felt to be in the wider interests of the County Council, the Chief Financial Officer (CFO) in consultation with the Leader and Chief Executive can make the decision subject to it being reported back to the appropriate decision making body.
38. All of these decisions are described briefly in Appendix 1 and the approved spend can be met either from existing budgetary provisions or from the Covid-19 grant funding allocated by the Government.
39. The financial implications of the crisis on the County Council's own budgets and financial planning will be profound based on where we are today and at this stage it is difficult to predict when we might see a return to normality.

40. Response costs and consequential losses arising from reduced income, trading losses and lost investment income are significant and continue to grow as more issues are uncovered and require actions. In line with the Government's guidance we have also been providing support to various providers to ensure sufficiency of provision now and into the future.
41. A separate exercise has been undertaken to assess the impact of the crisis on the Tt2019 and Tt2021 Programmes, to take account of the delay in implementation.
42. A summary was presented to Cabinet on 15 May setting out the known position as at the close of play on Monday 4 May and this was reflected in the first return to the Ministry of Housing, Communities and Local Government (MHCLG) setting out the financial impact. At that point, the estimated total cost of the response for the three month period to the end of June, together with the impact on savings programmes was £96.2m of which we predicted £74.6m would be met from existing budgets, government grant and savings in some services.
43. In the absence of further government funding the net unfunded cost was estimated to be £21.6m and whilst it would have been possible to cover this level of gap from existing reserves, it would have had an impact on our financial sustainability in the medium term. The intention therefore was and remains to continue to lobby the Government to underwrite all of the financial consequences of the crisis. As part of this lobbying, the Leader of the County Council will write to the Government requesting that they honour their commitment to fully fund the financial consequences of Covid-19.
44. It was made clear that this initial estimate did not include recovery costs, demand increases or losses in council tax and business rates and it was highlighted that the estimated cost of response for each extra month at that point was judged to be nearly £18.5m. It was also flagged that as we moved out of response and into recovery, we would face further financial challenges arising not least from increased demand for services across adults' and children's social care, which would not be fully quantified for some time to come. Therefore, it was clear at that stage that the financial pressure was only going to get worse.

Section E: MHCLG Return and Assumptions

45. The first return to the MHCLG was submitted early in the crisis and the guidance provided to local authorities on a 'Common Operating Picture' (COP) was almost non-existent at that time. Unsurprisingly, as a result, the approach adopted by individual authorities was very different and analysis and discussion across the sector after the submission highlighted that this initial data collection was almost unusable at a national level.
46. Since that time, MHCLG have been consulting with the sector and issued a draft second form and guidance to the different Treasurers Societies to seek

feedback before the next return was due. Hampshire fed back on the form on behalf of the Society of County Treasurers (SCT) and highlighted that the key issue was to set a timeframe for Council's to work toward and a COP against which to base revised forecasts.

47. Separately, the County Council's Network (CCN) commissioned PricewaterhouseCoopers (PwC) to run two workshops just prior to the submission date in order to try to agree a common approach at least across CCN members to the completion of the form.
48. Taking all of these factors into account, it was therefore agreed to produce figures based on the following scenario:
 - Extend the figures reported to Cabinet for an extra month to the end of July.
 - Add a further month of costs and losses to allow for a phased recovery period of a further two months (assuming that we return to 'normal' over the course of that period on a straight line basis).
 - Add high level guesses for recovery and demand costs for major services where we expect there to be an impact.
 - Assume a percentage loss of business rates and council tax yield for the current year only (the form does not deal with future years impact).
 - As with the first form only including the impact of savings programme delays for the current year only.
49. In addition to these global assumptions, we have also been considering service specific assumptions as part of this MTFS Update and these are contained in Appendix 2. This includes generic assumptions that apply to all services and one of the most important of these is that we do not expect a second peak and complete lockdown later in the year as any increase in community infection will be managed through the outbreak plans that have been developed.
50. For the May return, better information was available on response costs and income losses but the impact on trading areas was less clear and only very high level estimates were provided for future recovery and demand costs.
51. In May, the revised estimated total cost of the response for the extended four month period to the end of July, together with the impact on savings programmes was more than £195.5m of which we predicted £85.9m would be met from existing budgets, government grant and savings in some services. In the absence of further government funding the net unfunded cost was estimated to be approaching £109.7m which is clearly significantly more challenging to the financial sustainability of the County Council.
52. In developing forecasts for this Medium Term Financial Strategy (MTFS) Update, further more detailed work has been undertaken on recovery and response costs and specific workshops were arranged by the Deputy Chief Executive and Director of Corporate Resources with the Directors of both

Adults' Health and Care and Children's Services, in order to consider what assumptions it is reasonable to make and the consequential impact on demand forecasts both in the short and medium term.

53. We also have the benefit of two months of monitoring data and have reviewed and changed major assumptions as outlined later in the report. A key assumption that impacts on many areas is the position of schools once we reach September. Whilst there is significant national debate around this issue, a prudent financial approach has been adopted in each of the key services which are impacted by the extent of school opening and the total numbers of children returning.
54. It is also important to note that many of the May forecasts were based on a five month response period in line with government guidance and yet in some areas such as country parks income losses have been mitigated by the ability to open in line with the easing of lockdown restrictions that continue to be announced.
55. This information has all been fed into the MHCLG return for June and in some areas is very different to the original high level figures that were submitted as outlined below. This serves to underline the complex environment in which we are working and the iterative nature of financial forecasting as we learn more and things change on a month by month basis.

Financial Summary

56. The following table shows a summary of the figures for the May and June returns broken down over the key areas requested by MHCLG:

	May £'000	June £'000	Change £'000
Response and Recovery Costs	68,024	71,805	3,781
Lost Savings – 2020/21 only	9,996	9,996	0
Business Rate / Council Tax Losses – 2020/21 only	34,600	34,600	0
Lost Income / Investments	16,016	11,474	(4,542)
Commercial / Trading Losses	23,122	9,182	(13,940)
	151,758	137,057	(14,701)

57. The main differences between the two returns are shown in the table overleaf, but in the main relate to reduced response costs and losses in some areas due to easing of the lockdown measures and the end of the peak in infections, together with changed assumptions and forecasts in recovery and demand costs:

	£'000
Reduced adults' social care demand	(10,000)
An extended period for supporting the adult social care market and other associated costs (7 months)	7,665
Increased children's social care costs, including increased social workers	5,109
Home to School Transport reduced demand pressures on the assumption that social distancing will only apply for SEN children	(2,800)
Reduced income losses across CCBS based on early monitoring information and eased lockdown	(3,747)
Reduced Trading Losses based on early monitoring information, wider schools opening and current activity levels	(13,940)
Purchase of IT kit to enable extended home working	2,800
Other net changes	212
	<u>(14,701)</u>

58. As explained above the changes in the return relate to the iterative nature of financial forecasting during this unstable and completely unprecedented period. Where possible we have looked to fully align the current years data in the MHCLG return with the forecasts on financial sustainability presented later in this report.
59. The table in paragraph 56 shows that losses in income, investments and commercial / trading losses total £20.7m. The categories follow the MHCLG guidelines which do not properly represent the kinds of losses that we have experienced. A more appropriate breakdown for the County Council would be as follows:

Type	Description	Loss £'000
Client contributions	Adult's social care client income due to reduced package numbers	2,500
Fees and Charges	Lost fees, charges, sales income, event income, permits, licenses, room hire, parent contributions all as a consequence of lockdown	5,474
Traded Services	Net losses arising from trading activity in HC3S, County Supplies, Property Services, HIAS, School Music Service, Hampshire Transport Management etc.	9,182
Investment income	Losses in the investment of cash balances in pooled property, pooled equity and other higher yielding returns as a result of the stock market crash and economic conditions	3,500
Total		20,656

60. What this table shows is that almost £17.2m of the income loss is entirely due to the impact of Covid-19 and the lockdown measures that have been put in place. The lost investment income is as a result of the stock market crash and the general economic conditions surrounding Covid-19. It does not relate to any losses from direct property investment that the Government has been concerned about for some time. In considering the impact on what the Government terms 'unwise investments' they have suggested that there may be some help available, but it will be 'painful' for the sector given the previous warnings that have been issued.
61. The County Council's strategy has always been to seek pooled investments to help spread the risk and this is a strategy that has served it well in the current circumstances. We will continue to lobby the Government for assistance towards the lost income that is purely consequential to Covid-19 and lockdown measures, but the financial analysis detailed later in the report does not assume that this will be received as clearly a more prudent view needs to be taken in assessing our financial sustainability.
62. In order to complete the financial snapshot using the same methodology as reported to Cabinet and separately to all Members of the County Council we need to include Market Underwriting costs and the second two years of savings programme losses. This increases gross losses to £188.2m, which are offset by grants, budgets and other savings as outlined in the following table:

	£'000
MHCLG Return	137,057
Market Underwriting	23,355
Lost Savings – 2021/22 and 2022/23	27,775
Total Costs and Losses	188,187
Specific Funding (CCG's and Government)	(4,392)
Covid-19 Grant Allocations	(53,968)
Forecast Savings	(3,600)
Market Underwriting (budgeted)	(23,355)
Net Unfunded Costs and Losses	(102,872)

63. At the end of May, the net unfunded costs and losses were forecast to be £109.7m. Although some of the individual elements have changed (for example some offsetting savings are now reflected in the figures submitted to the MHCLG), the net snapshot position for June is around £6.8m lower than May, mainly as a result of the changes outlined in paragraph 57 above, offset by the worsening position for Tt2019 and Tt2021 delivery.
64. It is worth re-iterating though that this is simply a snapshot and is based on assumptions for response outlined in paragraph 48 and on recovery and demand costs that are detailed later in this report. It is inevitable that as our knowledge grows about what has already happened and we respond to changing assumptions about what might happen, that the figures reported for the current year will continue to fluctuate on a monthly basis.

Section F: Transformation to 2019 and Tt2021 Programmes

65. It would be usual as part of an MTFs Update report to provide a summary of progress on our transformation programmes, which are important in understanding the medium term cash flow support requirements that are needed either from departmental Cost of Change Reserves or the BBR.
66. Clearly, over the last three months departments have been focussed on responding to the crisis and the majority of activity on the transformation programmes was suspended, as were the normal reporting arrangements.
67. Early on in the crisis, an assessment was made of the impact of a delay in implementation of the Tt2019 and Tt2021 Programmes based on a four month delay in most areas and six months in the more complex services, recognising that it would take time to re-build momentum in these areas.
68. These figures have now been further reviewed as part of the preparation for this MTFs Update and are already included in the table set out in paragraph

62. The more detailed analysis by department and financial year is shown in the table below:

	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000
Adults' Health and Care	5,829	4,951		10,780
Children's Services	2,697	4,887	1,047	8,631
ETE	1,222	9,770	5,275	16,267
CCBS	143	1,630		1,773
Corporate Services	105	215		320
	9,996	21,453	6,322	37,771

69. The total impact has increased by more than £6.9m from the £30.8m previously reported to Cabinet. This reflects the latest assessment by departments and takes into account the impact of recovery and demand activities which were not considered the last time the exercise was undertaken, which was essentially in the first 2 weeks of April.
70. It is also worth noting that at this stage these figures are all assumed to be cashflow impacts and that savings will all eventually be delivered but on a longer time frame. In social care areas it is very difficult to understand the consequences of Covid-19 for potential future demand and how this will impact on the savings programmes. However, on the basis that current transformation activity in these areas is controlling or reducing demand, this should continue to be the case irrespective of whether or not there is a future spike in demand.
71. It is likely that in many areas transformation activity can be resumed within the next four to six weeks and it is expected that formal monitoring of the Programme will also start later in July with a view to providing greater levels of information on the Tt2019 and Tt2021 Programmes to Cabinet in September.

Section G: Financial Update

72. Significant work has been undertaken at speed to build an even more comprehensive financial picture of the impact of the pandemic, including extending the picture to 2022/23. Whilst this is crucial to enable the County Council to plan for the medium term, due to the uncertain and very complex environment which is evolving on a day to day basis and for which there is no past comparator it is unavoidably based on a wide range of assumptions made at this particular point in time.
73. Appendix 2 sets out for each department the key assumptions that have been used to prepare the latest and more comprehensive financial picture, and a

summary of the main issues and impacts are set out in the following paragraphs:

Adults' Health and Care

74. Adults' Health and Care have been at the forefront of the County Council's response to the crisis and unsurprisingly faces the largest cost pressures as a result of the Covid-19 pandemic. There are a number of immediate issues / cost drivers including:
- Increased demand from the acceleration of patients transferred from NHS care into various social care settings, albeit these are currently being met by the CCG's.
 - Significant cost of providing Personal Protective Equipment (PPE) across all social care settings.
 - Reduced income from new adult social care self-funders and fee payers coming into the system.
 - Payments to private and third sector providers delivering day care and respite where this income loss is having to be compensated to support the market but where no service is being delivered.
 - The need to increase unit prices paid to providers to enable them to cover their additional costs.
 - Additional staffing costs to cover illness and enable social distancing measures, in addition to security and deep cleaning.
75. Whilst the future is uncertain, a return to a "normal" social care environment is unlikely. Across the wider sector plans to re-configure care delivery and invest in infrastructure have been paused until the new landscape is better understood.
76. A number of issues could drive additional pressures in the medium term. These remain hard to quantify and will vary in degree and impact in different localities. The assumptions that we have applied are set out in Appendix 2 but some of the issues are as follows:
- Costs associated with PPE, shielding and social distancing are expected to become embedded.
 - Under occupancy of residential care places is a risk, with a corresponding shift towards domiciliary and other care settings. This is attributed to Covid-19 making traditional forms of residential care less attractive to new clients, particularly in regard to self-funders who may have a broader choice of options.
 - While this could boost efforts to shift demand away from residential care to potentially less expensive settings such as domiciliary or day care, any benefit is likely to be offset by the increased complexity of needs, some of which may be directly related to Covid-19 (for example additional

vulnerability that will need to be mitigated and an increased reluctance to seek hospital care in the early stages of illness).

- A structural reduction in demand for residential care, particularly for self-funders, triggered by Covid-19 is likely to impact the viability of providers and drive up unit costs.
77. Early on in the crisis the County Council made additional payments to social care providers to help them with extra costs in respect of PPE, cleaning, waste disposal and overtime or agency staff for sickness cover among other things, in line with government guidance. These payments were made to the end of July and whilst the first peak of infection has now passed, care providers are still facing a very challenging environment to ensure that staff and clients remain safe and to limit the spread of the infection as far as possible.
78. Although the Government has also provided additional funding to providers, this was specifically for infection control measures and cannot be used on basic costs such as PPE or the additional costs of agency workers. Furthermore, as highlighted above, many care providers are struggling financially as income from self-funders has significantly reduced and there is a danger that providers could go into administration placing potential strain on the market.
79. Given all of these factors, this report proposes a further two months of payments totalling £5.910m with the option for a further month costing £2.418m to be agreed under delegation if considered necessary. Both of these sums are contained within the financial forecasts set out in this report and can be met from the Covid-19 grant funding provided by the Government, albeit that this does not cover all of our current costs at this stage.

Children's Services

80. Children's Services faces pressure across a range of service areas but notably children's social care and home to school transport.
81. Some of the key drivers include:
- Increased costs to providers and in-house services leading to increased unit price. Areas include for example PPE, social distancing, shielding and deep cleaning of facilities.
 - A lower than expected level of referrals during the lockdown period, but this is expected to rise sharply as lockdown eases and when children return to school.
 - Expectation that lockdown will exacerbate current challenges for some families (for example increased domestic violence), leading to additional demand. In addition, the fact that those who would previously have been care leavers are currently remaining within the County Council's care.
 - A downturn in the supply of fostering places and an increase in placement breakdowns, with carers increasingly unwilling or unable to take on cases.

This is considered likely to have an inflationary effect on the unit cost for foster care.

- In terms of home to school transport the cost pressure arises largely from having to implement social distancing, in addition to supporting local providers during school closures from current budgets.

82. In the longer term there are a number of financial pressures as follows:

- Covid-19 is likely to exacerbate the current shortage of foster care placements in some areas, leading to the use of more expensive care options.
- Any increase in demand caused by Covid-19 reflects a longer term commitment which will have to be funded over several years.
- The impact of the resulting economic downturn is likely to cause further demand and this longer term impact along with changes to the provider market are very difficult to predict but are significant. Any increase in demand will also impact the requirement for social workers and support staff to ensure the maintenance of reasonable caseloads.
- If home to school transport has to continue to observe some form of social distancing and protective measures, there will be further costs but the availability of transport assets to enable such a policy may be a limiting factor.

83. One of the key factors in being able to respond positively to the anticipated future increase in demand is having adequate social worker capacity to deal with increased referrals and cases, not to mention the positive impact this also has on staff wellbeing if caseloads are controlled effectively. It is important that this capacity is in place before demand starts to spike and this report therefore requests funding of £3.783m in this financial year to increase social worker capacity and can be met from the Covid-19 grant funding provided by the Government, albeit that this does not cover all of our current costs at this stage. Funding of up to £6.7m is also requested for next financial year subject to a review of demand and caseloads at the end of this financial year the funding for which would need to be addressed as part of budget setting for 2021/22. Both of these sums are contained within the financial forecasts set out in this report.

84. In addition, as part of regular meetings held by the Deputy Chief Executive and Director of Corporate Resources with the Director of Children's Services there has been on-going focus on the Special Educational Needs (SEN) service which has been dealing with an increasing workload.

85. Additional one off investment has been provided by the Department through the use of Cost of Change to enable the service to deal with rising demand and much has been achieved since June 2019 when this interim funding was agreed. The service has completed recruitment, improved its operating procedures and has good performance management data which is well utilised.

86. However, on-going funding of up to £1.7m is now required to ensure that the service can maintain the current performance and help them meet their statutory duties. This additional business as usual pressure has been included in the financial position set out in this report, subject to approval by Cabinet and would need to be funded from existing contingency provisions on an ongoing basis.

Economy, Transport and Environment (ETE)

87. In the main, response costs have not been significant within ETE, although allowance has been made for potential compensation claims in some contract areas. Market underwriting has been a key feature within transport and concessionary fares in line with the Government's guidance and there may be recovery costs associated with social distancing measures.
88. The position for waste disposal is complex but the best current estimate assumes the additional cost of a revised approach to payments is expected to be offset by other savings arising from the different operating environment. For highways maintenance any financial impact can only be mitigated by reducing the amount of highway works undertaken during the year.
89. Some of the key drivers include:
- Social distancing requirements will limit recycling volumes through Household Waste Recycling Centres for the rest of the current financial year.
 - Alternative payment approaches across a range of services will continue in line with government guidance.
 - The impact of social distancing on highways works and costs.
90. At this point there are not expected to be any longer term pressures that impact on the scenarios outlined later in the report.

Culture Communities and Business Services (CCBS) and Corporate Services

91. Within CCBS there has been a major impact on income generation and on trading areas such as HC3S, the County Council's catering service, and County Supplies who have had significantly reduced trading activity as a result of the reduced numbers of children at school.
92. Some of the key drivers include:
- The continuation of lockdown measures and social distancing, albeit some areas such as country parks saw easing some time ago.
 - The numbers of children able to attend school, which impacts in particular on the provision of school meals through HC3S and the purchase of goods through County Supplies.

- The extent to which events such as marriages and the use of buildings will be relaxed in the future, some indications on which were given in the announcements on 23 June.
93. At this point there are not expected to be any long term pressures, but this is dependent on there being no further lockdowns. The reasonable worst case scenario for CCBS assumes that further disruption to income streams could be experienced during any future peak infection period.
 94. There are also small income losses predicted across Corporate Services but no other short or long term pressures and so a separate set of assumptions are not included in Appendix 2 for this Department.

Risks in the Forecast

95. It would be usual as part of the MTF5 to state the key assumptions that have been used around government grants, council tax and social care demand etc. and to highlight the potential risks and sensitivities within those assumptions.
96. However, given the complex nature of the forecasts we are producing during these unprecedented times and without any historical information to act as a guide, in essence we must treat all of the forecasts in this report as high risk in nature.
97. Later in the report we set out several funding scenarios and a Reasonable Worst Case Scenario (RWCS), in order to consider the potential medium term impact on the County Council. However, it must be recognised that many of these figures are speculative in nature and are based firmly on the individual departmental assumptions set out in the Appendix 2.
98. A prime example of the complexities we face relates to assumptions around social distancing. We had assumed that the “2 metre social distancing rule” would be in place for some time and this has implications for a range of services. On 23 June, the day after the initial financial analysis had been completed, the Government announced a relaxation of the social distancing measures. Given the timing of this and the fact that it would only improve the financial position, we have not re-worked the numbers, but this is a prime illustration of the difficulties we have in producing sensible forecasts in an ever evolving and rapidly changing environment.
99. Similarly, an announcement was made in respect of marriages re-commencing which equally impacts on the assumptions included for the Registration Service.
100. As time progresses and as more information becomes available, it will be possible to continually refine these figures and the expectation is that we will report regularly to Cabinet on the latest figures as we lead into budget setting for 2021/22.

101. In overall financial risk terms however, it is very important to note that whilst the response packages set out below have been developed in a crisis situation and significant sums have been pulled together as a result, it must be understood that for all scenarios, **this makes the County Council VERY vulnerable to any future financial shocks!**

Financial Forecasts

102. The above summaries of departmental issues and assumptions have been used to produce a base case for costs, losses and pressures in key service areas for 2021/22 and 2022/23. This has been combined with the unfunded costs and losses for the current year as set out above and the revised cashflows for Tt2019 and Tt2021.
103. All of this has been fed into the financial scenarios outlined later in the report. In addition, work has also been undertaken at a very high level to predict what a RWCS might look like as part of our assessment of the County Council's financial sustainability over the next three years.

Schools Funding

104. The Covid-19 Financial Report presented to Cabinet in May provided an update on the financial implications for schools resulting from the pandemic. In particular, there are concerns within the sector about income levels and the extent to which these support core activities within schools. Whilst there has been some government funding it is likely that Covid-19 will put some schools into deficit or will impact on financial recovery plans that were already in place.
105. Last month, a further £1bn pounds was announced for schools but this is targeted at making up for lost teaching time during the pandemic. A one off grant of £650m will be shared across state primary and secondary schools over the 2020/21 academic year. Whilst head teachers will decide how the money is spent, the Government expects it to be spent on small group tuition for whoever needs it.
106. Separately, a National Tutoring Programme, worth £350m, will increase access to high-quality tuition for the most disadvantaged young people over the 2020/21 academic year. It aims to reach up to two million pupils.
107. Whilst welcome, this does not help to improve the overall financial position of schools and it may be some time before the full impact at a local level is understood.
108. In terms of other impacts, the County Council has been putting in measures to support Early Years Providers, by continuing to pay budgeted amounts to them, irrespective of the number of children they are looking after. In addition, extra payments have been made to ensure key worker and vulnerable children have suitable placements where their normal care setting is closed or unable to take

them. We are also working closely with the sector where they are experiencing specific financial difficulties.

109. In all of these areas, the ultimate impact will be on spend measured against this years Dedicated Schools Grant (DSG) and could lead to further deficits over and above those being experienced within the High Needs block, which includes SEN. In line with government guidance, these deficits must be addressed through recovery plans and future years DSG, and therefore do not feature as a pressure within the forecasts outlined in this report.

Section H: Local Government Funding

110. Prior to the Covid-19 pandemic, local government has had to adapt to significant reductions in funding during the period of austerity and Members will be fully aware of the County Council's response to these reductions.

111. In broad terms, through our transformation programmes we have responded by driving out efficiency savings, reconfiguring services and generating additional income. This means that the County Council, along with other local authorities entered the pandemic with reduced financial resilience and fewer options available to absorb the significant increased costs and income reductions caused by Covid-19.

112. The period immediately before the Covid-19 crisis was one of considerable uncertainty. A lack of multi-year funding settlements already made it hard for local authorities to develop longer term financial plans. The key areas were:

- Funding for adults' social care was already a major challenge, with significant growth in demand projected alongside increasing complexity of need and a fragile provider market which was in need of additional investment. Government had started to address this in the form of ad-hoc, though significant, funding allocations but the longer term solution had yet to emerge, along with the anticipated social care green paper.
- Equally pressures in children's social care were growing and again whilst one off funding (albeit insufficient to meet the rising costs) had been made available, no longer term solution had been advocated.
- It had been recognised by government that the current system for calculating business rate allocations was also in need of review, and while different levels of retention had been piloted there had not been a definitive decision on the longer term for Business Rate Retention (BRR). The system for calculating rateable values was also due for review at a time when the value of business activity was increasingly removed from the value of their premises.
- The system for calculating relative needs and the allocation of central government funding was also due to be revised. The 'Fair Funding Review' has been delayed a number of times.
- The future for specific grants, such as the New Homes Bonus.

113. These were among a number of factors that were already creating considerable uncertainty as to the future funding model for local government. The Covid-19 crisis has now exacerbated the need for these long standing funding uncertainties to be addressed.
114. The County Council is still in the position of having no visibility of its financial prospects beyond the 2020/21 year, which clearly makes any accurate financial planning difficult to achieve and the Comprehensive Spending Review (CSR) which was planned for this year is fully expected to be postponed (although this has yet to be officially confirmed) and replaced with a further one year Spending Round; extending the period of uncertainty.
115. 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.
116. For now, one of the key messages we have been giving to local MPs and the Government is the need for an urgent single year Spending Round that provides provisional settlement figures for 2021/22 in order that we can start to plan for budget setting for next year. We are in a very similar position to last year where our exit from the EU created considerable uncertainty and the Government responded by announcing a Spending Round in September that provided upper tier authorities with the certainty they needed for the year ahead. Arguably, the current uncertainty and immediate financial instability within the sector provides an even greater impetus for a similar announcement this year.

Section I – The Council’s Challenge to 2022/23

117. In the current MTFs approved in November 2019 the forecasts that were set to inform the Tt2021 target of £80m were affirmed. However, what is particularly pertinent for the forecast is the lack of any detail around the Government’s intentions beyond the current financial year. The two year position to 2021/22 presented in the MTFs assumed that all government funding announced for 2020/21 (including the extra £1bn for social care) would be built into the base position going forward. However, no further increases in funding for the growth in social care costs that we know we will face in 2021/22 were assumed.
118. The key risks within the forecast at that point can be summarised as follows:
- Grant reductions or funding re-distribution are greater than expected following the Fair Funding Review and extended BRR.
 - The assumption of ongoing core council tax increases of 2% plus a further 2% for the adult social care precept.
 - The assumption that there will be continued government funding allocated towards social care pressures at least at 2020/21 levels.

- That growth in adults' and children's social care is even greater than forecast.
- Potential changes resulting from the long awaited Green Paper (or possibly a White Paper) on social care for older people and the parallel work being undertaken looking at social care for working age adults.
- Pay and price inflation exceed the provisions contained in the forecast.

119. Since then the environment in which we are operating has changed fundamentally and the financial implications of the Covid-19 crisis on the County Council are profound.

120. As outlined in Section G, the key departmental issues and assumptions (as set out in Appendix 2) have been used to produce a base case for costs, losses and pressures in key service areas for 2021/22 and 2022/23. This has been combined with the unfunded costs and losses for the current year, in line with the latest MHCLG return set out in Section E, and the revised delivery profile for Tt2019 and Tt2021.

121. One additional business as usual pressure in respect of the SEN service has also been included as described in paragraph 90 subject to approval of this funding.

122. The impact of all of these items has been profiled across the financial years to 2022/23 to understand the cash flow impact. The delay in savings programmes was already profiled over the three years and in technical terms, the council tax and business rate losses for this year will not have an impact on the County Council until next financial year through the collection fund mechanism.

123. Further forecasts have also been provided on the possible future impacts on council tax and business rate income, given that the economic downturn will mean that many households will apply for the local council tax support schemes, which has the impact of reducing our income. Combining all of these factors gives a base case for costs, losses and pressures across the years as follows:

	2020/21	2021/22	2022/23	Total
	£'000	£'000	£'000	£'000
Net Unfunded Costs and Losses	40,497	56,053	6,322	102,872
Departmental Pressures		32,331	30,997	63,328
Business Rates and Council Tax		21,000	14,000	35,000
Other Pressures	1,700	4,200	3,200	9,100
Total Costs, Losses and Pressures	42,197	113,584	54,519	210,300

124. Three scenarios have then been applied to the base case for total costs, losses and pressures as follows:
1. No further government funding and no underwrite for council tax and business rate income
 2. Further government funding to meet all Covid-19 response, recovery and demand costs (£17.8m) but no underwrite for council tax and business rate income.
 3. Further government funding to meet all Covid-19 response, recovery and demand costs (£17.8m) and underwriting for council tax and business rate income for the current year's losses (£34.6m).
125. None of the scenarios assume that income losses (beyond council tax and business rates), future years costs or lost savings will be covered by the Government. This is necessarily prudent given that the purpose of this report is to assess the County Council's future financial sustainability; and this is certainly not a time for optimistic forecasting.
126. These scenarios form the base position for a potential financial response package which is explained in detail in Appendix 3 and summarised in the next section.

Section J: Financial Response Package

127. Options to develop a financial response package have been considered in order of the severity of their impact on the County Councils existing financial strategy and approved plans as outlined in the following paragraphs and set out in detail in Appendix 3.
128. Initially work has been undertaken to review all potential sources of funding that can be applied to meet the total costs, losses and pressures, without any impact on commitments or plans that have already been approved. These miscellaneous items include:
- Historic un-earmarked non-specific grants.
 - Provision for the cash flow of Tt2019 and Tt2021 savings delivery pre-Covid-19 which has now been superseded as the new profile of delivery is included in the base case.
 - Provision within General Fund Balances which is marginally in excess of the level recommended by the CFO of 2.5% of the budget requirement.
129. Subsequently, a review has been completed to assess any opportunities to release corporate funding, either one off or on-going, through a review of contingency provisions, in respect of inflation and risks in the budget, and potential treasury management savings. This has been done as safely as possible and ensures we can continue to manage key risks to some degree, but it does limit our ability to manage further new shocks that may arise.

130. Work has then been completed to identify corporate reserves that can be released without impacting currently approved commitments, recognising that drawing this funding will significantly reduce the County Council's ability to fund future investment and / or develop initiatives which to date has continued to be possible. These corporate reserves encompass the Invest to Save Reserve, the Corporate Policy Reserve and the Organisational Development Reserve.
131. A General Capital Reserve is available which, albeit fully committed to existing spend programmes, can be utilised where the planned spend meets the definition of capital expenditure and can be replaced by prudential borrowing. This option would not be utilised unless it was really needed as any resulting borrowing would create additional revenue costs to cover interest and loan repayments and so would add to any future budget gap.
132. As a last resort the use of General Fund Balances can be considered. The General Fund Balance in effect represents a working balance of resources that could be used in the event of a major financial issue. However, any draw that takes the level below that recommended by the CFO needs to be replaced and so will add to any future budget gap that needs to be bridged.
133. Finally, the BBR can be used to cash flow the position, recognising that we need to replenish this to enable us to maintain our financial strategy and develop and implement a successor transformation programme to take us to 2022/23 and beyond.
134. The individual tables outlining the financial response package for each scenario are contained in Appendix 3. It is difficult to provide a summary of these given the complex interaction of drawing from and contributing to the BBR in order to manage the cash flows. However, the key variable elements of the scenarios are the use of the General Capital Reserve (by releasing existing funding through replacement prudential borrowing) and General Fund Balances to balance the position.
135. The table below summarises these key elements for each scenario along with the final position forecast at the end of 2022/23:

	Scenario 1 £'000	Scenario 2 £'000	Scenario 3 £'000
Use of the General Capital Reserve	80,012	80,012	49,089
Use of General Fund Balances	21,098	3,677	0
Final Year Deficit / (Surplus)	416	0	0

136. Elsewhere in this report the criteria for financial sustainability were described as being in the same position at the end of 2022/23 as we were pre Covid-19, as this would mean we maintained our capacity to respond to the challenges that

lay ahead, including ensuring that the BBR has been 're-paid' to put it back into the same position.

137. The need to use General Fund Balances in full for Scenario 1 means that this would have to be replaced in subsequent financial years. Achieving this on top of maintaining cash flow support in the BBR is not considered to be viable and under this scenario the County Council is not financially sustainable.
138. For Scenario 2 the use of £3.7m of General Fund Balances is required, which would need to be replaced and would put additional strain on future years to achieve this. Scenario 2 also effectively uses up all of our remaining 'firepower' and means there is no contingency and we therefore have no ability to deal with any further financial shocks. Given the very high level nature of the assumptions and forecasts this is not a prudent position and on that basis the County Council is not considered to be financially viable under this scenario.
139. The final scenario does not require the use of General Fund Balances and only draws on circa 60% of the flexibility within the General Capital Reserve, so is within the boundaries set for financial sustainability.
140. Figures have also been modelled for a RWCS, which would increase the total cost pressures from £210.3m to £273.6m. Even if the best case funding assumptions were applied to this position, there is still a deficit of £11.3m after using all of the General Capital Reserve flexibility and all General Fund Balances. Clearly the County Council is not financially viable under this scenario.
141. Not surprisingly, in the face of a potential £200m impact, the County Council is not financially sustainable in three out of the four scenarios considered. It is possible under Scenario 3 that we would be able to stay on track, but this is dependent on two further elements of government funding.
142. Early on in the crisis, Government Ministers made various commitments to local government:

"We will do whatever it takes" – Rishi Sunak, Chancellor of the Exchequer

"Spend what you need to spend and we will reimburse you" – Robert Jenrick, Secretary of State for Housing, Communities and Local Government
143. Since then there have been statements around local government 'sharing the burden' with government, which are in stark contrast to what went before. This thinking is flawed as local government has no local tax raising powers beyond council tax, which is restricted by the Government and is likely to reduce as a result of the crisis and the reduced earning capacity of residents. Government on the other hand can borrow to support revenue spend and can increase taxes to raise revenue across a number of different areas.
144. Based on the scenarios presented in this report and impact on our financial sustainability, it is clear that the Government needs to honour its previous

commitment to fund the financial consequences of Covid-19. The County Council will therefore continue to lobby strongly through existing channels such as the CCN and the SCT, and directly to the Government, to ensure that the full range of extra costs are reimbursed by the Government as initially promised.

Section K: Capital Programme

145. The Capital Programme was last approved in February 2020 as part of the budget setting process and an update on the capital outturn position is included in the 2019/20 - End of Year Financial Report presented elsewhere on the Agenda.
146. Cabinet will be aware that in a similar process to that carried out a number of years ago, the Corporate Infrastructure Group (CIG), which is chaired by the Director of Economy, Transport and Environment have been capturing departmental priorities for capital investment over the next few years.
147. The intention was to bring these departmental investment priorities, together with those identified by Councillors to Cabinet and on to full County Council for consideration and approval in due course, dependant on the funding that was available.
148. The impact of Covid-19 has not only delayed this process but the medium term financial impact as set out in this report highlights the need to delay any significant decisions in respect of capital investment until more certainty over the financial landscape is secured going forward. This makes sense not only from a financial viewpoint but also in respect of some of the proposed investments themselves which could be heavily impacted by Covid-19, particularly in some of the building based assets such as care homes and office accommodation.
149. Departments have been asked to look at any urgent health and safety related priorities that may still need to be progressed with a view to bringing those to Cabinet and County Council in September this year.

The Impact of Covid-19

150. At this stage, the impact of Covid-19 on the Capital Programme has not been significant. Some highway projects were stopped for a brief time, but these resumed again shortly after and most building related projects have continued whilst complying with government guidance.
151. There are expected to be some compensation claims from contractors and an initial estimate was included within the MHCLG returns for May and June, but these are not significant in the context of the overall total.
152. Whilst going forward there may be some impact on the capital costs of schemes, this is not certain at this stage and in fact in some areas tenders have been coming in below what was expected. However, the long term

impact is clearly less certain and would need to be considered as part of any future updates of the Capital Programme.

153. More recently a very high level exercise has been undertaken to consider response costs such as site closures and compensation claims and the potential additional costs over the next six months for re-mobilising and measures that have had to be put in place by contractors to comply with government guidelines.
154. Initial figures suggest that up to £5m may be required after mitigations have been put in place by departments. These are very high level figures at this stage and will be refined as more information is collected. In order that existing schemes that are already in progress are not halted as a result of revised cost estimates, this report seeks approval of a 'capital underwriting' of up to £5m that will be allocated as appropriate by the Deputy Chief Executive and Director of Corporate Resources.
155. This would only be applied where absolutely necessary and only after other measures to mitigate the impact have been explored or additional funding sought from other partners linked to the schemes where appropriate (e.g. the Government, Local Enterprise Partnerships etc.). The spend of up to £5m can be accommodated from smaller capital receipts that have accrued corporately over recent years but have never been committed.

Section L: Beyond 2022/23

156. It has previously been highlighted that each year the County Council faces a shortfall to meet cost and demand pressures that historically were provided for by the Government and looking ahead, the predicted shortfall in the interim year of 2022/23 is forecast to be £40.2m.
157. There remains a lack of detail around the Government's intentions beyond 2020/21, and the current crisis has significant financial implications at a national level which will no doubt impact on all public finances for many years to come. The impact on our reserves in respect of the financial scenarios highlighted above will mean we are less well placed to meet any delays in a successor savings programme and therefore, what is clear is that any programme will need to be delivered in full within the requisite timescales, as continuing to provide large scale corporate support will not be possible based on our current knowledge of the financial landscape ahead.
158. This report considers the period up to the end of 2022/23 and assumes that the forecast gap (pre Covid-19) for that year remains at £40.2m. It is impossible at this stage to predict what the annual deficit beyond this might look like, but it is highly unlikely that a position of less than £80m of savings will be required.
159. The normal timescales for considering what would be a Transformation to 2023 Programme are set out in the following summary:

Item	Date
High level opportunity assessment carried out by Departments	October 2020 – March 2021
High level opportunity assessment considered by Corporate Management Team and Executive Members	Spring 2021
Public consultation on proposals	Summer 2021
Final savings programme approved by Executive Members, Cabinet and County Council	September – November 2021

160. At this stage, there are a number of significant issues that would impact on this normal timeline:
- The delay in the Tt2019 and Tt2021 Programmes due to Covid-19 means that these programmes are further extended beyond the previous timelines.
 - The next peak in Covid-19 infections is expected in October / November this year and may require some similar elements of response from the County Council during this period.
 - The CSR is not expected to take place at least until Summer 2021.
 - We are unlikely to know the detailed impact on the County Council going forward, assuming it is a multi-year settlement, until December 2021.
161. Given these factors, it would therefore make sense to delay any successor programme for a full year, but this would be dependent on there being sufficient reserves to cover an additional interim year and crucially that the programme would need to be fully delivered by 1 April 2024.
162. At this stage, given the significant range of financial uncertainties it is recommended that this position be reviewed at the point the County Council sets the 2021/22 budget and council tax in February 2021, as by this time we will better understand the picture for 2021/22. We should have more certainty as to the ongoing costs and losses associated with Covid-19 and also what government support might be available in both the short and longer term in response to this.
163. If at that point it is not considered viable to extend any successor programme to 1 April 2024 then a separate timetable will be needed to pursue options in a shorter timescale. The two options for timetables are therefore set out in the following table:

Item	1 April 2023 Implementation	1 April 2024 Implementation
High level opportunity assessment carried out by Departments	February 2021 – June 2021	October 2021 – March 2022
High level opportunity assessment considered by Corporate Management Team and Executive Members	Summer 2021	Spring 2022
Public consultation on proposals	Autumn 2021	Summer 2022
Final savings programme approved by Executive Members, Cabinet and County Council	January – February 2022	September – November 2022

164. Whilst the earlier timetable reduces the timescales for implementation compared to our normal arrangements, it offers the best compromise under the circumstances and still gives the opportunity to review the position before final decisions are made in light of the CSR outcome, the detail of which should be available in December 2021 at the latest.

165. In the absence of any detailed information, the best forecast we have at the moment is an annual gap of £40.2m per annum. This would give a further £80m target for a successor savings programme on the assumption that it covers only a two year period. Based on the County Council's current financial strategy this would be allocated on a straight line basis in proportion to Departmental cash limits for 2020/21, which would give the following distribution:

	£'000
Adults' Health and Care	40,695
Children's Services – Non Schools	20,595
ETE	10,523
CCBS	3,253
Corporate Services	4,934
Total	80,000

166. Cabinet and County Council are requested to approve these targets, but the aim would be to review the overall financial position once the detailed outcome of the CSR is known for the County Council. Should the programme be extended to be implemented from 1 April 2024, then this would cover three years' deficits and would require total savings of £120m but clearly this position would also be impacted by the CSR due out next year.

Section M: Financial Resilience and Sustainability

167. Financial resilience describes the ability of local authorities to remain viable, stable and effective in the medium to long term in the face of pressures from growing demand, tightening funding and an increasingly complex and unpredictable financial environment.
168. Whilst the County Council has always fared well against measures of financial sustainability, in particular CIPFA's measures of financial stress and their financial resilience index, it has been made clear that without a change in the quantum and distribution of government funding, in particular in respect of social care services, the County Council is not financially sustainable in the medium term.
169. This was the position prior to Covid-19 and arguably, as a result, national and local government is about to enter the most uncertain economic and financial period since the end of World War II.
170. It is therefore no longer appropriate to rely on these past measures of resilience and sustainability and the main purpose of this report is to undertake a financial assessment of the County Council up to the end of 2022/23 that the CFO can use to assure herself and the Cabinet and County Council that we remain financially viable during this period and would still be in a reasonable position to face the challenges that will arise beyond it.
171. Section J outlined the financial response package that could be put in place to meet the various financial scenarios outlined and considered what the impact would be against a RWCS.
172. This concluded that under the three scenarios presented, the County Council would not be financially viable for two of them. Similarly, for the RWCS, it was concluded that even under the highest level of assumed government funding that the County Council was not financially sustainable.
173. Cabinet and County Council may be aware that discussions have been going on in the sector and with the Government about the issuing of Section 114 Notices during the Covid-19 crisis and CIPFA have released revised guidance that urges CFOs to consult with the Government prior to them issuing such a notice.
174. At this stage, we must wait until further information becomes available before making any decisions, but the aim is to report regularly to Cabinet and County Council on the position and if necessary provide information directly to Members where this is considered necessary, given the fast moving pace and changing consequences of the crisis. As outlined above and demonstrated in Appendix 3, the County Council has sufficient cash flow resources to meet the predicted short term impact of Covid-19 which places it in a strong position to address any financial issues going forward.

175. In any event, should action need to be taken to address an assumed future deficit, this will be done in good time and will no doubt have the full support of the Cabinet and County Council in dealing with any financial issues in a structured and responsible way. A Section 114 Notice is a last resort action, issued only if the CFO feels that the authority is not taking appropriate action to address the financial situation it faces, and it is not anticipated that a Section 114 Notice would therefore be required within Hampshire County Council that has a strong track record of addressing its financial issues.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

Links to previous Member decisions:	
	<u>Date</u>
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</p>	
<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 disproportionately low.

2. Equalities Impact Assessment:

Given that this report deals with a large number of options and proposals for savings as part of the Transformation to 2021 Programme, the individual EIAs have been appended to this report to aid the decision making process.

Urgent Decisions

1. Where an urgent financial decision is required that falls outside of the defined process or limits within Financial Regulations or Financial Procedure Rules, but is felt to be in the wider interests of the County Council, the Chief Financial Officer in consultation with the Chief Executive and the Leader can make the decision subject to it being reported back to the appropriate decision making body.
2. In view of the urgent requirement for the County Council to respond at pace to emerging events, especially during the early stages of the crisis, the decision reports therefore sought approval to facilitate timely action. All of the decisions are described briefly below and the approved spend can be met either from existing budgetary provision or from the funding allocated by the Government.

Members' Devolved Grants Budget ([Decision Date 1 April 2020](#))

3. The Policy and Resources portfolio includes provision for a range of grants to the voluntary and community sector. Given the heightened importance of these grants at this time it was agreed to increase the amount available in 2020/21 to £10,000 per Member.
4. This is an increase of £156,000 and will bring the budget in 2020/21 to £780,000, to be funded from a combination of savings on the Leader's grant pot and the Members' Devolved Grants Budgets in 2019/20 and the Leader's 2020/21 grant pot.

Temporary Mortuary Provision ([Decision Date – 2 April 2020](#))

5. Unlike neighbouring counties, Hampshire and the Isle of Wight has no public mortuary provision. Therefore, all mortuary capacity is situated with the NHS Acute trusts. As a consequence, there was a need for temporary mortuary provision to deal with the potential for excess deaths that were predicted as part of early modelling undertaken on behalf of the Local Resilience Forum (LRF).
6. The award of a contract for the provision of refrigerated haulage container units was approved as were the County Council's share of the associated one-off cost.

Personal Protective Equipment – Strategic Reserve ([Decision Date 6 April 2020](#) and [21 April 2020](#))

7. The supply market has faced unprecedented levels of demand for PPE, making it extremely challenging to secure supplies, and to do so in the quantities required and at appropriate prices.
8. Failure by the Council to secure this equipment has significant risks in terms of the resultant operational pressures that will be generated for partners within the

LRF (including Hampshire Fire, Police, NHS and the County Council) where services have inadequate supplies to carry out their functions. This would otherwise impact adversely directly on members of the public affected by the non-delivery of such services at a time of local and national crisis.

9. A significant contract was awarded to secure critical PPE supplies and to provide a strategic reserve of equipment for use by partners across Hampshire and Hampshire County Council's In-House service, in light of the Covid-19 pandemic. In addition, given the international position in relation to PPE, to enable the organisation to respond in an agile way further spend was also approved in order that opportunities to purchase further supplies were not missed, including any specific Single Tender Approvals required.
10. There remains the risk that the County Council could pay for PPE reserves that are either not used or are not paid for by other partners who are drawing down on the stock. To mitigate this, it is proposed to put in place a financial underwrite across all partners within the Local Resilience Forum that are making use of the reserve, such that any unrecovered costs are shared appropriately between them.

COVID-19 Emergency Funding for Local Government ([Decision Date 7 April 2020](#))

11. A sum of £1.6bn of additional funding to support local authorities in responding to the Covid-19 pandemic was announced in March 2020 – Hampshire County Council's allocation was £29.6m. This funding was intended to help local authorities address the pressures they are facing in response to the Covid-19 pandemic across all the services they deliver.
12. Approval was given to delegate authority to both the Deputy Chief Executive and Director of Corporate Resources and the Head of Finance to allocate this funding in line with the intended purpose for decisions below £1m to ensure timely response to swiftly changing circumstances.
13. The current urgent decision arrangements under financial regulation 2.31 continue to apply for decisions over £1m, including the requirement for the Deputy Chief Executive and Director of Corporate Resources to make the decision and to consult with the Chief Executive and Leader.

Adults' Health and Care - Response to Covid-19 ([Decision Date 9 April 2020](#))

14. The funding, as referenced in paragraphs 11 to 13, is intended to meet the increased demand for adult social care and also enable councils to provide additional support to social care providers. It was anticipated by the Government, following feedback from local authorities that the majority of this funding would need to be spent on providing the adult social care services required to respond to the Covid-19 crisis.

15. The County Council suspended normal payment processes and principles and subsequently we have amended the way we transact with providers and considered both what we could offer and how that would be undertaken. A set of proposals was approved in respect of principles for how we pay for adults' social care and how we make those payments.
16. In addition, plans for the provision of a first point of contact as part of the broad welfare response to vulnerable people (for example, the over 70's, people with underlying health conditions, etc.) who have been advised by the Government to shield themselves for an extended period were approved along, with the associated costs of these changes and services.

Grant to Hampshire and Isle of Wight Trust ([Decision Date 16 April 2020](#))

17. The Trust has been offered first refusal on the purchase of Deacon Hill (a 10.6 Ha chalk grassland Site of Importance for Nature Conservation) for a total purchase cost £250,000. They launched a public fund raising appeal which at the end of March 2020 had raised £230,000 of which £100,000 was made by a single benefactor. The deadline for the Trust to raise the full funds and complete the purchase has been extended to the end of April 2020.
18. A grant of up to £20,000 from the Investing in Hampshire fund was approved, with the actual amount depending on any final shortfall in funds generated by the Hampshire and IOW Trust land purchase appeal, to enable the purchase of this land.
19. Ownership of the site by the Trust will provide public benefit by opening up a new area of land close to Winchester for public access and to develop a connection with nature that is so important for their health and wellbeing.

Managing Hampshire's Built Estate ([Decision Date 27 April 2020](#))

20. To ensure that the highest maintenance priorities are addressed and to avoid an increase in future condition liabilities, Property Services is seeking to minimise delays to the repairs and maintenance programme due to Covid-19 as far as possible, in line with central government guidance and construction industry protocols. Reactive or lower cost repair options have been considered and, in many cases, implemented over a period of time, before the named schemes come forward for more significant investment. In the longer term these options are unsustainable and lead to further deterioration of the building impacting on its operational use.
21. Therefore, to progress these priority works through design, pre-construction and on-site delivery, approval was given for the carry forward of unspent budgets from 2019/20, the high level allocation of 2020/21 budgets and project appraisals for capital schemes with a value of £250,000 or above.

Purchase of IT Equipment to Enable Better Home Working ([Decision Date 4 June 2020](#))

22. Due to the pandemic and the Government's policy of lockdown the majority of County Council staff are currently working from home, facilitated in large part by the HCC IT strategy delivered over the past four years which has meant that staff with IT access have been able to work from home with a high level of efficacy.
23. The original IT provision was intended for a short period of home working, but it is now clear an extended period beyond this is likely to be required. This may be a result of an extended lockdown, repeat local lockdowns, or where staff are compelled to self-isolate as a result of 'track and trace'.
24. Expenditure was therefore approved for a more sustainable solution considering staff welfare and productivity with the following objectives:
 - Provide all Fixed staff with suitable equipment to support an extended period of home working with a corporate mobile device as a minimum
 - Offer 'Flexible/Field' staff with existing mobile devices with additional equipment to support extended periods of home working.
 - Keep expenditure to a minimum, whilst considering the total cost of ownership.
25. This expenditure to purchase additional equipment required will have not only take into account staff welfare and productivity but also ensure our ability to respond effectively during this extended lockdown period.

Adults' Health and Care – Forward View

1. Key Issues

- 1.1 The Department has and continues to play a fundamental role in the delivery of services to the people of Hampshire in response to Covid-19 and this is not just limited to the predictable provision of care packages and delivery of Public Health services and leadership during this time. In addition, the Department have delivered the welfare services to support co-ordination and delivery of key services to those most vulnerable within our society whilst also supporting our NHS partners to release sufficient acute capacity to provide the much needed health care services to those in need.
- 1.2 With all this said however the unavoidable truth is that it remains those key care packages and our relationship with providers through the associated price paid and volumes purchased that will most significantly influence the Department's financial resilience both in the immediate and medium term.
- 1.3 Projecting the cost of care services, which can be particularly volatile during stable periods, is increasingly difficult at present, with the need to take into account a rapidly changing situation and corresponding government advice, often at short notice, with financial commitments as well as general forecasts regarding the likely rates of infection of the virus in the future.

2. Assumptions – Duration of NHS Covid-19 Discharge Funding

- Base assumption is that this funding stream, to meet the cost of ongoing care incurred by the County Council for clients discharged from hospital, will remain until end of October 2020.
- Upon cessation of this funding stream long-term care packages paid for by the County Council but funded through this route will need to be funded by the County Council.
- There are clients placed within interim placements, that the County Council do not pay for. Upon cessation of the funding they will have been allocated a long-term care package at an additional cost to the County Council. This is a temporary step increase in costs that will taper off over 18 months.

3. Assumptions – Duration and Extent of Response Activity

- Base assumption that care providers will continue to require enhanced payments to meet increased costs through to the end of October 2020.
- All other response costs including Welfare and County Council enhanced Personal and Protective Equipment (PPE) purchases will be required through to the end of October 2020.

4. Assumptions – Changes in Future Demand for Care Packages and Market Availability at Affordable Rates

- During the crisis period overall levels of care provided have already reduced, but it is assumed these will recover steadily over the next three years.
- Care volumes, in particular within Residential Care and Nursing, will return to pre Covid-19 levels during 2022/23. This will be further affected by societal attitudes and perception of the health risks to family members entering Residential Care and the impact of the death rate on the volume of, what would have been, Hampshire County Council funded clients in the future.
- Price of care will increase above inflation and previously anticipated levels due to:
 - Changes in market capacity to meet reduced demand, assuming that lower cost providers are more likely to exit the market earlier, leaving available capacity at the higher end.
 - Providers will have received enhanced payments from the County Council for a considerable time as part of the response phase and a response from the market when we seek to return fee rates back to previous levels is highly likely.

5. Assumptions – HCC Care Income

- Changes in demand as highlighted above will be managed by the Department to ensure that County Council care beds are the preferred destination for clients needing Residential or Nursing Care where possible. This will:
 - Avoid, as possible, the cost of additional external packages, through making use of capacity that is already paid for and available in house.
 - Enable Hampshire County Council care income levels to return to budgeted levels as early as possible.

6. Assumptions – Ability to Achieve Reductions on Care Volumes to Meet Budgeted Level

- Due to the changes in unit prices described above the departmental recovery plan to reduce the underlying cost of care to be within the recurring budget is much less likely to be achievable in full within the period reviewed as part of this update.
- 50% of the £9m reduction required is assumed to be achieved in 2022/23 instead of the full saving by end of 2020/21.

7. Beyond 2022/23

- 7.1 Going beyond 2022/23 the impact is difficult to quantify reliably due to the sheer volume of potential outcomes both locally and nationally over the next three years. However, the key issues and main factors affecting the financial health of the Department remain inextricably linked to the volumes and costs of care provided to eligible clients.
- 7.2 Whilst the forecast up to 2022/23 has assumed an increase in unit cost over that timeframe, in particular within Residential and Nursing Care, there remains a significant risk that a greater number of lower cost providers continue to exit the market thereby driving unit prices up further.
- 7.3 The Department purchases approximately 25% of the care capacity in Hampshire. The remaining provision is purchased primarily by private clients, it is the changes in this activity that will drive the economic stability of the market and correspondingly affect changes in supply that in turn will affect the rates paid by Hampshire County Council.
- 7.4 In addition, the market will have assumed and planned for increased demand over the time period affected and beyond. Therefore, even if the County Council returns to purchasing the same levels of care by 2022/23, this increased capacity issue, alongside the likely reduced demand from private clients is likely to lead to a greater surplus in available provision; thereby further destabilising the market. In turn as the market inevitably continues to match supply against demand further price increases are likely to be faced by the County Council.
- 7.5 Further changes in the ratio between Residential and Nursing Care and Homecare may significantly affect the financial position beyond 2022/23. Any scenario whereby larger volumes of clients remain at home carries both potential benefits and risks. These potential financial benefits arise from Home Care generally costing less on average, however, disbenefits could arise as current legislation entitles councils to take into account value of property when assessing the charges for Residential Care but not for Home Care resulting in a loss of income.
- 7.6 The changing landscape of the care market may also make the planned savings to manage future activity within the available budget even more challenging. With potentially less providers in the market and potentially greater reliance on Home Care, the opportunities to affect price are significantly diminished. However, opportunity to control demand and ensure placements are suitable remain in place.

Children's Services – Forward View

1. Key Issues

- 1.1 There is an expectation of demand increases in children's social care in relation to Child in Need and Child Protection services; and the impact on the number and cost of children in care.
- 1.2 There will continue to be a loss of income for services sold to schools and other agencies.
- 1.3 Supporting the early years market in both the short and longer term will be necessary.
- 1.4 Home to school transport supply during a period of social distancing and unusual school opening patterns will impact cost, capacity and resource.
- 1.5 By way of context, for children's social care, demand has been suppressed during the lockdown. There is also sufficient evidence now internationally, that as restriction measures reduce then demand for children's social care will spike. It is considered there are three possible ways this spike in demand could present:
 - short term increase in demand then returning to normal levels (least likely)
 - longer term spike that slowly reduces to near normal levels (second least likely)
 - longer term spike that does not reduce but becomes the new normal in terms of demand levels (most likely).
- 1.6 The evidence that the latter will apply is based on the sustained surge in demand seen by children's social care services since the onset of other 'shocks to the system; such as Baby P in 2008 and austerity from 2010. With even greater economic challenges now coming, it is prudent to plan for this highly likely scenario. As of week commencing 8 June 2020, referrals to children's social care were 15% higher than the average for the three months prior to the outbreak, indicating that the spike in activity has begun.

2. Assumptions – Front Door Services - Multi Agency Safeguarding Hub (MASH) and Out of Hours Services

- Initially referrals to children's social care reduced in April 2020 but by May were back to normal levels, despite only 3% of children being in school, which is a main referral source. The predicted sustained surge in demand in referrals is anticipated at between 10 to 20%, so on average 15% for the remainder of the year and into 2021/22.
- To support the above increase additional social work staffing and associated management of 12 FTE will be required in the MASH and for the Out of Hours services which deal with all incoming work to Children's Services. The cost is £850,000 full year effect (£600,000 in

2020/21). Assumed agency at 70% for additional social worker and assistant team manager posts – all other posts assume recruitment to be HCC employed.

3. Assumptions – Social Care Including Children Looked After (CLA)

- Overall increase in CLA (excluding Unaccompanied Asylum Seeking Children) of 15% in 2020/21 (1,753), 7% in 2021/22 (1,871) and 6% in 2022/223 (1,986).
- It is anticipated the costs of placements will increase due to Covid-19, as all local authorities will be seeking to manage similar increases in demand with a limited supply of placements, and that a range of additional cost pressures from providers will emerge across the different placement types for CLA, from in house provision to external residential, with costs ranging from 5 - 20%.
- Combined increases in activity, cost pressures and associated legal costs due to the growth in CLA placements are £2m in 2020/21, rising to £11m in 2021/22 and then £10m in 2022.23
- An increase of 2 FTE placement officers is required to support the identification of placements for the increased numbers of children requiring them at a full year cost of £60,000 (£40,000 in 2020/21).
- Children with disabilities costs such as direct payments, home care and respite to increase by 10% per year for the next two years (£750,000 in 2020/21 and £950,000 in 2022/23).
- 15% increase in Care leavers, in line with CLA, with additional costs of £900,000 in 2020/21 and £950,000 in 2021/22
- Contact costs – additional £250,000 for five additional contact staff and £100,000 for third parties, venues and transport in light of additional CLA activity.

4. Assumptions – Additional Social Workers and Associated Support

- 15% increase in all aspects of children's social care work to support the increased volume of Children in Care, Children in Need, court work and children subject to child protection plans.
- To maintain the current social work practice framework (the Hampshire Approach) and maintain manageable caseloads across Child in Need, Child Protection and CLA, an additional 48 FTE social workers will be required at a full year cost of 5m, including associated management, admin support, travel and IT (£2.7m in 2020/21). This is in addition to the 12 FTE for the front door services. Assumed agency at 70% for additional social worker and assistant team manager posts – all other posts assume recruitment to be HCC employed.

- Additional funding required to support an increase of 16 FTE Intensive Support Workers (including associated management support) to support the highly effective Hampshire Approach model of social work with the additional families who will be requiring interventions, £800,000 full year effect (£450,000 in 2020/21).

5. Assumptions – Home to School Transport

- If all children return to school in September, there will be no additional costs assuming no social distancing.
- If some form of social distancing remains until July 2021, there will be an estimated 20% increase in costs totalling £3m in 2020/21 and £4m in 2021/22. This includes a range of additional costs such as additional parental mileage, dual running of vehicles and other costs.

6. Assumptions – Traded Services & Lost income

- The current lost income for traded services (School Improvement Service, Music Service, Skills & Participation, Hampshire & IOW Education Psychology Service) is around £0.5m per month and if there are no changes to the current situation from September this will continue.
- Even with a partial or even full return of pupils in September there will still be loss of income, which could be in the region of £0.2 – 0.4m per month if social distancing measures continue. Whilst services are developing other strategies to deliver services, reviewing business models and working to develop safety measures; service delivery in many areas will still be at a reduced rate. Estimated figures show lost income in 2020/21 could be between £1m – £2m.
- When services can return to schools, income will remain significantly impacted as support continues to be directed towards underpinning the core effort, rather than income generation.
- Currently the Government's advice does not allow for residential or day trips. The assumption currently is that this will be lifted in September. If this barrier is not removed the income loss for Hampshire Outdoors will be significant.

7. Assumptions – Early Years

- Following Department for Education (DfE) guidance, additional costs relating to double funding for Key Worker and Vulnerable (KWV) and providing financial support to early years providers, to meet our statutory duty of providing sufficiency in the market on reopening of services, are allowable charges to the Dedicated Schools Grant (DSG). Current estimates suggest this could increase the pressure on the DSG by in the region of £0.5 - 1.5m

- Additional Local authority funding of 4 FTE Childcare Development Business Support Officers, costing £200,000, to provide advice and business support to the market, which is particularly important in order to support childminder provision.

8. Beyond 2022/23

- 8.1 The need to recruit additional social workers will continue to be challenging and consideration will need to be given to factors that promote recruitment and retention among social workers.
- 8.2 The Department have been very successful in providing sector led improvement work to other local authorities which generates an income and has been beneficial to both our learning and reputation. The focus of this may change as other organisations' face the impact of Covid-19.
- 8.3 Support from other agencies, i.e. Health, may reduce as the focus shifts inwards. This could increase our need to provide preventative and other services.
- 8.4 The impact of the economic downturn will be felt particularly in children's social care as poverty deepens. This could take a significant time to reverse and will have an impact on the services provided for some years.

Economy, Transport and Environment – Forward View

1. Key Issues

- 1.1 Economy, Transport and Environment (ETE) spend is dominated by major contracts (for example waste disposal and highways maintenance) together with payments under the statutory Concessionary Fares scheme. Government guidance on supplier payment where delivery of these services has been affected by Covid-19 has been applied. For passenger transport services including Concessionary Fares this market intervention can either be met from existing budget provision or from additional government grant specifically for this purpose.
- 1.2 The position for waste disposal is complex but the best current estimate assumes the additional cost of a different approach to payments is expected to be offset by other savings arising from the different operating environment. For highways maintenance the financial impact can only be mitigated by reducing the amount of highway works undertaken during the year.

2. Assumptions – Highways and Construction

- The construction industry moved relatively early to re-start work in accordance with social distancing guidelines, but costs associated with the safe closure and re-start of construction schemes have been factored into current financial year forecasts. It is assumed no similar costs will be incurred in future financial years.
- Alternative payment approaches agreed under the Hampshire Highway Service Contract will continue in line with government guidance.

3. Assumptions – Passenger Transport

- Market underwriting required by the Government over and above that for which budget provision exists will continue to be fully funded by government grant.
- Alternative payment approaches agreed with operators for local bus subsidy, Concessionary Fares and Community Transport will continue in line with government guidance.

4. Assumptions – Waste Disposal

- Social distancing requirements will limit recycling volumes through Household Waste Recycling Centres for the rest of the current financial year.
- Alternative payment approaches agreed under waste disposal contracts will continue in line with government guidance.

5. Beyond 2022/23

- 5.1 The key service where a longer-term impact is anticipated is waste disposal, with significant delays now expected to the balance of the Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) Programmes, which are now being run in parallel.
- 5.2 Delivery of these savings programmes depends on complex negotiations, both with Waste Collection Authorities around future operational and financial arrangements for recycling and our commercial partner, Veolia. The outcomes are likely to require the building of new infrastructure with a probable two year lead time to become fully operational. These negotiations in turn are dependent on the outcome of government legislative changes which have been delayed due to the response to Covid-19 and the resulting economic pressures.
- 5.3 Given the continuing uncertainty in the wider environment a prudent view of the revised delivery profiles for the agreed savings has been taken and it is still hoped that these timescales can be accelerated.

Culture Communities and Business Services – Forward View

1. Key Issues

- 1.1 Culture Communities and Business Services (CCBS) is characterised by many diverse services ranging from building and facilities maintenance for the corporate estate, management of Country Parks and other countryside sites, to the Hampshire Library Service and the provision of school meals.
- 1.2 During the decade of austerity, the Department has deliberately pursued a strategy of reducing its call on cash limited resources by meeting an increasing percentage of its costs from other income. By 2020/21 62% of gross costs were planned to be met from income and recharges compared to 38% from cash limited budgets. The department is also home to three trading areas fully funded from earned income with planned turnover in 2020/21 of £55.9m. The strategy has been successful but has recently meant many CCBS services have experienced a significant loss of funding due to the Covid-19 lockdown and continuing restrictions.
- 1.3 Service recovery plans are in place to safely re-open services to the public and other users as soon as possible. Progress is clearly dependent on:
- Government guidance.
 - Public perception and appetite to return to activities.
 - The impact of wider economic downturn on people's ability and willingness to pay.
- 1.4 The overriding assumption is that all restrictions will have been lifted by the end of the current financial year and income levels will have returned to previously planned levels at that point.
- 1.5 Finally, it is currently still expected that Transformation to 2021 (Tt2021) savings can be delivered in full and on time.

2. Assumptions – HC3S and County Supplies Income

- Schools form a key customer base for both HC3S, the County Council's catering service, and County Supplies and in both cases the number of pupils on site each day is an important driver for income.
- Key assumption: 50% Primary and 5% Secondary pupils on site per day to the end of 2020/21. This is linked to a wider assumption that social distancing at two metres remains in force to the end of this financial year.

3. Assumptions – Other CCBS Income

- Income assumptions for public-facing services have been driven by individual service recovery plans encompassing a phased re-opening of services

- The seasonal nature of demand for some services (e.g. Countryside sites, Outdoor Centre activities, Registration Ceremonies) means most income is achieved by the end of the summer.

4. Beyond 2022/23

- 4.1 The expectation is that beyond 2022/23 the environment that CCBS are operating within will have returned to a pre-Covid normality in relation to any impact on income levels across all areas of the business.

Financial Position to 2022/23

1. Introduction

- 1.1 As set out in the main report due to the uncertain and very complex environment which is evolving on a day to day basis and for which there is no past comparator the financial forecasts that follow are unavoidably based on a wide range of assumptions made at this particular point in time.
- 1.2 Much work has been completed at speed but it should be reiterated that given the complex nature of the forecasts we are producing during these unprecedented times and without any historical information to act as a guide, in essence we must treat all of the forecasts in this report as high risk in nature.

2. Base Case

- 2.1 For each department assumptions have been applied, as set out in Appendix 2, to produce a mid-case realistic scenario for pressures in key service areas for 2021/22 and 2022/23. This has been combined with the unfunded costs and losses for the current year based on the most recent submission to the Ministry for Housing and Local Government (MHCLG) and the revised cash flow requirements for both the Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) Programmes to produce an overall financial position.
- 2.2 The impact of these items has been profiled across the current and next two financial years as shown in the table overleaf. The delay in savings programmes was already profiled over the three years and in technical terms, the council tax and business rate losses for this year will not have an impact on the County Council until next financial year through the collection fund mechanism.
- 2.3 Further forecasts have also been provided on the future impacts on council tax and business rate income, given that the economic downturn will mean that many households will apply for the local council tax support schemes, which has the impact of reducing our income.
- 2.4 Other key assumptions have also been built into the forecasts including allowance for some other 'business as usual' pressures that have come through as part of the financial Resilience meetings held with the Directors of Adults' Health and Care and Children's Services and an estimate of the ongoing impact on investment income of the economic downturn.
- 2.5 The table overleaf sets out the complete base case financial position that has been produced over the period to 2022/23 and shows the scale of the challenge that the County Council faces with an overall forecast gap of £210.3m:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Net Unfunded Costs and Losses	40,497	56,053	6,322	102,872
Departmental Pressures		32,331	30,997	63,328
Business Rates and Council Tax		21,000	14,000	35,000
Other Pressures	1,700	4,200	3,200	9,100
Total Costs, Losses and Pressures	42,197	113,584	54,519	210,300

2.6 The specific action required to deal with this challenge will be dependent on the provision of any further funding from the Government and the following Sections set out the elements of any financial response package and then for a number of scenarios set out the responses that are proposed.

3. Financial Response Package

- 3.1 Options to develop a financial response package have been considered in order of impact on the County Councils existing financial strategy and approved plans as outlined in the following paragraphs.
- 3.2 Initially work has been undertaken to review all potential sources of funding that can be applied to meet the total costs, losses and pressures, without any impact on commitments or plans that have already been approved. These miscellaneous items include:
- Historic un-earmarked non-specific grants.
 - Provision for the cash flow of Tt2019 and Tt2021 savings delivery pre-Covid-19 which has now been superseded as the new profile of delivery is included in the base case.
 - Provision within General Fund Balances which is marginally in excess of the level recommended by the Chief Financial Officer (CFO) of 2.5% of the budget requirement.
- 3.3 Subsequently, a review has been completed to assess any opportunities to release corporate funding, either one off or on-going, through a review of contingency provisions, in respect of inflation and risks in the budget, and potential treasury management savings. This has been done safely and ensures we can continue to manage key risks, but it does limit our ability to manage further new shocks that may arise.
- 3.4 Work has then been completed to identify corporate reserves that can be released without impacting currently approved commitments, recognising that drawing this funding will significantly reduce the County Council's ability to fund future investment and / or develop initiatives which to date has continued to be possible. These corporate reserves encompass the Invest to Save Reserve, the Corporate Policy Reserve and the Organisational Development Reserve.

- 3.5 A General Capital Reserve is available which, albeit fully committed to existing spend programmes, can be utilised where the planned spend meets the definition of capital expenditure and can be replaced by prudential borrowing. This option would not be utilised unless it was really needed as any resulting borrowing would create additional revenue costs to cover interest and loan repayments and so would add to any future budget gap.
- 3.6 As a last resort the use of General Fund Balances can be considered. The General Fund Balance in effect represents a working balance of resources that could be used in the event of a major financial issue. However, any draw that takes the level below that recommended by the CFO needs to be replaced and so will add to any future budget gap that needs to be bridged.
- 3.7 Finally, the Budget Bridging Reserve (BBR) can be used to cash flow the position, recognising that we need to replenish this to enable us to maintain our financial strategy and develop and implement a successor transformation programme to take us to 2022/23 and beyond.

4. Scenario 1 – No Further Government Funding

- 4.1 Early on in the crisis, Government Ministers made various commitments to local government:
- “We will do whatever it takes” – Rishi Sunak, Chancellor of the Exchequer*
- “Spend what you need to spend and we will reimburse you” – Robert Jenrick, Secretary of State for Housing, Communities and Local Government*
- 4.2 Since then there have been statements around local government ‘sharing the burden’ with government, which are in stark contrast to what went before. This thinking is flawed as local government has no local tax raising powers beyond council tax, which is restricted by the Government and is likely to reduce as a result of the crisis and the reduced earning capacity of residents. Government on the other hand can borrow to support revenue spend and can increase taxes to raise revenue across a number of different areas.
- 4.3 The County Council will therefore continue to lobby strongly through existing channels such as the County Council Network and the Society of County Treasurers, and directly to the Government, to ensure that the full range of extra costs are reimbursed by the Government as initially promised.
- 4.4 In the absence of any further funding from the Government, even applying all of the options set out in Section 2 to the maximum extent possible, the County Council cannot fully cover the total costs, losses and pressures as shown in the following table:

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Total Costs, Losses and Pressures	42,197	113,584	54,519
Miscellaneous Items	(5,405)	(3,784)	(5,841)
Corporate Funding	(30,000)	(30,000)	(20,000)
Corporate Reserves		(10,844)	(2,900)
General Capital Reserve		(8,144)	(71,868)
General Fund Balance			(21,098)
Borrow (from) / Contribute to BBR	(6,792)	(60,812)	67,604
Remaining Gap	0	0	416

- 4.5 Whilst the previously reported position for the BBR is maintained which to some extent limits the impact on the County Councils financial plans, clearly without further support from the Government the County Council cannot at this point meet all of the anticipated costs, losses and pressures, without looking to reduce net expenditure, albeit that point can be staved off until 2022/23.
- 4.6 In addition, it is important to note that this position fully utilises all possible resources. Therefore, as a minimum any future package of spending reductions would also need to include provision to reinstate the General Fund Balance and meet the revenue costs of borrowing taken in lieu of using the General Capital Reserve.
- 5. Scenario 2 – Government Funding of Response and Recovery Costs**
- 5.1 Initial government support to local authorities to assist with the response has mainly centred around the announcement on 19 March of £1.6bn grant funding, which for Hampshire equated to an allocation of £29.6m.
- 5.2 On 18 April, a second announcement was made allocating a further £1.6bn to local government. The final allocations to individual authorities were not released until 28 April due to changes to the distribution methodology used, which saw a move away from a relative needs basis (linked partially to Adults Social Care) to one based more on population and in two tier areas this was split 35% to Districts and 65% to County Councils.
- 5.3 The County Council's share of the second tranche of funding was £24.3m (bringing the total to approaching £54.0m) which was to be utilised to meet response costs and help fund the other financial consequences of Covid-19 such as lost income and trading losses.
- 5.4 Should additional funding be provided, by the Government to meet the response and recovery costs in 2020/21 in full the County Council would require a third tranche of funding of just over £17.8m. In this scenario

applying the options available would allow the County Council to meet all of the costs, losses and pressures as shown overleaf:

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Total Costs, Losses and Pressures	42,197	113,584	54,519
Government Funding – Response and Recovery Costs	(17,837)		
Miscellaneous Items	(5,405)	(3,784)	(5,841)
Corporate Funding	(30,000)	(30,000)	(20,000)
Corporate Reserves		(1,151)	(12,593)
General Capital Reserve			(80,012)
General Fund Balance			(3,677)
Borrow (from) / Contribute to BBR	11,045	(78,649)	67,604
Remaining Gap	0	0	0

- 5.5 If some additional funding is received from the Government the County Council can meet all of the anticipated costs, losses and pressures, whilst also preserving the BBR to use in line with planned financial strategy, but this does require the use of some of the General Fund Reserve, which would need to be replaced, creating further strain post 2022/23.
- 5.6 The scenario also effectively uses up all of our remaining firepower and means there is no contingency and we therefore have no ability to deal with any further financial shocks. Given the very high level nature of the assumptions and forecasts this is not a prudent position and on that basis the County Council is not considered to be financially viable under this scenario.
- 5.7 It also comes at the cost of £80m of additional prudential borrowing and the use of all of the available firepower to try to balance our financial position. We will therefore be looking to the Government to properly underwrite the genuine consequential costs and losses we have suffered, which would help to balance this position and reinstate the strong financial position we have worked so hard to achieve over many years.
- 6. Scenario 3 – Government Funding of Response and Recovery Costs and Underwrite of Council Tax and Business Rates in 2020/21**
- 6.1 Since the start of the Covid-19 crisis there have been many attempts to quantify the costs of the crisis in local government and, considerable effort has been invested into estimating the total costs – primarily via returns to the MHCLG.
- 6.2 However, there is huge uncertainty around the forecasts and in particular in relation to council tax and business rates income. Despite measures put in

place by the Government to support businesses and also individuals facing hardship the longer term financial stability of local authorities is at risk of they cannot collect council tax and business rates in a post-Covid-19 recession.

- 6.3 There are growing calls on the Government to provide a guarantee to local authorities by underwriting the potential loss of council tax and business rates. As yet there has been no official response to this but there now seems to be a wider understanding of the issue and full support for one year would see the County Council receive £34.6m based on currently anticipated losses of taxation income.
- 6.4 In this scenario applying the options available would allow the County Council to meet all of the costs, losses and pressures as shown below:

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Total Costs, Losses and Pressures	42,197	113,584	54,519
Government Funding – Response and Recovery Costs	(17,837)		
Underwrite of Council Tax and Business Rates		(34,600)	
Miscellaneous Items	(5,405)	(3,784)	(5,841)
Corporate Funding	(30,000)	(30,000)	(20,000)
Corporate Reserves			(13,744)
General Capital Reserve			(49,089)
Borrow (from) / Contribute to BBR	11,045	(45,200)	34,155
Remaining Gap	0	0	0

- 6.5 If the Government underwrite the anticipated impact on council tax and business rate income, the County Council can meet all of the anticipated costs, losses and pressures, whilst also preserving the BBR to use in line with planned financial strategy and retaining over £30m of the flexibility in the General Capital Reserve to deal with other potential shocks.
- 6.6 Furthermore, this would be achieved without drawing on General Fund Balances and with reduced borrowing costs as part of the Capital Reserve swap, thereby minimising the impact beyond 2022/23.
- 6.7 Whilst this might be considered to be a more favourable position, it comes at the cost of nearly £50m of additional prudential borrowing and the use of all of the available firepower to shore up our financial position. As a minimum we would still be looking to the Government to properly underwrite the genuine consequential costs and losses we have suffered,

which would help to reinstate the strong financial position we have worked so hard to achieve over many years.

7. Reasonable Worst Case

- 7.1 In addition to developing a base case or mid-case realistic scenario for pressures in key service areas for 2021/22 and 2022/23 a worst case has also been prepared. This has again been combined with the unfunded costs and losses for the current year and the revised cash flow requirements for both the Tt2019 and Tt2021 Programmes to produce an alternative financial position.
- 7.2 The worst case scenario sees an overall gap across the three year period of approaching £273.6m due to greater pressures in key service areas, but these are even more speculative in nature than the forecasts outlined in the base case.
- 7.3 The impact of these items again has been profiled across the current and next two financial years as shown in the following table, along with the application of all available funding set out in Section 2 and assuming government support in line with Scenario 3:

	2020/21 £'000	2021/22 £'000	2022/23 £'000
Total Costs, Losses and Pressures	55,059	142,273	76,242
Government Funding – Response and Recovery Costs	(17,837)		
Underwrite of Council Tax and Business Rates		(34,600)	
Miscellaneous Items	(5,405)	(3,784)	(5,841)
Corporate Funding	(30,000)	(30,000)	(20,000)
Corporate Reserves		(8,102)	(5,642)
General Capital Reserve			(80,012)
General Fund Balance			(21,098)
Borrow (from) / Contribute to BBR	(1,817)	(65,787)	67,604
Remaining Gap	0	0	11,253

- 7.4 Even with additional government funding to meet all anticipated response and recovery costs and support to underwrite losses in council tax and business rate income in the worst case the County Council cannot meet all of the anticipated costs, losses and pressures, despite applying all of the options set out in Section 2 to the maximum extent possible.

- 7.5 It is once again important to note that this position fully utilises all possible resources and so future plans will need to include provision to reinstate the General Fund Balance and meet the revenue costs of borrowing taken in lieu of utilising the General Capital Reserve.
- 7.6 Clearly the County Council is not financially sustainable under this scenario either and it would require additional government funding of at least £32m over the period before this was even considered to be an acceptable position.

8. Summary

- 8.1 The CFO has already reported that the County Council is not financially viable in the medium term without significant additional government funding and the current crisis accelerates this position unless some form of government underwriting is confirmed.
- 8.2 The scenarios in this Appendix underline that point, and in addition highlight that it is possible that even with additional funding the County Council is not be able to adequately bridge the gap as we approach 2022/23 in three out of the four scenarios outlined, and is therefore not financially sustainable.
- 8.3 At this stage, it is not possible to say whether we will reach the reasonable worst case scenario as set out in this report, but the aim is to report regularly to Cabinet and County Council on the position and if necessary provide information directly to Members where this is considered necessary, given the fast moving pace and changing consequences of the crisis.

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COUNCIL MEETING, 16 JULY 2020

REPORT OF THE
Cabinet
PART I

1. Transport for the South East (TfSE)

- 1.1. At its meeting of 14 July 2020 (following publication of this report), Cabinet will consider a report on Transport for the South East's Proposal to Government to move from shadow form to be established as a statutory sub national transport body for the South East, to be known as Transport for the South East (TfSE).
- 1.2. The report also introduces TfSE's Transport Strategy which provides a wide ranging policy framework for the period up to 2050 to inform future sub regional transport studies and national transport investment decisions. The report highlights the importance of TfSE's Partnership Board securing consent from each of its constituent members, including from Hampshire County Council, for its Proposal to Government, and their endorsement of its Transport Strategy following recent consultation and prior to their submission to the Secretary of State for Transport
- 1.3. The report to be considered by Cabinet is attached in full as an Annex to this Council report.
- 1.4. In addition to proposed recommendations to Council, set out below, it is recommended that Cabinet:
 - Give consent to the establishment of a sub national transport body for the South East, to be known as Transport for the South East (TfSE).
 - Approve the proposed constitutional arrangements and functions for TfSE, as set out in its Proposal to Government (Appendix 1).
 - Endorses TfSE's Transport Strategy.
 - Delegates authority to the Executive Member for Economy, Transport and Environment to consider, and where appropriate approve, any subsequent studies, strategies and decisions arising from TfSE's Transport Strategy.
- 1.5. When introducing this Part I report, the Leader will confirm to the County Council the resolutions made by Cabinet on 14 July.

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

- [Cabinet - 14 July 2020](#)

RECOMMENDATIONS

With reference to the report annexed to this Council report, Council is recommended to:

- a. Endorse Cabinet's consent to the establishment of a sub national transport body for the South East, to be known as Transport for the South East (TfSE).
- b. Endorse Cabinet's approval for the proposed constitutional arrangements and functions for TfSE, as set out in its Proposal to Government (Appendix 1).
- c. Adopt the TfSE's Transport Strategy into the County Council's policy framework.

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	14 July 2020
Title:	Transport for the South East (TfSE)
Report From:	Director of Economy, Transport and Environment

Contact name: Keith Willcox

Tel: 01962 846997

Email: keith.willcox@hants.gov.uk

Purpose of this Report

1. The primary purpose of this report is to update Cabinet on Transport for the South East's Proposal to Government to move from shadow form to be established as a statutory sub national transport body for the South East, to be known as Transport for the South East (TfSE). This follows the initial [report](#) considered by Cabinet in December 2016, when Cabinet agreed that TfSE be established as a shadow body.
2. This report also introduces TfSE's Transport Strategy which provides a wide-ranging policy framework for the period up to 2050 to inform future sub regional transport studies and national transport investment decisions.
3. It draws attention to the active role the County Council has taken over the last three years, as a key member of the TfSE's Shadow Partnership Board, to shape the Proposal to Government and the Transport Strategy, and its on-going work with partners to develop further strategies and studies arising from the Transport Strategy.
4. The report highlights the importance of TfSE's Partnership Board securing consent from each of its constituent members, including from Hampshire County Council, for its Proposal to Government, and their endorsement of its Transport Strategy following recent consultation and prior to their submission to the Secretary of State for Transport.

Recommendations

5. That Cabinet gives its consent to the establishment of a sub national transport body for the South East, to be known as Transport for the South East (TfSE), and recommends that Full Council endorses this decision;
6. That Cabinet approves the proposed constitutional arrangements and functions for TfSE, as set out in its Proposal to Government (Appendix 1), and recommends that Full Council endorses this decision;

7. That Cabinet endorses TfSE's Transport Strategy and recommends that Full Council adopts the Transport Strategy into the County Council's policy framework.
8. That Cabinet delegates authority to the Executive Member for Economy, Transport and Environment to consider, and where appropriate approve, any subsequent studies, strategies and decisions arising from TfSE's Transport Strategy.

Executive Summary

9. This report seeks to assure Cabinet of the merits of TfSE's Proposal to Government for it to be established as a statutory corporate body under the Cities and Local Government Devolution Act 2016.
10. The constitutional arrangements and functions set out in the Proposal (see Appendix 1, sections 5.12 – 5.19) are considered necessary by TfSE's Shadow Partnership Board to meet its statutory duties, in particular the effective delivery of its Transport Strategy and to be better placed to support local highway authorities in meeting their own local transport priorities. The draft Proposal was the subject of a 12-week consultation earlier last summer and was then further amended to reflect feedback received.
11. TfSE's Transport Strategy (Appendix 2), provides a wide-ranging policy framework for the period up to 2050, as the basis for TfSE to realise its ambition for the region, namely that:

“By 2050, the South East will be a leading global region for net-zero carbon, sustainable economic growth, where integrated transport, digital and energy networks have delivered a step-change in connectivity and environmental quality.

A high-quality, reliable, safe and accessible transport network will offer seamless door-to-door journeys enabling our businesses to compete and trade more effectively in the global marketplace and give our residents and visitors the highest quality of life.”
12. The Transport Strategy, which has also been subject to extensive consultation, sets out TfSE's vision, goals and priorities. These will direct further thematic strategies and area-based studies to inform the prioritisation of schemes, national investment decisions, and establish a Strategic Investment Plan for the region. As explained below, the Strategy marks an important shift away from 'planning for vehicles', towards planning for people and places and is explicit in aiming to reduce peoples' dependency on cars. This new regional approach should inform local policies, such as the County Council's own Local Transport Plan (LTP) version 4 which is currently under development, and why it is recommended that TfSE Transport Strategy be adopted into the County Council's policy framework.
13. Turbulence within the legislative programme for central government during the latter half of last year led the Department for Transport (DfT) to advise shadow sub national transport bodies it was unable to consider further proposals for statutory status at that time but that they should continue working in shadow form. This meant that TfSE had to push back its 2019 timeline for submitting its Proposal to Government. However, it used that period to make progress with its Transport Strategy and maintain strong links with the DfT which, following the December 2019 General Election, has indicated it is now able to consider

further proposals. Therefore, subject to securing consent from each of its constituent members, TfSE's Shadow Partnership Board aims to submit its Proposal to Government, together with its Transport Strategy, as soon as possible following its Partnership Board meeting on 16 July 2020.

Contextual information

14. The Cities and Local Government Devolution Act 2016 amended the Local Transport Act 2008 to make provision for the establishment of sub national transport bodies. The purpose was to create statutory bodies capable of advising the Secretary of State and devising transport strategies that would advance economic growth and improve the effectiveness and efficiency of transport functions across sub-national regions. Although only Transport for the North (TfN) has secured statutory status, the case for coherent and cohesive assessments of sub-national transport needs has led to the emergence of Midlands Connect, England's Economic Heartland, and TfSE – each of which have established shadow partnership boards to work with central government and its agencies to develop transport strategies appropriate to their regions. Each aim to secure statutory status as soon as possible to maximise their influence with central government.
15. Following [Cabinet's approval](#) in 2016 for the County Council to join TfSE in shadow form, the partnership has grown in strength. It has a dedicated team and [website](#), and now includes 16 upper-tier authorities as constituent members:
 - Bracknell Forest Borough Council
 - Brighton and Hove City Council
 - East Sussex County Council
 - Hampshire County Council
 - Isle of Wight Council
 - Kent County Council
 - Medway Council
 - Portsmouth City Council
 - Reading Borough Council
 - Slough Borough Council
 - Southampton City Council
 - Surrey County Council
 - West Berkshire Council
 - West Sussex County Council
 - The Royal Borough of Windsor and Maidenhead Council
 - Wokingham Borough Council
16. The TfSE region is home to over 7.5 million people and includes four million workers and 320,000 companies. TfSE's governance structure provides a voice

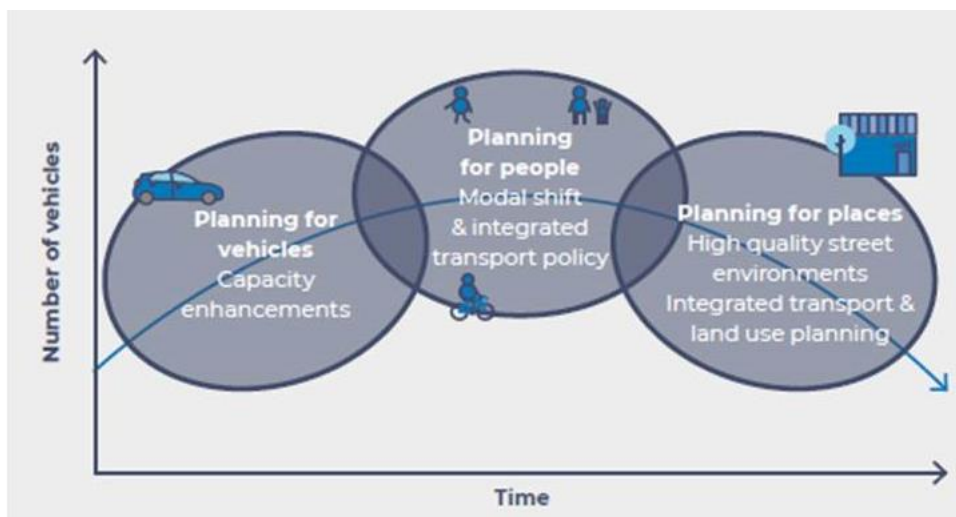
for the South East's five local enterprise partnerships; local district and borough councils; the two national park authorities; as well as transport industry and end-user representatives. The County Council's Executive Member for Economy, Transport and Environment serves on its Shadow Partnership Board, supported by the County Council's Assistant Director for Strategic Transport, who is a member of the TfSE's Senior Officer Group.



17. Over the last three years TfSE has made significant progress in developing positive relations with DfT and working with Highways England to inform the Government's Road Invest Strategy (RIS2) and Major Road Network (MRN) proposals.
18. Following initial funding from DfT in 2017/18, TfSE developed its evidence base to inform its draft Transport Strategy. That was published in May 2019 and was the focus of a launch event, '*Connecting the South East*', held at Farnborough International last October, which was attended by the then Minister for Transport, George Freeman MP. The event was followed by other regional events and a Parliamentary reception that was well attended by Hampshire MPs. The County Council has been actively involved in all stages of developing the draft Transport Strategy.
19. Similarly, the County Council has been actively involved in developing TfSE's Proposal to Government, which sets out its ambition for the region; the strategic and economic case for establishing a sub national transport body in the South East; and its proposed constitutional arrangements and functions. The Proposal was first approved by the Shadow Board for consultation in March 2019. Following [a report](#) to the Executive Member for ETE in July 2019, the County Council provided a written response to the consultation which, together with other feedback, has helped inform updated Proposal. Formal consent is now being sought from each of the constituent members in advance of TfSE's Partnership Board meeting on 16 July 2020.

Transport Strategy

20. The Transport Strategy sets out TfSE's ambition for the South East by 2050, as contained in the summary above. It includes strategic goals and priorities which are designed to mark a shift away from traditional 'planning for vehicles', towards planning for people and places which has been strongly welcomed by stakeholders



21. The strategic goals align with the pillars of sustainability – economic, social, and environmental – to provide a robust policy framework to devise an appropriate Strategic Investment Plan to address challenges associated with the following types of movement:

- i. Radial journeys
- ii. Orbital and coastal journeys
- iii. Inter-urban journeys
- iv. Local journeys
- v. Journeys to international gateways and freight journeys
- vi. Journeys in the future

The Strategy's methodology is underpinned by the following principles:

- Supporting economic growth, but not at any cost
- Achieving environmental sustainability
- Planning for successful places
- Putting the user at the heart of the transport system
- Planning Regionally for the Short, Medium and Long Term

22. The draft Strategy was subject to a 13-week public consultation which closed on 10th January this year. Following a report to the Executive Member of ETE on 14th January, the County Council provided further comments to TfSE which informed final amendments to the Strategy. In responding the County Council strongly endorsed the Strategy's vision and logical methodology, including its strategic priorities which it noted will need to be carefully monitored. It highlighted the fundamental role central government will also need to play in supporting TfSE's objectives to increase rail and bus usage, and the need to maintain strong links with the health sector to ensure a consistent message that encourages people to make transport choices that support health lifestyles. It

suggested that, moving forward, TfSE may wish to classify economic hubs as regionally or locally significant and take account of other investment packages, such as the Transforming Cities Fund, that may be complimentary to proposed interventions. Above all, the County Council stressed that as TfSE's strategy work advances, it should focus on adding maximum value across the region by concentrating efforts on issues that local authorities have to date been unable to resolve individually, such as integrated rail and bus ticketing. The collaborative ethos of TfSE was also reflected in comments from other constituent members who agreed that TfSE should focus on the wider strategic challenges facing the region. It was also agreed that the links between transport and land use planning, together with TfSE's environmental priorities should be strengthened.

23. Emerging from the Strategy, and subject to further funding from the DfT, TfSE will commission five area studies, and two thematic strategies to identify specific schemes and policy initiatives required in different parts of the region. Both the south western radial study which will assess north / south connectivity, including the M3 /A34 corridor, and the 'Freight, Logistics, and International Gateways' thematic strategy will be particularly important to Hampshire given the strategic importance of Southampton Port for UK exports and the movement of incoming goods to support numerous supply chains.
24. Current funding for 2019/20 has enabled TfSE to progress its Outer Orbital Area Study, which assesses connectivity along the south coast between Hampshire to Kent, and its Future Mobility Strategy. With regard to the latter, TfSE is very much looking to learn from Solent's Future Transport Zone activities following its successful bid to become one of DfT's future mobility pilot zones. Subject to further funding the next step will be to develop the Gateways Strategy.
25. The Transport Strategy makes reference to the impact the Covid19 pandemic is already having on demand for travel and touches on the longer-term impacts the current crisis may have on the way people choose to live in the future. It notes that in the short-term the impact may help towards it achieving its strategic priorities but, given the scale of modal shift required, the Strategy is clear that significant interventions will still be required in order for TfSE to realise its ambition for the region. In the meantime, further technical work is being undertaken to identify the potential short-term impacts of the Covid-19 pandemic on travel behaviour, employment patterns and the economy in the South East. Outputs from that work will be fed into the area studies and thematic strategies referenced above.

Proposal to Government

26. In order to achieve statutory status TfSE is required to develop a Proposal to Government that demonstrates a strategic economic case for the creation of a sub-national transport body and how it intends to fulfil the statutory requirements outlined in the enabling legislation. This includes identifying the power and responsibilities it seeks from the Government and setting out its own proposed governance arrangements.
27. In September 2019 TfSE's Shadow Partnership Board approved the Proposal to Government, (Appendix 1) which took account of feedback received following the public consultation which ran between 3rd May – 31st July 2019. That included comments from the Hampshire County Council based on [principles](#)

[agreed](#) by the Executive Member for ETE and set out in an Executive Member report, dated 16th July 2019.

28. The constitutional arrangements, including details of the proposed weighted voting system are set out in Section 4 of the Proposal to Government.
29. It is proposed that each constituent authority will appoint one of their elected members or their elected mayor as a member of TfSE on the Partnership Board. It is intended that the regulations should provide for the appointment of persons who are not elected members of the constituent authorities to be co-opted members of the TfSE Partnership Board. Currently two LEPs, a representative from the Boroughs and Districts, the Chair of the TfSE Transport Forum, and a representative from the protected landscapes in the TfSE area have been co-opted onto the Shadow Partnership Board. A number of voting options were considered to find a preferred option that represents a straightforward mechanism as well as the characteristics of the partnership, and which does not provide any single authority with an effective veto. The starting point for decisions will be consensus, and if that cannot be achieved then decisions will require a simple majority of those constituent bodies who are present and voting. Where consensus cannot be achieved the following matters will require enhanced voting arrangements:
 - The approval and revision of Transport for the South East's ("TfSE") Transport Strategy;
 - The approval of TfSE annual budget;
 - Changes to the TfSE constitution.
30. Decisions on these issues will require both a super-majority, consisting of three quarters of the weighted vote in favour of the decision, and a simple majority of the constituent authorities.
31. The specific functions that TfSE is seeking is set out in Section 5 of the Proposal to Government. These include the following:
 - general sub-national transport body functions relating to the preparation of a Transport Strategy, advising the Secretary of State and co-ordinating transport functions across the TfSE area (with the consent of the constituent authorities);
 - Local Transport functions;
 - being consulted on rail franchising and setting the overall objectives for the rail network in the TfSE areas;
 - jointly setting the Road Investment Strategy RIS for the TfSE area;
 - obtaining certain highways powers which would operate concurrently and with the consent of the current highways authority to enable regionally significant highways schemes to be expedited;
 - securing the provision of bus services, entering into quality bus partnership and bus franchising arrangements with the consent of the constituent authorities;
 - introducing integrated ticketing schemes;
 - establishing Clean air zones with the power to charge high polluting vehicles for using the highway with the consent of the constituent authorities;
 - power to promote or oppose Bills in Parliament;
 - incidental powers to enable TfSE to act as a type of local authority

In its response to the consultation the County Council stressed the importance of TfSE adhering to the principle of subsidiarity wherever possible, with focus being placed on drawing down powers from central government that best lend themselves to sub national governance, for example being directly involved in setting a High Level Output Specification for rail and the Road Investment Strategy. The County Council was also cautious about proposed powers to be held concurrently with local highways authorities. It requested that any such powers only be exercised by TfSE with the express consent of the affected authority(ies) and that any interventions within local highway authority areas, or affecting their borders, should only take place with their explicit consent.

Therefore, the County Council welcomes the fact the Proposal to Government has since been amended to reflect these points and, to support the principle of consent, the final Proposal to Government states it will adopt the following principles:

- That future operations of TfSE should, where possible, seek to draw down powers from central government, rather than seek concurrent powers with local transport authorities;
- That decisions on the implementation of the powers are made at the most immediate (or local) level, i.e. by constituent authorities in the particular area affected; and
- Consent from the relevant constituent authorities will be obtained in advance of any Partnership Board decision on a particular scheme or project.

Following the amendments made to the Proposal to Government, it is recommended that Cabinet approves the Proposal and gives consent to TfSE being established as a statutory body, in order to maximise its influence over future transport investment and, through TfSE's Transport Strategy, shape intra-regional transport planning over the short, medium and long term.

Finance

32. TfSE has established an annual subscription of £58,000 per county council and £30,000 per unitary.
33. To date DfT has allocated TfSE a total of £1.6million through three separate ring-fenced revenue grants. The initial £100,000 grant was allocated in 2017/18. That enabled TfSE to develop its evidence base for its Transport Strategy, including its Economic Connectivity Review. A further £1million was allocated by DfT in March 2018 to advance TfSE's Transport Strategy. In June 2019 DfT allocated TfSE a further £500,000 to support its technical work programme arising from its Transport Strategy. That latest £500,000 grant is currently being used to undertake the first of its three Area Studies, the Outer Orbital Area Study, and one of the two proposed thematic strategies i.e. the Future Mobility Strategy.
34. TfSE is actively pressing DfT to commit to further funding for 2020/21 to ensure the partnership can further progress its technical work programme.
35. Submitting its Proposal to Government this summer is considered both timely and important in order to feed into the forthcoming Comprehensive Spending Review. Once established as a statutory body, DfT will be expected to allocate

TfSE core revenue funding, on condition its constituent authorities continue to make contributions.

Performance

36. In its response to TfSE's consultation on its Transport Strategy, the County Council emphasised the importance of its performance being carefully monitored. TfSE has since committed to establishing a robust mechanism to monitor and evaluate the progress of its Transport Strategy. The Partnership plans to use a set of key performance indicators to assess the extent to which its strategic priorities, set out in the Strategy, are being achieved.

Consultation and Equalities

37. TfSE's draft Proposal to Government was subject to a public consultation between 3rd May – 31st July 2019. The consultation document was made available on TfSE's website and promoted through its e-newsletter and engaged a wide range of stakeholders including neighbouring transport authorities, such as Dorset and Oxfordshire, as well as other stakeholders, including South Downs and New Forest national park authorities, port and ferry operators and airports. In total, TfSE received 96 responses which were positive, with 92 respondents offering to support the principle of establishing TfSE as a sub-national transport body for the South East. The County Council's own [response](#) was based on the principles set out in the Executive Member report, dated 16th July 2019. Following the consultation responses, the Proposal to Government was updated to make clear that TfSE would only exercise concurrent functions and powers with the explicit consent of the relevant transport authority(ies) and that the principle of subsidiarity be adhered to so as to ensure decisions relating to TfSE's powers are made at the most relevant level and that, where possible, TfSE's future aspirations will focus on drawing down powers from central government.
38. TfSE's draft Transport Strategy was subject to a 13-week public consultation which closed on 10th January this year. The main mechanism for obtaining feedback was via a questionnaire which was made available online and in hard copy. The process was widely publicised through the media and partner communications, with direct links sent to key stakeholders, including to all South East MPs and local authorities within the region. There were over 3,500 responses, including 600 responses to the questionnaire and a further 3,076 emails following a campaign by Friends of the Earth. All comments were considered and TfSE's analysis of the consultation feedback was reported to the Shadow Partnership Board in April 2020. In summary, 84% of respondents to the questionnaire supported TfSE's vision for the region. Seventy-eight per cent supported the shift away from planning for vehicles towards planning for people and places, and 63% were of the view that the Strategy would enable TfSE to achieve its objectives. Following a report to the Executive Member for ETE on 14th January, the County Council provided its own response to the consultation and those comments have helped inform the final amendments to the Strategy.
39. A statutory Integrated Sustainability Appraisal was also undertaken alongside the preparation of the Transport Strategy to promote sustainable development by assessing environmental, social and economic impacts, as well as mitigating

any potential adverse effects that the Transport Strategy might otherwise have. This was subject to public consultation, alongside the Strategy. In summary, responses related to the length of the document, and further actions for the Strategy to reduce carbon emissions and strengthen environmental protection. The comments received have been noted by the Shadow Partnership Board which has agreed to further amendments to draft Appraisal which is expected to be finalised later this month.

Conclusions

40. Establishing TfSE as a sub-national transport body for the South East will provide the current shadow partnership with the necessary influence and powers to ensure the effectively delivery of its Transport Strategy. This, in turn, will support and inform growth plans across the region to help expedite economic recovery and to maximise the region's economic potential. Furthermore, by adhering to the principles of sustainable development, TfSE will not only help the South East secure economic benefits but also social and environmental benefits that align to the Hampshire 2050's vision.

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:	yes
People in Hampshire enjoy being part of strong, inclusive communities:	yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Cabinet Report 'Proposals for a Sub-National Transport Body (Transport for the South East)'	12 December 2016
Executive Member Report 'TfSE response to formal consultation on the draft Proposal to Government'	16 July 2019
Executive Member Report 'TfSE Strategy Consultation Response'	14 January 2020
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>
Cities and Local Government Devolution Act 2016 (Part 5A)	

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 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 disproportionately low.

2. Equalities Impact Assessment:

2.1. Securing statutory status for TfSE would better enable the partnership to deliver its Transport Strategy for the South East and this is considered positive for the whole of Hampshire. The Strategy is accompanied by a statutory Integrated Sustainability Appraisal to promote sustainable development by assessing environmental, social and economic impacts, as well as mitigating any potential adverse effects that the Transport Strategy might otherwise have.

2.2. The recommendations contained in this report do not have any adverse impacts on groups with protected characteristics. Specific transport schemes that might arise from TfSE's Transport Strategy, or its subsequent area studies and thematic strategies, would be subject to specific equality impact assessments.

Proposal to Government for statutory status

September 2020

Contents

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1. Executive summary

- 1.1 Transport for the South East is a sub-national transport body (STB) established to speak with one voice on the strategic transport priorities for the South East region.
- 1.2 Our aim is to grow the South East's economy by delivering a safe, sustainable, and integrated transport system that makes the South East area more productive and competitive, improves the quality of life for all residents, and protects and enhances its natural and built environment.
- 1.3 By operating strategically across the South East on transport infrastructure – a role that no other organisation currently undertakes on this scale – we will directly influence how and where money is invested and drive improvements for the travelling public and for businesses in a region which is the UK's major international gateway.
- 1.4 Already we are commanding the attention of government, facilitating greater collaboration between South East local authorities, local enterprise partnerships (LEPs) and government to shape our region's future.
- 1.5 Our proposal has been developed in partnership with Transport for the South East's constituent authorities, partners and stakeholders and represents a broad consensus on the key issues facing the region and the powers required to implement our Transport Strategy.
- 1.6 Our constituent authorities, partners and stakeholders are clear that a statutory sub-national transport body for the South East is vital if we are to successfully:
 - Increase our influence with Government and key stakeholders;
 - Secure investment in pan-regional strategic transport corridors;
 - Deliver sustainable economic growth, while protecting and enhancing the environment, reducing emissions and promoting social inclusion; and
 - Enable genuine long-term planning.
- 1.7 We have taken a proportionate approach and are only seeking those powers that will be effective in helping us achieve our strategic aims and objectives, and which will complement and build on the existing powers of our constituent authorities.
- 1.8 These powers will enable us to deliver significant additional value at regional level through the ability to directly influence and inform national investment programmes, enable more efficient and effective operational delivery and better coordination of pan-regional schemes.

- 1.9 The submission of our proposal to Government and the publication of our Transport Strategy has coincided with the COVID-19 global pandemic. It is recognised that changes to the way we live, work and do business, as a result of coronavirus, are likely to have an impact on travel behaviour and demand for travel.
- 1.10 Further technical work will be undertaken to try to anticipate the potential short-term impacts of the Covid-19 pandemic on travel behaviour, employment patterns and the economy in the South East. The outputs from this work will be fed into five area and thematic studies, which will follow on from our Transport Strategy.

2. Our ambition

“By 2050, the South East of England will be a leading global region for net-zero carbon, sustainable economic growth where integrated transport, digital and energy networks have delivered a step-change in connectivity and environmental quality.

“A high-quality, reliable, safe and accessible transport network will offer seamless door-to-door journeys enabling our businesses to compete and trade more effectively in the global marketplace, giving our residents and visitors the highest quality of life in the country.”

Transport for the South East 2050 vision statement

- 2.1 Transport for the South East (TfSE) was established in shadow form in June 2017. In the short period since, we have emerged as a powerful and effective partnership, bringing together 16 local transport authorities, five local enterprise partnerships and other key stakeholders including protected landscapes, transport operators, district and borough authorities and national agencies to speak with one voice on the region’s strategic transport needs.
- 2.2 Our 2050 vision is underpinned by three strategic goals, which align to the three pillars of sustainable development:
- improve productivity and attract investment to grow our economy and better compete in the global marketplace;
 - improve health, safety, wellbeing, quality of life, and access to opportunities for everyone; and
 - protect and enhance the South East’s unique natural and historic environment.
- 2.3 Our Transport Strategy, which covers the period to 2050, forms the basis for achieving that vision. It will deliver sustainable economic growth across the South East, whilst taking account of the social and environmental impacts of the proposals outlined in the strategy.
- 2.4 The publication of our Transport Strategy has coincided with the COVID-19 global pandemic. It is recognised that changes to the way we live, work and do business, as a result of coronavirus, are likely to have an impact on travel behaviour and demand for travel.
- 2.5 Further technical work will be undertaken to try to anticipate the potential short-term impacts of the Covid-19 pandemic on travel behaviour, employment patterns and the economy in the South East. The outputs

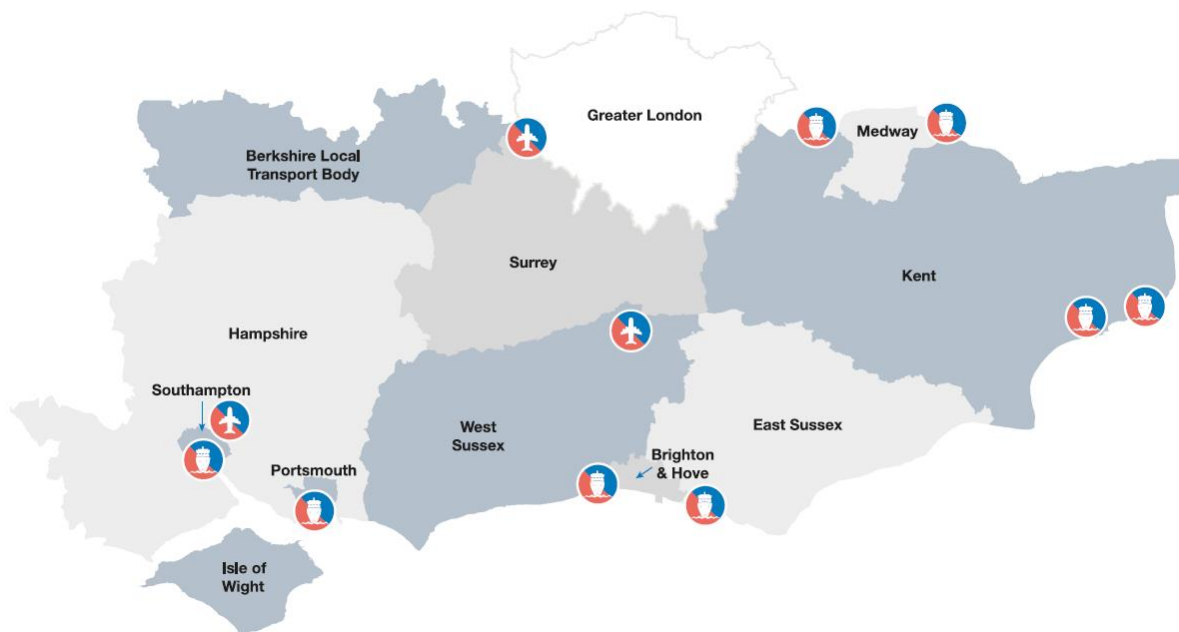
from this work will be fed into five area and thematic studies, which will follow on from our Transport Strategy.

- 2.6 TfSE has already, in shadow form, added considerable value in bringing together partners and stakeholders to work with Government on key strategic issues, securing positive outcomes for the region in the Roads Investment Strategy 2 and Major Road Network, influencing rail franchising discussions and providing collective views on schemes such as southern and western rail access to Heathrow.
- 2.7 The requirements within our proposal seek to provide TfSE with the initial functions and powers to move to the next stage of our development – to begin delivering the Transport Strategy and realising the benefits that a high quality, sustainable and integrated transport system can unlock for people, businesses and the environment.
- 2.8 We are clear that we only seek those powers and functions which are necessary to deliver our Strategy and achieve our vision. Our requirements differ from those of other STBs and reflect the different geographic, economic, political, social and environmental characteristics of our region and the strategic objectives of TfSE and its partners.
- 2.9 We are only seeking powers that are applicable to a sub-national transport body as outlined by the legislation. There are many other bodies that have environmental and economic remits beyond those held by an STB and it will be essential that we work with these partners to deliver sustainable economic growth across the south east.

3. The strategic and economic case

The Transport for the South East area

- 3.1 The South East is already a powerful motor for the UK economy, adding £183 billion to the economy each year¹ – second only to the contribution made by London and more than Scotland, Wales and Northern Ireland combined.
- 3.2 It is home to 7.5m people and 329,000 businesses including some of the world’s biggest multinationals as well as a large number of thriving, innovative SMEs. It is a world leader in knowledge intensive, high value industries including advanced engineering, biosciences, financial services and transport and logistics.
- 3.3 The South East area includes both of the nation’s busiest airports in Heathrow and Gatwick, a string of major ports including Southampton, Dover and Portsmouth, many of the country’s most vital motorways and trunk roads and crucial railway links to London, the rest of Britain and mainland Europe.



- 3.4 The South East’s international gateways support the economic wellbeing of the whole of the UK. As we withdraw from the European Union, they will be integral to supporting a thriving, internationally facing economy.
- 3.5 Half of all freight passing through Dover going on to other parts of the country. Southampton sees £71 billion of international trade each year and Portsmouth handles two million passengers a year. More than 120 million air passenger a year use Gatwick, Southampton and Heathrow airports.

¹ Cambridge Econometrics “Local Economic Forecasting Model” (2017).

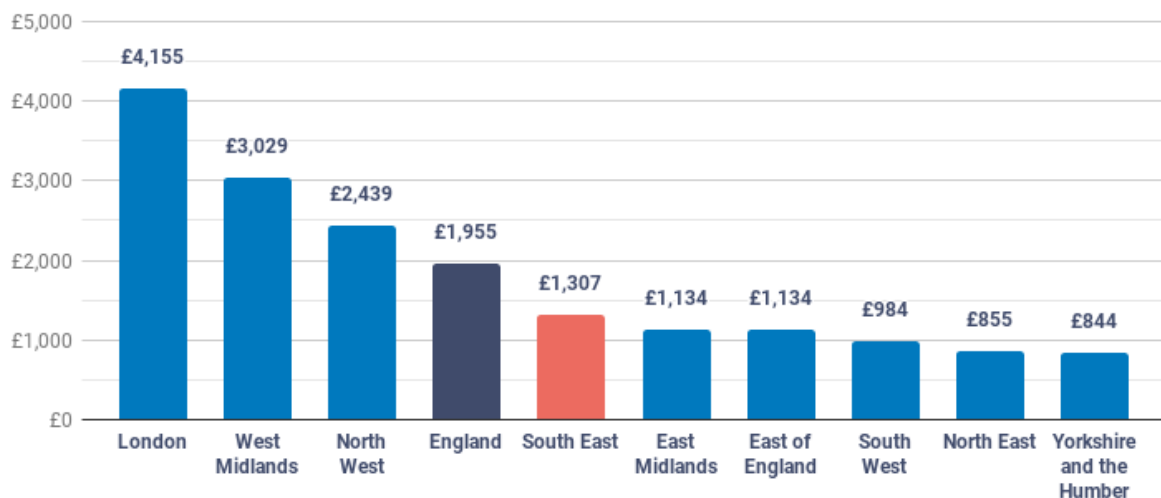
3.6 Our people and infrastructure are not our only assets. With two national parks, five areas of outstanding natural beauty and much of the region allocated as green belt, the South East draws heavily on its unique and varied natural environment for its success. It offers outstanding beaches, historic towns, dynamic cities and unparalleled links to London, the UK, Europe and the rest of the world. It is, in short, an amazing place to live, work and visit.

The scale of the challenge and why change is needed

3.7 But we face a real challenge. Despite these enviable foundations – and in some cases because of them – our infrastructure is operating beyond capacity and unable to sustain ongoing growth.

3.8 Despite the economic importance of the region to the UK economy, contributing £183 billion per year, the South East has seen continued underinvestment in transport infrastructure with a per capita spend that is significantly below the England average and a third of that in London.

Fig 1.1 Planned transport infrastructure spending per head



Source: IPPR North analysis of planned central and local public/private transport infrastructure spending per capita 2017/19 onwards (real terms 2016/17 prices)

3.9 So while transport links to and from the capital are broadly good, elsewhere connectivity can be poor – even between some of our region’s major towns and cities. Train journey times between Southampton and Brighton (a distance of around 70 miles) are only marginally less than the fastest train journeys between London and Manchester. The corresponding journey on the A27 includes some of the most congested parts of the South East’s road network.

- 3.10 Underinvestment in road and rail infrastructure is making life harder for our residents and businesses. New housing provision is being hampered by the lack of adequate transport infrastructure. In our coastal communities, lack of access to areas of employment and further education and higher education are major contributors to high unemployment and poor productivity.
- 3.11 The social geography of the South East is varied. The South East area is home to some of the most prosperous and productive areas of the country, but also contains significant areas of deprivation. Improving transport connectivity can help reduce the likelihood of deprivation, but this cannot be considered in isolation and needs to work alongside other important factors, such as improving skills levels.
- 3.12 The South East has a varied and highly valued natural environment. Significant parts of the South East area are designated as National Parks, Areas of Outstanding Natural Beauty and Sites of Special Scientific Interest. The environmental assets of the South East help make the South East area an attractive place to live, work and visit, as well as providing an important contribution to the economy. The future development of the South East area and its transport network will need to be managed to minimise any potential adverse impact and enhance these natural assets. The principle of biodiversity net gain will be vital in achieving this.
- 3.13 The South East area faces several significant environmental challenges in the future. There are a significant number of Air Quality Management Areas in place across the South East area. These areas have been established to improve air quality and reduce the harmful impact of Nitrogen Oxides (NOx), Sulphur Oxides (SOx), and particulates on human health and the natural environment. Transport – particularly road transport – is one of the largest contributors to poor air quality in the South East area. Transport therefore has a significant role to play in improving air quality. Noise pollution is also a significant issue, particularly for communities located close to the Strategic Road Network.
- 3.14 The South East also has a significant role to play in tackling climate change. The South East accounts for 12% of the United Kingdom’s greenhouse gas emissions. In 2018, transport accounted for a third of the United Kingdom’s greenhouse gas emissions.
- 3.15 The Covid-19 global pandemic will change the way we live, work and do business. These changes may not be immediately apparent – and it may be some time before the ‘new normal’ establishes itself – but TfSE remains committed to achieving our vision of a better, more productive and more sustainable South East.
- 3.16 These are challenges that extend beyond administrative and political boundaries. They require TfSE to have the powers to effectively join up transport policy, regulation and investment and provide clear, strategic

investment priorities which will improve connectivity into and across the region, boost the economy and improve the lives of millions.

The powers to achieve our vision

- 3.17 To enable us to achieve our vision through the efficient and effective delivery of the Transport Strategy, we propose that a range of functions exercisable by a local transport authority, passenger transport executive or mayoral combined authority are included in the regulations to establish TfSE on a statutory footing.
- 3.18 We have only sought those powers which we believe are proportionate and will be effective in helping us achieve our strategic aims and objectives, complementing and building on the existing powers of local authorities. The powers will be sought in a way which means they will operate concurrently with – and only with the consent of – the constituent authorities.
- 3.19 These powers would enable us to deliver significant additional value at regional level in three key areas:
- **Strategic influence:** Speaking with one voice and with the benefit of regional scale and insight to influence the development of national investment programmes; a trusted partner for Government, Network Rail and Highways England.
 - **Coordination:** Developing solutions which offer most benefit delivered on a regional scale; working with partners and the market to shape the development of future transport technology in line with regional aspirations.
 - **Operational:** Accelerating the delivery of schemes and initiatives which cross local authority boundaries, ensuring strategic investment happens efficiently and that the benefits for residents and businesses are realised as soon as possible.

The benefits of establishing TfSE as a statutory body

- 3.20 **One voice for strategic transport in the South East**
TfSE will provide a clear, prioritised view of the region's strategic transport investment needs. We already offer an effective mechanism for Government to engage with local authorities and LEPs in the region; statutory status would take that a step further, enabling us to directly inform and influence critical spending decisions by Government and key stakeholders including Highways England and Network Rail.
- 3.21 **Facilitating sustainable economic growth**
The Transport Strategy will facilitate the delivery of jobs, housing and growth across the South East and further build on our contribution to UK GVA. Implementation of strategic, cross-boundary schemes, particularly investment in our orbital routes, will connect economic centres and

international gateways for the benefit of people and businesses, regionally and nationally. TfSE also offers a route to engage with other sub-national transport bodies and Transport for London on wider cross-regional issues.

However, this cannot be growth at any cost. The implementation of the Transport Strategy must ensure that the region's high quality environmental assets are protected and, where possible, enhanced, as well as improving health, safety, wellbeing, quality of life, and access to opportunities for everyone.

3.22 **Delivering benefits for the travelling public**

TfSE can support the efficient delivery of pan-regional programmes that will offer considerable benefits to the end user – for example, integrated travel solutions combined with smart ticketing will operate more effectively at a regional scale and can best be facilitated by a regional body than by individual organisations.

3.23 **Local democratic accountability**

Our Transport Strategy has been subject to public consultation and, provides a clear, prioritised view of investments agreed by all the South East's local transport authorities and with input from passengers, businesses and the general public. Delivery of the strategy will be led by the Partnership Board, comprising elected members and business leaders with a direct line of accountability to the people and organisations they represent.

3.24 **Achieving the longer term vision**

Securing statutory status offers TfSE the permanence and security to deliver the Transport Strategy to 2050, providing a governance structure that matches the lifecycle of major infrastructure projects. It will provide confidence to funders, enable us to work with the market to ensure the deliverability of priority schemes and support development of the skills needed to design, build, operate and maintain an improved transport network.

4. Constitutional arrangements

Requirements from legislation

Name

- 4.1 The name of the sub-national transport body would be 'Transport for the South East ("TfSE")' and the area would be the effective boundaries of our 'constituent members'.

Members

- 4.2 The membership of the STB is listed below:

Bracknell Forest Borough Council
Brighton and Hove City Council
East Sussex County Council
Hampshire County Council
Isle of Wight Council
Kent County Council
Medway Council
Portsmouth City Council
Reading Borough Council
Royal Borough of Windsor and Maidenhead Council
Slough Borough Council
Southampton City Council
Surrey County Council
West Berkshire Council
West Sussex County Council
Wokingham Borough Council

Partnership Board

- 4.3 The current Shadow Partnership Board is the only place where all 'constituent members' are represented at an elected member level². Therefore this Board will need to have a more formal role, including in ratifying key decisions. This would effectively become the new 'Partnership Board' and meet at least twice per annum. The Partnership Board could agree through Standing Orders if it prefers to meet more regularly.
- 4.4 Each constituent authority will appoint one of their councillors / members or their elected mayor as a member of TfSE on the Partnership Board. Each constituent authority will also appoint another one of their councillors / members or their elected mayor as a substitute member (this includes directly elected mayors as under the Local Government Act 2000). The person appointed would be that authority's elected mayor or leader, provided that, if responsibility for transport has been formally delegated to

² The six constituent members of the Berkshire Local Transport Body (BLTB) will have one representative between them on the Partnership Board.

another member of the authority, that member may be appointed as the member of the Partnership Board, if so desired.

- 4.5 The Partnership Board may delegate the discharge of agreed functions to its officers or a committee of its members in accordance with a scheme of delegation or on an ad hoc basis. Further detail of officer groups and a list of delegations will be developed through a full constitution.

Co-opted members

- 4.6 TfSE proposes that governance arrangements for a statutory STB should maintain the strong input from our business leadership, including LEPs, district and borough authorities and protected landscapes. The regulations should provide for the appointment of persons who are not elected members of the constituent authorities but provide highly relevant expertise to be co-opted members of the Partnership Board.
- 4.7 A number of potential co-opted members are also set out in the draft legal proposal. Co-opted members would not automatically have voting rights but the Partnership Board can resolve to grant voting rights to them on such issues as the Board considers appropriate, for example on matters that directly relate to co-opted members' areas of interest.

Chair and vice-chair

- 4.8 The Partnership Board will agree to a chair and vice-chair of the Partnership Board. The Partnership Board may also appoint a single or multiple vice-chairs from the constituent members. Where the chair or vice-chair is the representative member from a constituent authority they will have a vote.

Proceedings

- 4.9 It is expected that the Partnership Board will continue to work by consensus but to have an agreed approach to voting where consensus cannot be reached and for certain specific decisions.
- 4.10 A number of voting options were considered to find a preferred option that represents a straightforward mechanism, reflects the characteristics of the partnership and does not provide any single authority with an effective veto. We also considered how the voting metrics provide a balance between county and other authorities, urban and rural areas and is resilient to any future changes in local government structures.
- 4.11 The steering group considered these options and preferred the population weighted option based on the population of the constituent authority with the smallest population (the Isle of Wight with 140,000 residents).
- 4.12 This option requires that the starting point for decisions will be consensus; if that cannot be achieved then decisions will require a simple majority of those constituent authorities who are present and

voting. The decisions below will however require both a super-majority, consisting of three quarters of the weighted vote in favour of the decision, and a simple majority of the constituent authorities appointed present and attending at the meeting:

- (i) The approval and revision of TfSE's Transport Strategy;
- (ii) The approval of the TfSE annual budget;
- (iii) Changes to the TfSE constitution.

The population weighted vote would provide a total of 54 weighted votes, with no single veto. A table showing the distribution of votes across the constituent authorities is set out in Appendix 1. This option reflects the particular circumstances of TfSE, being based on the population of the smallest individually represented constituent member who will have one vote, and only a marginally smaller proportionate vote. It is considered that this option is equitable to all constituent authority members, ensures that the aim of decision making consensus remains and that smaller authorities have a meaningful voice, whilst recognising the size of the larger authorities in relation to certain critical issues.

- 4.13 The population basis for the weighted vote will be based on ONS statistics from 2016 and reviewed every ten years.
- 4.14 As outlined in paragraph 4.7, co-opted members would not automatically have voting rights but the Partnership Board can resolve to grant voting rights to them on such issues as the Board considers appropriate, for example on matters that directly relate to co-opted members' areas of interest. The current shadow arrangements to allocate votes to co-opted Board members are working well, recognising the important contribution that these members bring on environmental, economic and social issues. It would be strongly recommended that the Statutory Body would continue with these arrangements.
- 4.15 The Partnership Board is expected to meet twice per year. Where full attendance cannot be achieved, the Partnership Board will be quorate where 50% of constituent members are present.

Scrutiny committee

- 4.16 TfSE will appoint a scrutiny committee to review decisions made or actions taken in connection with the implementation of the proposed powers and responsibilities. The committee could also make reports or recommendations to TfSE with respect to the discharge of its functions or on matters relating to transport to, from or within TfSE's area.
- 4.17 Each constituent authority will be entitled to appoint a member to the committee and a substitute nominee. Such appointees cannot be otherwise members of TfSE including the Partnership Board.

Standing orders

- 4.18 TfSE will need to be able to make, vary and revoke standing orders for the regulation of proceedings and business, including that of the scrutiny committee. This will ensure that the governance structures can remain appropriate to the effective running of the organisation.
- 4.19 In regards to changing boundaries and therefore adding or removing members, TfSE would have to make a new proposal to Government under Section 102Q of the Local Transport Act 2008 and require formal consents from each constituent authority.

Miscellaneous

- 4.20 It may be necessary that certain additional local authority enactments are applied to TfSE as if TfSE were a local authority, including matters relating to staffing arrangements, pensions, ethical standards and provision of services etc. These are set out in the draft legal proposal.
- 4.21 TfSE also proposes to seek the functional power of competence as set out in section 102M of the Local Transport Act 2008.
- 4.22 TfSE will consider options for appointing to the roles of a Head of Paid Service, a Monitoring Officer and a Chief Finance Officer whilst considering possible interim arrangements.

Funding

- 4.23 TfSE has raised local contributions from the constituent authorities and has secured grant funding from the Department for Transport to support the development of the Transport Strategy.
- 4.24 TfSE will work with partners and the Department for Transport to consider a sustainable approach to establishing the formal STB and effectively and expeditiously as possible, bearing in mind the considerable support among regional stakeholders for TfSE's attainment of statutory status.

Governance: Transport Forum and Senior Officer Group

- 4.23 The Partnership Board will appoint a Transport Forum. This will be an advisory body to the Senior Officer Group and Partnership Board, comprising a wider group of representatives from user groups, operators, District and Borough Councils as well as Government and National Agency representatives.
- 4.24 The Transport Forum will meet quarterly and be chaired by an independent person appointed by the Partnership Board. The Transport Forum may also appoint a vice-chair for the Transport Forum, who will chair the Transport Forum when the chair is not present.

- 4.25 The Transport Forum's terms of reference will be agreed by the Partnership Board. It is envisaged that the Transport Forum will provide technical expertise, intelligence and information to the Senior Officer Group and the Partnership Board.
- 4.26 The Partnership Board and Transport Forum will be complemented by a Senior Officer Group representing members at officer level providing expertise and co-ordination to the TfSE programme. The Senior Officer Group will meet monthly.

5. Functions, powers and responsibilities

TfSE's proposal is to become a statutory sub-national transport body as set out in section part 5A of the Local Transport Act 2008.

General functions

- 5.1 Transport for the South East proposes to have the 'general functions' as set out in Section 102H (1) including:
- a. to prepare a Transport Strategy for the area;
 - b. to provide advice to the Secretary of State about the exercise of transport functions in relation to the area (whether exercisable by the Secretary of State or others);
 - c. to co-ordinate the carrying out of transport functions in relation to the area that are exercisable by different constituent authorities, with a view to improving the effectiveness and efficiency in the carrying out of those functions;
 - d. if the STB considers that a transport function in relation to the area would more effectively and efficiently be carried out by the STB, to make proposals to the Secretary of State for the transfer of that function to the STB; and
 - e. to make other proposals to the Secretary of State about the role and functions of the STB. (2016, 102H (1))5.
- 5.2 The general functions are regarded as the core functions of a sub-national transport body and will build on the initial work of TfSE in its shadow form. To make further proposals to the Secretary of State regarding constitution or functions, Transport for the South East will need formal consents from each 'constituent member'.
- 5.3 Transport for the South East recognises that under current proposals the Secretary of State will remain the final decision-maker on national transport strategies, but critically that the Secretary of State must have regard to a statutory sub-national transport body's Transport Strategy. This sets an important expectation of the strong relationship Transport for the South East aims to demonstrate with Government on major programmes like the Major Road Network and Railway Upgrade Plan.

Local transport functions

- 5.4 Initial work has identified a number of additional powers that Transport for the South East may require that will support the delivery of the Transport Strategy. The table below provides an assessment of these functions.

- 5.5 The powers which are additional to the general functions relating to STBs will be requested in a way that means they will operate concurrently and with the consent of the constituent authorities.
- 5.6 To support the principle of consent, TfSE will adopt three further principles:
- That future operations of TfSE should, where possible, seek to draw down powers from central government, rather than seek concurrent powers with the local transport authorities;
 - That decisions on the implementation of the powers are made at the most immediate (or local) level, i.e. by constituent authorities in the particular area affected; and
 - Consent from the relevant constituent authorities will be obtained in advance of any Partnership Board decision on a particular scheme or project.
- 5.7 This approach will help to ensure that TfSE complements and supports the work of the constituent authorities and enables TfSE to promote and expedite the delivery of regionally significant cross-boundary schemes

Table 1: Proposed powers and responsibilities

POWER	RATIONALE
General functions	
<p>Section 102 H of the Local Transport Act 2008</p> <p>Prepare a Transport Strategy, advise the Secretary of State, co-ordinate the carrying out of transport functions, make proposals for the transfer of functions, make other proposals about the role and functions of the STB.</p>	<p>This legislation provides the general powers required for TfSE to operate as a statutory sub-national transport body, meeting the requirements of the enabling legislation to facilitate the development and implementation of a Transport Strategy to deliver regional economic growth.</p> <p>Government at both national and local level recognises that the solutions required to deliver regional economic growth are best identified and planned for on a regional scale by those who best understand the people and businesses who live and work there.</p>
Rail	
<p>Right to be consulted about new rail franchises</p> <p><i>Section 13 of the Railways Act 2005 – Railway Functions of Passenger Transport Executives</i></p>	<p>We are seeking the extension of the right of a Passenger Transport Executive to be consulted before the Secretary of State issues an invitation to tender for a franchise agreement.</p> <p>The right of consultation is significant to TfSE as it confirms our role as a strategic partner, enabling us to influence future rail franchises to ensure the potential need for changes to the scope of current services and potential new markets identified by TfSE are considered.</p> <p>TfSE is uniquely placed to provide a regional perspective and consensus on the priorities for rail in its area. This would benefit central government as a result of the vastly reduced need for consultation with individual authorities.</p> <p>We recognise that changes to the current franchising model are likely following the Williams Review; regardless of these changes, TfSE is clear that it should have a role in shaping future rail service provision.</p>

<p>Set High Level Output Specification (HLOS) for Rail</p> <p><i>Schedule 4A, paragraph 1D, of the Railways Act 1993</i></p>	<p>TfSE requires a strong, formal role in rail investment decision making over and above that which is available to individual constituent authorities. We act as the collective voice of our constituent authorities, providing an evidence-based regional perspective and consensus on the priorities for investment in our rail network.</p> <p>This power would enable TfSE to act jointly with the Secretary of State to set and vary the HLOS in our area, ensuring TfSE's aspirations for transformational investment in rail infrastructure are reflected in the HLOS and enabling an integrated approach across road and rail investment for the first time.</p>
<p>Highways</p>	
<p>Set Road Investment Strategy (RIS) for the Strategic Road Network (SRN)</p> <p><i>Section 3 and Schedule 2 of the Infrastructure Act 2015</i></p>	<p>TfSE requires a strong, formal role in roads investment decision making over and above that which is available to individual constituent authorities. We act as the collective voice of our constituent authorities, providing an evidence-based regional perspective and consensus on the priorities for roads investment.</p> <p>This power would enable TfSE to act jointly with the Secretary of State to set and vary the RIS in our area, ensuring TfSE's aspirations for transformational investment in road infrastructure are reflected in the RIS and enabling an integrated approach across road and rail investment for the first time.</p>
<p>Enter into agreements to undertake certain works on Strategic Road Network, Major Road Network or local roads</p> <p><i>Section 6(5) of the Highways Act 1980, (trunk roads) & Section 8 of the Highways Act 1980 (local roads)</i></p>	<p>We are seeking the power that local highway authorities currently have to enter into an agreement with other highway authorities to construct, reconstruct, alter, improve or maintain roads.</p> <p>These powers, operated concurrently with the local authorities, will enable TfSE to promote and expedite the delivery of regionally significant cross-boundary schemes that otherwise might not be progressed. They would overcome the need for complex 'back-to-back' legal and funding agreements between neighbouring</p>

	<p>authorities and enable us to reduce scheme development time and overall costs.</p>
<p>Acquire land to enable construction, improvement, or mitigate adverse effects of highway construction</p> <p><i>Sections 239,240,246 and 250 of the Highways Act 1980</i></p>	<p>This power, exercisable concurrently and only with the consent of the relevant highway authority, would allow preparations for the construction of a highways scheme to be expedited where highway authorities are not in a position to acquire land.</p> <p>Land acquisition by TfSE could facilitate quicker, more efficient scheme delivery, bringing forward the economic and broader social and environmental benefits. In the event that it is not possible to prevent environmental impact on the site of the scheme or project, consideration will be given to appropriate compensation/mitigation measures.</p>
<p>Construct highways, footpaths, bridleways</p> <p><i>Sections 24,25 & 26 of the Highways Act 1980</i></p>	<p>The concurrent powers required to effectively promote, coordinate and fund road schemes are vital to TfSE. Without them, we would not be able to enter into any contractual arrangement in relation to procuring the construction, improvement or maintenance of a highway or the construction or improvement of a trunk road.</p> <p>Granting of these powers would enable TfSE directly to expedite the delivery of regionally significant road schemes that cross constituent authority boundaries that otherwise might not be progressed.</p>
<p>Make capital grants for public transport facilities</p>	
<p>Make capital grants for the provision of public transport facilities</p> <p><i>Section 56(2) of the Transport Act 1968</i></p>	<p>This concurrent power would enable TfSE to support the funding and delivery of joint projects with constituent local authorities, improving deliverability and efficiency.</p> <p>Constituent authorities would benefit from the granting of this concurrent power as they may, in future, be recipients of funding from TfSE to partly or</p>

	wholly fund a transport enhancement within their local authority area.
Bus service provision	
<p>The power to secure the provision of such public passenger transport services as they consider it appropriate to secure to meet any public transport requirements within their area which would not in their view be met apart from any action taken by them for that purpose.</p> <p><i>Paragraph 4 of Section 63 Transport Act 1985</i></p>	<p>Local transport authorities and integrated transport authorities have the power to secure the provision of such public passenger transport services as it considers appropriate and which would not otherwise be provided.</p> <p>Travel-to-work areas do not respect local authority boundaries. TfSE is seeking to have this power concurrently with the local transport authorities in our area, enabling us to fill in identified gaps in bus service provision within our geography or secure the provision of regionally important bus services covering one or more constituent authority areas which would not otherwise be provided.</p>
<p>Quality Bus Partnerships</p> <p><i>The Bus services Act 2017 Sections 113C – 113O & Sections 138A – 138S</i></p>	<p>TfSE is seeking powers, currently available to local transport authorities and integrated transport authorities, to enter into Advanced Quality Partnerships and Enhanced Partnership Plans and Schemes to improve the quality of bus services and facilities within an identified area. These powers would be concurrent with the local transport authority in the area.</p> <p>This would allow us to expedite the introduction of partnership schemes covering more than one local transport authority area which otherwise might not be introduced.</p>
Smart ticketing	
<p>Introduce integrated ticketing schemes</p> <p><i>Sections 134C- 134G & Sections 135-138 Transport Act 2000</i></p>	<p>We are seeking powers concurrently with local transport authorities to enable TfSE to procure relevant services, goods, equipment and/or infrastructure; enter into contracts to deliver smart ticketing and receive or give payments.</p>

	<p>This would enable us to expedite the introduction of a cost effective smart and integrated ticketing system on a regional scale which would dramatically enhance the journey experience and increase access to transport to support jobs and education.</p>
<p>Air quality</p>	
<p>Establish Clean Air Zones</p> <p><i>Sections 163-177A of the Transport Act 2000 – Road User Charging</i></p>	<p>Local transport authorities and integrated transport authorities have the power under the Transport Act 2000 to implement road charging schemes.</p> <p>TfSE is seeking this general charging power as a mechanism for the introduction of Clean Air Zones, enabling reduced implementation and operating costs across constituent authority boundaries. This will be subject to the consent of the local transport authority.</p> <p>Transport is a major contributor to CO2 emissions and poor air quality; these are increasingly critical issues which our Transport Strategy will seek to address.</p>
<p>Other powers</p>	
<p>Promote or oppose Bills in Parliament</p> <p><i>Section 239 Local Government Act 1972</i></p>	<p>Local authorities have the power to promote or oppose Bills in Parliament; granting the power concurrently to TfSE reflects the devolution agenda of which STBs are a key part.</p> <p>Under the Transport and Works Act 1992, a body that has power to promote or oppose bills also has the power to apply for an order to construct or operate certain types of infrastructure including railways and tramways.</p> <p>Granting of this power would enable TfSE to promote, coordinate and fund regionally significant infrastructure schemes, accelerating delivery of cross-boundary schemes which might otherwise not be progressed.</p>

<p>Incidental amendments</p> <p><i>Local Government Act 1972, Localism Act 2011, Local Government Pension Scheme Regulations 2013</i></p>	<p>A statutory STB requires certain incidental amendments to enable it to operate as a type of local authority, with duties in respect of staffing, pensions, monitoring and the provision of information about TfSE.</p> <p>The incidental amendments sought are listed below in Appendix 2.</p>
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Powers and responsibilities not being sought

5.8 Transport for the South East does not propose seeking the following functions/powers:

POWER	RATIONALE
Set priorities for local authorities for roads that are not part of the Major Road Network (MRN)	TfSE will only be responsible for identifying priorities on the MRN
Being responsible for any highway maintenance responsibilities	There is no intention of TfSE becoming involved in routine maintenance of MRN or local roads
Carry passengers by rail	There are no aspirations for TfSE to become a train operating company
Take on any consultation function instead of an existing local authority	Local authorities are best placed to seek the views of their residents and businesses
Give directions to a constituent authority about the exercise of transport functions by the authority in their area (General Power s102P of Part 5A of the Transport Act 2008)	Constituent authorities understand how best to deliver their transport functions to meet the needs of their residents and businesses

5.9 The Williams Rail Review, to which TfSE have submitted a response, could recommend significant changes to the structure of the rail industry, including the role of STBs in both operations and infrastructure enhancement. As a result, we will keep the following functions under review pending Williams' recommendations and subsequent White Paper.

POWER	RATIONALE
Act as co-signatories to rail franchises	There are no current aspirations for TfSE to become involved in this area.
Be responsible for rail franchising	

6. Summary of support and engagement

- 6.1 Transport for the South East consulted on the draft proposal between 7 May 2019 and 31 July 2019. The consultation resulted in 96 responses from a wide range of stakeholders, including a number of local interest groups and members of the public.
- 6.2 An overwhelming number of respondents offered support for the creation of a statutory sub-national transport body in the south east. There were many, varied reasons for this support including:
- Opportunity for TfSE to speak with 'one-voice' to identify regional priorities and influence the investment decisions of central government and national agencies;
 - Greater focus on integrated transport solutions, developing multi-modal solutions that improve the end user experience;
 - Offering a greater level of democratic accountability; and
 - The ability to accelerate delivery of long-term, strategic infrastructure schemes.
- 6.3 A number of amendments have been made to the final draft proposal to reflect the comments raised by respondents to the consultation:
- Greater emphasis on environmental protection, climate change and social inclusion (sections 2 and 3);
 - Principle of subsidiarity and consent (para 5.6);
 - Governance (para 4.14); and
 - Bus and rail powers (section 5).
- 6.4 TfSE has secured consent from its constituent authorities and the support of a wide range of partners, including LEPs and district and borough authorities. Further information is included in Appendices 3-5.

Appendix 1: Distribution of votes

TfSE constituent authorities	Population ³	Number of votes ⁴
Brighton and Hove City Council	287,173	2
East Sussex County Council	549,557	4
Hampshire County Council	1,365,103	10
Isle of Wight Council	140,264	1
Kent County Council	1,540,438	11
Medway Council	276,957	2
Portsmouth City Council	213,335	2
Southampton City Council	250,377	2
Surrey County Council	1,180,956	8
West Sussex County Council	846,888	6
<i>Bracknell Forest Council</i>	<i>119,730</i>	
<i>Reading Borough Council</i>	<i>162,701</i>	
<i>Royal Borough of Windsor & Maidenhead</i>	<i>149,689</i>	
<i>Slough Borough Council</i>	<i>147,736</i>	
<i>West Berkshire Council</i>	<i>158,576</i>	
<i>Wokingham Borough Council</i>	<i>163,087</i>	
Berkshire Local Transport Body (total)	901,519	6
Total	7,552,567	54

³ Population as per ONS 2016 estimates

⁴ Number of votes = population/140,000 (the population of constituent authority with the smallest population, this being the Isle of Wight)

Appendix 2: List of incidental powers sought

This appendix sets out the incidental amendments that will be needed to existing legislation. They include areas relating to the operation of TfSE as a type of local authority with duties in respect of staffing, pensions, transparency, monitoring and the provision of information about TfSE.

(1) Section 1 of the Local Authorities (Goods and Services) Act 1970 has effect as if TfSE were a local authority for the purposes of that section.

(2) The following provisions of the Local Government Act 1972 have effect as if TfSE were a local authority for the purposes of those provisions—

- (a) section 101 Arrangements for discharge of functions by local authorities
- (b) section 111 (subsidiary power of local authorities);
- (c) section 113 (secondment of staff)
- (d) section 116 (member of TfSE not to be appointed as officer);
- (e) section 117 (disclosure by officers of interests in contracts);
- (f) section 135 (standing orders for contracts);
- (g) section 142(2) (provision of information);
- (h) section 222 (power to investigate and defend legal proceedings);
- (i) section 239 (power to promote or oppose a local or personal Bill).

(4) Sections 120, 121 and 123 of that Act (acquisition and disposal of land) have effect as if—

- (a) TfSE were a principal council;
- (b) section 120(1)(b) were omitted;
- (c) section 121(2)(a) were omitted.

(5) Section 29 of the Localism Act 2011 (registers of interests) has effect as if—

- (a) TfSE were a relevant authority, and
- (b) references to “the monitoring officer” were references to an officer appointed by TfSE for the purposes of that section.

(6) In the Local Government Pension Scheme Regulations 2013—

- (a) in Schedule 2 (scheme employers), in Part 2 (employers able to designate employees to be in scheme), after paragraph 14 insert—
“15. Transport for the South East.”;
- (b) in Schedule 3 (administering authorities), in the table in Part 2 (appropriate administering authorities for categories of scheme members), at the end insert—

“An employee of Transport for the South East
--

East Sussex County Council”

(7) The Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012 have effect as if TfSE is a local authority within the meaning of s 101 Local Government Act 1972.

Appendix 3: Register of Consents to Proposal

TfSE Constituent Authority	LTA Consent Obtained	Letter of Support Confirming Consent Returned
Bracknell Forest Borough Council		
Brighton and Hove City Council	Full Council 23 March 2020	<i>To follow</i>
East Sussex County Council	Cabinet 3 March 2020	<i>To follow</i>
Hampshire County Council		
Isle of Wight Council		
Kent County Council		
Medway Council	Cabinet 7 April 2020	<i>To follow</i>
Portsmouth City Council	Granted under Standing Order 58 of the constitution	23 April 2020
Reading Borough Council	<i>Cabinet 2019 / Delegated authority</i>	
Royal Borough of Windsor and Maidenhead Council		
Slough Borough Council	7 May 2020 – Delegated approval by Executive Member	<i>To follow</i>
Southampton City Council		
Surrey County Council	<i>Date TBC - Delegated approval by Executive Member</i>	<i>To follow</i>
West Berkshire Council		
West Sussex County Council	Letter received from Director of Highways	14 April 2020
Wokingham Borough Council		

Appendix 4: Letters of consent from TfSE constituent authorities

(Letters appended separately)

Appendix 5: Letters of consent from TfSE partners

(Letters appended separately)

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TfSE's Transport Strategy – Final Text

Contents

Foreword

I'm incredibly proud to present our Transport Strategy for the South East, which sets out, for the first time, a shared vision for the South East and how a better integrated and more sustainable transport network can help us achieve it.

At the time of writing, in the midst of an unprecedented public health emergency, the future is uncertain for us all. But one thing we do know is that this crisis will pass and, when it does, thoughts will quickly turn to how best we can support people, businesses and communities in our region to recover and thrive once more. That's why it's so important that organisations like Transport for the South East continue with their work and maintain the focus on long-term positive change, even during these tough times. We know that investment in better transport will be vital for the South East's economic recovery and we know that a prosperous, better connected South East will be vital for the UK's economic recovery. The publication of this strategy marks the next step in the development of Transport for the South East, which has quickly emerged as a powerful and effective partnership for our region. Speaking with one voice on the South East's strategic transport needs, our partnership of civic and business leaders has been able to directly influence how, where and when investment takes place in our roads, railways and other transport infrastructure.

By setting out our thirty-year vision for the region and the strategic goals and priorities which underpin it, this document provides a clear framework for future decision-making which will help us create a more productive, healthier, happier and more sustainable South East. Better for people, better for business and better for the environment.

We already have the second largest regional economy in the UK, second only to London. Our strategy would help the South East's economy more than double over the next thirty years, providing new jobs, new homes and new opportunities – all supported by a modern, integrated transport network. A prosperous, confident South East where people want to live, work, study, visit and do business.

We are clear that it cannot be growth at any cost and that new approaches are needed to achieve our vision. Transport is the single biggest contributor to UK greenhouse gas emissions and the majority of those come from private cars. And transport is the only sector whose contribution continues to grow while others reduce theirs. That needs to change.

The first step on this journey is a simple one; we must make better use of what we already have. Our road and rail networks in the South East may be congested but we know that, in the short-term, targeted investment to relieve pinch-points alongside new technology like digital railway signalling are the best and most effective ways to address short-term capacity and connectivity challenges.

Beyond that, the strategy is clear that catering for forecast road traffic growth in the long term is not sustainable – so we must turn our focus towards large-scale investment in public transport. This shift has become even more important in recent months, with people advised to avoid public transport where possible.

When they return, the service on offer to them and to the new users we need to attract must be the best it can possibly be.

We need to ensure that new and emerging technology is used to its full potential to boost physical and digital connectivity. We need to make the case for policy changes which enable more joined up planning, particularly between transport and housing, to help build more sustainable communities.

And we know we will need to make some tough decisions about how, not if, we manage demand on the busiest parts of our transport networks as we cannot continue to simply build our way to growth.

This is a thirty-year strategy. The changes we want to see will not all happen overnight, and, in some instances, there are policy challenges and other hurdles which stand in our way – not least the unprecedented impact of the Coronavirus pandemic which has touched so many lives and caused far-reaching economic hardship. But I am confident in the ability of our partnership to make the case for doing things differently as we look forward, together, to a brighter future.

I'm also convinced that some of the biggest issues we face in our communities – improving air quality, investing in better public transport, supporting the switch to green vehicles, encouraging active travel and more sustainable employment and housing growth – require a bigger picture view. That's why Transport for the South East is so important, bringing together local authorities, local enterprise partnerships and organisations like Network Rail and Highways England to plan for the future we have chosen.

This strategy was published in draft in October 2019 and since then we have carried out an extensive programme of consultation. More than 3,000 responses were received as part of that process, providing valuable insight into the needs

and priorities of people, businesses and other organisations across the South East and beyond.

Our challenge now is to use this strategy to develop something which has never before existed – an integrated, prioritised, deliverable, strategic transport investment programme for the South East which will enable us to achieve our collective vision.

If we get this right, the prize is huge – for government, for taxpayers, for businesses and for everyone who lives and works in the South East.

Cllr Keith Glazier

Chair, Transport for the South East

Executive Summary

Introduction

This document is the Transport Strategy for the South East. It has been prepared by Transport for the South East, the sub-national transport body for the South East of England (see Figure i), with the support of its 16 constituent local transport Authorities, 5 local enterprise partnerships, 46 district and borough councils and wider key stakeholders.

Transport for the South East's mission is to grow the South East's economy by delivering a safe, sustainable and integrated transport system that makes the South East more productive and competitive, improves the quality of life for all residents, and protects and enhances its natural and built environment. Its

ambition is to transform the quality of transport and door-to-door journeys for the South East's residents, businesses and visitors.

In economic terms, we have identified the potential to grow the number of jobs in the region from 3.3 million today to 4.2 million and increase productivity from £183 billion to between £450 and £500 billion Gross Value Added a year by 2050. This is almost 500,000 more jobs and at least £50 billion more per year than without investing in the opportunities identified within the transport strategy.

The publication of this strategy in summer 2020 has coincided with the Covid-19 global pandemic. We recognise that changes to the way we live, work and do business as a result of coronavirus are likely to have an impact on travel behaviour and demand for travel. In the short term, these changes could go some way to helping to achieve the strategic priorities set out in this transport strategy but, given the level of modal shift required to achieve our vision for 2050, significant challenges are likely to remain that will require strategic intervention.

Further technical work will be undertaken to identify the potential short term impacts of the Covid-19 pandemic on travel behaviour, employment patterns and the economy in the South East. The outputs from this work will be fed into the five area and thematic studies, which will follow on from this transport strategy and feed into the forthcoming Strategic Investment Plan, will need to reflect on and take account of the potential impact of any changes to the economy and wider society. These changes may not be immediately apparent – and it may be some time before the 'new normal' establishes itself – but Transport for the South East remains committed to achieving our vision of a better, more productive and more sustainable South East and this strategy provides the framework to get there.

Overarching approach – planning for people and places

This transport strategy presents a shift away from traditional approaches of transport planning – one based on planning for a future based on recent trends and forecasts – to an approach of actively choosing a preferred future and setting out a plan to get there, together.

The traditional approach, one that is akin to ‘planning for vehicles’ with extensive highway capacity enhancements for cars, is not sustainable in the longer term. Instead, there needs to be a transition from the current focus towards more ‘planning for people’ and more ‘planning for places’ (see Figure ii).

The transport strategy has utilised modelling to understand how and where the transport network will see future strain. However, instead of simply expanding the network where strain will be most acute, the transport strategy sets out how this congestion could be alleviated by investing in attractive public transport alternatives and developing integrated land use planning policies to reduce the need to travel, adopting emerging transport technologies, and implementing more significant demand management policies (e.g. paying for the mobility consumed on a ‘pay as you go’ basis using pricing mechanisms and tariff structures across modes to incentivise those using all vehicle types to travel at less busy times or by more sustainable modes).

Currently, many parts of the South East are in the first stage of the process focussed on ‘planning for vehicles’, however, every place is different and there are exemplars that we can learn from here in the South East as well as, around the UK and internationally that are in the second and third stages. If we are to

achieve our 2050 vision, every effort must be made to ensure the transition towards planning for people and planning for places.

Our vision

Vision statement

Transport for the South East's vision is:

By 2050, the South East of England will be a leading global region for net-zero carbon, sustainable economic growth where integrated transport, digital and energy networks have delivered a step change in connectivity and environmental quality.

A high-quality, reliable, safe and accessible transport network will offer seamless door-to-door journeys enabling our businesses to compete and trade more effectively in the global marketplace and giving our residents and visitors the highest quality of life.

The vision statement forms the basis of the strategic goals and priorities that underpin it. These goals and priorities help to translate the vision into more targeted and tangible actions.

Strategic goals

The strategic goals, aligned to the pillars of sustainability, are:

- **Economy:** improve productivity and attract investment to grow our economy and better compete in the global marketplace.
- **Society:** improve health, safety, wellbeing, quality of life, and access to opportunities for everyone.

- **Environment:** protect and enhance the South East's unique natural and historic environment.

The interrelationship between these three pillars of sustainability is shown in Figure iii. This transport strategy aims to balance these three pillars to achieve overall sustainability, represented by the point where the three pillars interconnect at the centre of Figure iii.

Strategic priorities

Beneath each of the strategic goals lies a set of fifteen strategic priorities. These priorities narrow the scope of the goals to mechanisms and outcomes that will be most important to effectively deliver its vision. They are designed to be narrow enough to give clear direction but also broad enough to meet multiple goals.

The strategic priorities are as follows:

Economic strategic priorities:

- Better connectivity between our major economic hubs, international gateways (ports, airports and rail terminals) and their markets.
- More reliable journeys for people and goods travelling between the South East's major economic hubs and to and from international gateways.
- A transport network that is more resilient to incidents, extreme weather and the impacts of a changing climate.
- A more integrated approach to land use and transport planning that helps our partners across the South East meet future housing, employment and regeneration needs sustainably.
- A 'smart' transport network that uses digital technology to manage transport demand, encourage shared transport and make more efficient use of our roads and railways.

Social strategic priorities:

- A network that promotes active travel and active lifestyles to improve our health and wellbeing.
- Improved air quality supported by initiatives to reduce congestion and encourage further shifts to public transport.
- An affordable, accessible transport network for all that promotes social inclusion and reduces barriers to employment, learning, social, leisure, physical and cultural activity.
- A seamless, integrated transport network with passengers at its heart, making it simpler and easier to plan and pay for journeys and to use and interchange between different forms of transport.
- A safely planned, delivered and operated transport network with no fatalities or serious injuries among transport users, workforce or the wider public.

Environmental priorities:

- A reduction in carbon emissions to net zero by 2050 at the latest, to minimise the contribution of transport and travel to climate change.
- A reduction in the need to travel, particularly by private car, to reduce the impact of transport on people and the environment.
- A transport network that protects and enhances our natural, built and historic environments.
- Use of the principle of 'biodiversity net gain' (i.e. development that leaves biodiversity in a better state than before) in all transport initiatives.
- Minimisation of transport's consumption of resources and energy.

The lists above show each of the strategic priorities grouped beneath the strategic goals. This is useful for organising the principles and makes it easier to understand

broadly where these priorities are focussed. In reality, many of the strategic priorities support more than one of the goals.

Key principles for achieving our vision

Transport for the South East has developed a framework that applies a set of principles to identify strategic issues and opportunities in the South East, in order to help achieve the vision of the transport strategy.

Supporting economic growth, but not at any cost

Economic growth, if properly managed, can significantly improve quality of life and wellbeing. However, without careful management, unconstrained economic growth can have damaging consequences or side-effects. This transport strategy strongly supports sustainable economic growth which seeks to achieve a balance with social and environmental outcomes.

Achieving environmental sustainability

Transport for the South East strongly believes that the South East must reach a point where future economic growth is decoupled from damaging environmental consequences. Attractive, sustainable alternatives to the car and road freight must be provided, coupled with demand management policies. Land use planning and transport planning (along with planning for digital and power technologies) must also become more closely integrated.

Planning for successful places

This transport strategy envisages a South East where villages, towns and cities thrive as successful places, where people can live and work with the highest quality of life. Transport networks that simply aim to provide the most efficient

means of moving along a corridor have the potential to have a wide range of damaging consequences, particularly socially and environmentally.

The best way to ensure that this occurs is to develop a transport network that considers both 'place' and 'link' functions. Some parts of the transport network are designed to fulfil 'link' roles while other parts contribute more to a sense of 'place' (or both).

Putting the user at the heart of the transport system

This transport strategy envisages a transport network – particularly a local public transport network – that places both passenger and freight users at the heart of it.

This approach seeks to understand why people make journeys and why they choose between different modes, routes, and times to travel. It also seeks to understand the whole-journey experience, from origin to destination rather than just a part of the whole journey.

This principle highlights the need for much better integration between modes. This is not just limited to physical interchanges (which are undoubtedly needed), but also integration in timetables, ticketing and fares, and information sharing.

Planning regionally for the short, medium and long term

This transport strategy seeks to build on the excellent work of Transport for the South East's constituent authorities and other planning authorities in the South East. The transport strategy builds on transport plans set out by local transport authorities, local plans issued by local planning authorities, and the strategic economic plans and local industrial strategies created by local enterprise partnerships.

This transport strategy adopts a larger scale perspective that looks across the South East area focussing on cross-boundary journeys, corridors, major economic hubs, issues and opportunities. As far as possible, it also seeks to align with the ambitions of the Greater London Authority and Transport for London, and other neighbouring sub-national transport bodies.

This transport strategy also adopts a multi-modal approach. It views corridors as being served by different types and levels of infrastructure, from the Strategic Road Network to first and last mile, from intercity rail services through to rural bus operations. This transport strategy does not differentiate its approach to the future development of infrastructure based on how this infrastructure is currently managed. Transport for the South East views the transport system as a holistic system, while acknowledging key interdependencies and interfaces between different owners and actors.

Our strategy

The strategy applies the principles above to six journey types to help identify key challenges and gives an initial indication of the types of measures that will be needed to address them. These challenges, and the responses to them, will be explored further through a programme of subsequent area and thematic studies. The outputs from these studies will be fed into a Strategic Investment Plan setting out our short, medium, and longer-term scheme priorities.

Radial journeys

Challenges

- Slow journey times to North East Kent, Maidstone and stations on the Reading – Waterloo line

- Poor A21/London to Hastings Line rail corridor connectivity
- Crowding on many rail routes, particularly on the Brighton Main Line and South Western Main Line, and particular issues with reliability and resilience on the Brighton Main Line
- Constraints on road corridors passing through urban areas (e.g. A3)

Responses

- Improve connectivity to Maidstone, North Kent, Reading – Waterloo and Hastings corridors
- Provide capacity on corridors such as the Brighton Main Line and South Western Main Line rail corridors
- Improve the resilience of the Strategic Road Network
- Extend radial route public transport (e.g. Crossrail)
- Reduce human exposure to noise and poor air quality on radial corridors

Orbital and coastal journeys

Challenges

- M25 congestion
- Few long-distance orbital rail services
- Multiple issues and challenges on M27/A27/A259/Coastway Line rail corridor
- Connectivity gaps in mid Sussex/Gatwick area
- Constraints on road corridors that pass through urban areas

Responses

- Holistic demand management initiatives that address road congestion while avoiding displacement effects from one part of the network to another
- Electrification and bi-mode rolling stock on orbital rail routes
- Enhancements where orbital rail routes cross radial rail routes

- Reinststate cross country services to the east of Guildford
- Build consensus on a way forward for M27/A27/A259 corridor
- Reduce people's exposure to major orbital roads

Inter-urban journeys

Challenges

- Some routes fall below standard
- Bus services face competition and congestion from car trips and reduced financial support
- Gaps in rail routes on inter-urban corridors
- Road safety hotspots

Responses

- Support schemes proposed and prioritised locally for government's National Roads Fund for the Roads Investment Plan (2020 – 2025), Large Local Major Schemes, and for the Major Road Network
- Increase support for inter-urban bus services
- Deliver better inter-urban rail connectivity

Local journeys

Challenges

- Conflicts between different road user types
- Poor air quality in some urban areas and along some corridors
- Poor integration in some areas
- Pressure on bus services, particularly in rural areas
- Affordability of public transport
- Lack of alternatives to the car in rural areas

Responses

- Invest in infrastructure and subsidies for high quality public transport
- Improve air quality
- Prioritise vulnerable users, especially pedestrians and cyclists, over motorists
- Develop better integrated transport hubs
- Improve the management of the supply and cost of car parking in urban areas
- Advocate for a real-terms reduction in public transport fares

International gateways and freight journeys

Challenges

- The potential impact on surface transport networks from the proposed expansion of Heathrow Airport
- Access to Port of Dover
- Access to Port of Southampton (and proposed expansion)
- Dartford Crossing congestion
- Rail freight mode share is relatively low
- Freight disrupted by congestion on many strategic road corridors
- A shortage of lorry parking and driver welfare facilities
- Difficulties decarbonising heavy goods vehicles
- The UK leaving the European Union (i.e. “Brexit”)

Responses

- Further investment in improved public transport access to Heathrow
- Improved road and rail access to international ports
- Lower Thames Crossing
- Demand management policies to improve the efficiency of the transport network for road freight and to invest in sustainable alternatives

- Rail freight schemes
- New technologies
- Develop a Freight Strategy and Action Plan

Future journeys

Challenges

- Gaps in electric and digital infrastructure
- Risk that some parts of the South East will be 'left behind'
- Risk that new technologies may undermine walking, cycling and public transport
- Risk that new technologies may lead to further fragmentation
- Alternative fuel vehicles will not solve congestion

Responses

- Future proof electric and digital infrastructure (standards, etc)
- Incorporate 'mobility as a service' into public transport networks
- Encourage consistency in roll out of smart ticketing systems
- Develop a Future Mobility Strategy for the South East

Implementation

Priorities for investment

In the course of developing the strategy, a wide range of partners and stakeholders have been asked for their priorities for schemes and interventions across the South East. The priorities for interventions and suggested timescales identified by partners and stakeholders are as follows:

- **Highway schemes:** Changing traffic flow patterns of the road network means there will always be a need for localised improvements to address issues that

will continue to arise. New roads, improvements or extensions of existing ones should be prioritised in the short term but become a lower priority in the longer term. Highways schemes should target port access, major development opportunities, and deprived communities.

- **Railway schemes** are a high priority across all timelines – Brighton Main Line upgrades are prioritised for the short term, while new Crossrail lines are a longer-term goal.
- **Interchanges** are a high priority across all timelines where these facilitate multi modal journeys and create opportunities for accessible development.
- **Urban transit schemes** (e.g. Bus Rapid Transit and Light Rail Transit schemes, where appropriate for the urban areas they serve) are high priority and generally medium to long-term.
- **Public transport access to airports** is a high priority and, in the case of Heathrow Airport, must be delivered alongside any airport expansion.
- **Road and public transport access to ports** is also high priority and improvements are prioritised for delivery in the short-term.
- **Technology and innovation in transport technology** – vehicle, fuel and digital technologies – is supported, however the widespread roll-out of some beneficial technologies may only be realised in the medium to long-term.
- **Planning policy interventions** are relatively high priority and short-term.
- **More significant demand management policy interventions** are a longer-term goal.

Funding and financing

Funding sources and financing arrangements are an important consideration in the development of an implementation plan for schemes and interventions identified in the transport strategy.

A Funding and Financing Report has been developed that explores potential funding mechanisms for schemes and interventions. Multiple sources of funding and financing will be required to deliver the transport strategy.

Public finance is likely to remain the key source of funding for highway and railway infrastructure in the near future. Looking further ahead, in order to manage demand and invest in sustainable transport alternatives, new funding models will need to be pursued. This could include funding models, such as hypothecated transport charging schemes, as a means of both managing demand in a 'pay as you go' model or as part of a 'mobility as a service' package.

Monitoring and evaluation

A mechanism for monitoring delivery of prioritised interventions, as well as evaluating outcomes related to the strategic goals and priorities, will be developed as part of the area studies.

Governance

Transport for the South East has put in place governance arrangements that will enable the development, oversight, and delivery of the transport strategy.

Powers and functions

Transport for the South East proposes to become a statutory sub-national transport body and take on the 'general functions' of a sub-national transport body, as set out in legislation.

There are also a number of additional powers being sought relating to rail planning, highway investment programmes and construction, capital grants for public transport, bus provision, smart and integrated ticketing, and Clean Air Zones.

The powers which are additional to the general functions relating to sub-national transport bodies will be requested in a way that means they will operate concurrently and with the consent of the constituent authorities.

The proposal for general and additional powers were consulted upon between 7 May 2019 and 31 July 2019, concurrently to the development of the draft transport strategy.

Next steps

The route map for the next stages of the development of the transport strategy, including further studies to inform the development of the Strategic Investment Plan, is shown in Figure iv.

Five area studies will be undertaken to identify the measures that will be needed to implement this transport strategy and achieve its vision. These studies will identify the specific schemes and policy initiatives that will be required in different parts of the Transport for the South East area. They will include an assessment of the potential impact of these measures in reducing carbon emissions and the potential short-term impacts of the Covid-19 pandemic on travel behaviour, employment pattern and the economy in the South East. In addition, two thematic studies will be undertaken to identify the specific role of these two areas in achieving the vision: one on freight and international gateways, and a second on future mobility. The outputs from these area and thematic studies will be fed into a Strategic Investment Plan setting out our short, medium, and longer-term scheme priorities.

1 A Transport Strategy for South East England

Introduction

1.1 This document is the Transport Strategy for South East England¹. It has been prepared by Transport for the South East, the sub-national transport body for the South East of England, with the support of its 16 constituent local transport authorities, 5 local enterprise partnerships, 46 district and borough councils and wider key stakeholders.

1.2 The publication of this strategy, in summer 2020, has coincided with the Covid-19 global pandemic. It is recognised that changes to the way we live, work and do business, as a result of coronavirus, are likely to have an impact on travel behaviour and demand for travel. In the short term, these changes could go some way to helping to achieve the strategic priorities set out in this transport strategy but, given the level of modal shift required to achieve our vision for 2050, significant challenges are likely to remain that will require strategic intervention.

1.3 Further technical work will be undertaken to identify the potential short term impacts of the Covid-19 pandemic on travel behaviour, employment patterns and the economy in the South East. The outputs from this work will be fed into the area and thematic studies that will follow on from this transport strategy. It may be some time before the 'new normal' establishes itself – but Transport for the South East remains committed to achieving our vision of a better, more productive and more sustainable South East. This Strategy provides the framework to get there.

1.4 This transport strategy is supported by a significant body of evidence, much of which is published alongside this document. These documents include:

- Draft Transport Strategy for the South East: Consultation Report
- Strategic Policy Context;
- The Relationship between the South East and London;
- Potential Impacts of Brexit;
- Scenario Forecasting Summary Report;
- Scenario Forecasting Technical Report;
- Funding and Financing Options;
- Priorities for Investment Report
- Integrated Sustainability Appraisal;
- Logistics and Gateway Review;
- Smart and Integrated Ticketing Options Study; and
- Future of Mobility Study Report.

1.5 Transport for the South East's mission is to grow the South East's economy by delivering a safe, sustainable, and integrated transport system that makes the South East area more productive and competitive, improves the quality of life for all residents, and protects and enhances its natural and built environment. Its ambition is to transform the quality of transport and door-to-door journeys for the South East's residents, businesses and visitors.

1.6 Transport for the South East aspires to be a positive agent of change. It seeks to amplify and enhance the excellent work of its constituent authorities, local enterprise partnerships, transport operators and stakeholders in its geography. It embraces new ways of doing things and seeks a more integrated approach to policy development. It aims to present a coherent, regional vision

and set of priorities to central government, investors, operators, businesses, residents and other key influencers.

The purpose of this transport strategy

1.7 One of the key roles of a sub-national transport body, as set out in the Local Transport Act 2008 (as amended)², is to outline how it will deliver sustainable economic growth across the area it serves, whilst taking account of the social and environmental impacts of the proposals outlined in the strategy. This transport strategy represents a major step in the process of determining which policies, initiatives and schemes should be priorities for delivering sustainable growth across the South East area.

1.8 This transport strategy outlines a shared vision for the South East. It expands this vision into three strategic goals that represent the three core pillars of sustainable development – economy, environment and society – and it then describes the priorities and initiatives that will help achieve its vision. This will help guide future policy development and investment decisions in the short, medium, and long term. This transport strategy will be followed by five area studies that will identify the interventions needed to deliver the strategy. Further details about the area studies are provided in Chapter 5.

This is our Transport Strategy for the South East – speaking with one voice to improve transport, travel, and mobility for everybody in our region.

How this transport strategy was developed

Working in partnership locally, regionally, and nationally

1.9 Transport for the South East started its mission to create a common vision for the South East in 2017 by establishing robust governance procedures and regular channels of communication with its partners and key stakeholders. A diagram showing the relationship between Transport for the South East and its key partners is shown in Figure 1.1. Key in this regard has been the involvement of the Transport Forum which consists of representatives from businesses, transport operators, borough and district councils, local economic partnerships and user groups. Throughout 2019, Transport for the South East held a number of workshops and meetings with its partners and stakeholders at each step of the transport strategy's development. This engagement has been invaluable in identifying the key issues, challenges and opportunities that have been reflected in the development of the transport strategy.

1.10 The transport strategy has been designed to complement and build on national, regional, and local policies and strategies. A diagram showing the relationship between this document and the other key documents produced by government, national agencies, local transport authorities, local economic partnerships and district and borough authorities is shown in Figure 1.2. At the same time, this transport strategy seeks to influence the direction of these national, regional and local policies and strategies as many of them will be critical in ensuring the vision set out in this strategy will be achieved.

Building on the Economic Connectivity Review

1.11 This transport strategy builds upon the evidence and analysis conducted in the Economic Connectivity Review for the South East. This study provided a

detailed analysis of the underlying socioeconomic conditions in the South East. It identified 22 key corridors where the evidence suggests economic investment in transport infrastructure should be focussed to generate maximum future return. The analysis in the review, and the information which it provided, has been carried forward into this transport strategy.

1.12 The Economic Connectivity Review highlighted the potential of the South East to grow its economy to a value of approximately £500 billion in Gross Value Added terms³ (from a current day value of £183 billion). It should be stressed that this potential represents a theoretical outcome based on unconstrained growth with minimal environmental constraints.

Building on the evidence base for multi-modal corridors

1.13 This transport strategy is built upon a diverse evidence base of economic, social, environmental and transport network data. This data has been collated, interpreted and analysed from a wide range of sources and is presented in the documents listed in paragraph 1.4, which are published alongside the transport strategy.

1.14 The key areas explored in the evidence base are:

- corridors that are of strategic importance in the South East;
- places or major economic hubs where large amounts of future growth will be concentrated;
- places and/or supporting transport networks that are underperforming and constraining economic growth;
- modelling of possible future scenarios and their impacts on transport and travel; and
- the relationship between London and the South East.

1.15 Ultimately, the evidence base provides the analytical foundation of this strategy and ensures that the direction promoted in this document is supported by credible and appropriately referenced evidence.

1.16 Since the Economic Connectivity Review was published, the local economic partnerships have been developing their local industrial strategies which have involved an in-depth examination of the economy of the Transport for the South East area. For the next stage of the transport strategy development, five area studies will be commissioned that will examine the key challenges and opportunities of groups of corridors in the South East area. These studies will identify a prioritised programme of interventions to feed into a Strategic Investment Plan for the South East and will take account of the latest economic analysis set out in the local industrial strategies.

Moving away from 'predict and provide'

1.17 Traditionally, transport planning has used a 'predict and provide' approach to justify the need for future investment. This approach involves using existing trends to forecast future demand and congestion on the transport network to make the case for the investment needed to alleviate that congestion.

1.18 In recent years, however, there has been a significant shift in thinking away from the 'predict and provide' approach. There is substantial evidence to suggest that providing additional road capacity and addressing bottlenecks in the highway network has the effect of generating additional demand for the road network, thus eroding or even eliminating any expected reductions in traffic congestion⁴. Furthermore, this approach, if followed in an unconstrained fashion, risks promoting urban sprawl, high dependency on car use, and significant degradation of the natural environment. In the long run, 'predict and provide' risks creating a

transport network that is less efficient and damaging for the local communities and environment it passes through.

1.19 This transport strategy involves a shift towards a ‘decide and provide’ approach to transport provision. This means actively choosing a preferred future, with preferred transport outcomes as opposed to responding to existing trends and forecasts.

1.20 The transport strategy has utilised future demand modelling to understand how and where the transport network will see significant future strain. However, instead of simply expanding the network where strain will be most acute, the transport strategy sets out how this congestion could be alleviated through investing in public transport alternatives, developing integrated land use planning policies, adopting emerging transport technologies, and adopting demand management policies. The latter would involve users paying for more of their mobility they consume on a ‘pay as you go’ basis with the potential to better manage demand across the network – using pricing mechanism across all vehicular modes, including by car, van and heavy goods vehicles to incentivise travel at less busy times or by more sustainable modes.

1.21 This proactive approach to transport planning will enable choices to be made about how the transport network will look in the future. For example, it will signal a shift towards making urban areas more ‘people friendly’ by giving the car less precedence and by providing more space for sustainable transport modes. It will also encourage investment in more sustainable modes of transport, including the rail network and potential future greener technologies.

Planning for people and places

1.22 As discussed above, traditional transport planning has tended to focus on ensuring that adequate capacity is provided to accommodate future forecast demand. This approach is akin to ‘planning for vehicles.’ This approach is not sustainable in the longer term. Instead, there should be a shift from the current focus on ‘planning for vehicles’ towards ‘planning for people’ and, ultimately, ‘planning for places.’

1.23 Figure 1.3 shows the evolution of a transport policy process between the three different transport policy perspectives. It is based on an approach which has been developed by Professor Peter Jones of UCL through the CREATE EU Horizon 2020 and Civitas project⁵, to help policy makers cut road congestion in cities by encouraging a switch from cars to sustainable modes of transport. However, it has a wider applicability to help guide transport and land use policy development at a regional scale.

1.24 Currently, much of the South East is in the first stage of the process focussed on ‘planning for vehicles.’ The second stage of this process illustrated in Figure 1.3 – ‘planning for people’ – is focussed on putting at its heart the needs of many different users of the transport system including pedestrians, cyclists, public transport passengers, people with reduced mobility, freight operators and car, van and powered two-wheeler drivers. The approach seeks to achieve modal shift to ensure that forecast future demand can be managed while minimising any adverse impacts on society and the environment by encouraging greater use of more efficient and more sustainable transport modes.

1.25 The third stage – ‘planning for places’ – goes further by encouraging integrated transport and land use planning to deliver spatial planning policies that

both encourage sustainable travel choices but also minimise the need to travel at all (or, at the very least, minimise the need to travel far). Although planning for people and places is already underway in some areas of the South East, there needs to be a shift in emphasis towards these approaches, as soon as possible.

1.26 Planning for vehicles may well continue in the short term and even in the longer term there will be a continued need for some targeted road schemes that will improve highway capacity to address local congestion hot spots and enable bus priority measures to be introduced. Planning for people is a principle that is embedded in many of the Local Transport Plans administered by the local transport authorities. Whilst there are a number of examples where good progress has been made, more will need to be done to ensure that the needs of transport users are put at the heart of the transport system.

1.27 Planning for places requires effective and close integration of transport planning with spatial planning policy across the South East. Whilst this is likely to be challenging, it will be essential to ensure a lower level of additional travel demand is generated by new developments. Planning for places, which requires integration with long term planning policy, may be a longer-term goal but every effort must be made to start the process of moving towards this approach as soon as possible.

1.28 Updates to the current system for appraising transport schemes will be required to ensure it reflects this shift in emphasis, enabling their wider societal and environmental benefits to be included in the decision-making process.

Developing scenarios for different versions of the future in 2050

1.29 The Economic Connectivity Review presented a projection for the economic potential for the South East. However, this was a theoretical ‘maximum’ that

assumes minimal environmental constraints and is likely to result in unacceptable levels of environmental degradation. So, in order to develop a credible and more desirable vision of the future, Transport for the South East explored how different political, economic, social, technological and environmental trends might evolve to create different versions of the future in 2050. This was achieved by exploring how four future scenarios might affect the development of the South East's economy, population and transport outcomes. Further details about the scenario forecasting work undertaken in support of the development of this transport strategy is provided in the "Scenario Forecasting Summary Report" and "Scenario Forecasting Technical Report"⁶. The four scenarios for 2050 were developed by combining 'axes of uncertainty', which describe the plausible outcomes of uncertain trends. These trends included the rate of adoption of emerging technology, changes in attitudes towards the environment, and the development of target business and industrial sectors in the economy. Each scenario was modelled using a land use and transport model. The outcomes of modelling each scenario were compared to a 'central case', which was developed by modelling the impacts of the Department for Transport's National Trip End Model on the South East's economy and transport networks. A description of the four scenarios that were developed and tested is provided in Figure 1.4. The key outputs generated by these scenarios are shown in Table 1.1.

1.30 The outputs of the modelling derived from the four scenarios were presented to a wide range of partners and key stakeholders. These stakeholders were asked to provide their feedback on each of the scenarios and identify elements that they felt were most plausible and desirable. The elements that were deemed by Transport for the South East's partners and stakeholders to be

most desirable for the future were then drawn together to build a vision of a 'preferred future' – "A Sustainable Route to Growth".

1.31 The key features of the Sustainable Route to Growth scenario are:

- The South East is less dependent on London and has developed successful economic hubs within its own geography, which provide high-quality, high-skilled jobs for residents. This in turn creates a future where GVA per capita is significantly higher than it is today.
- The benefits of emerging technology have been harnessed in an equitable way to improve the accessibility of the South East area without undermining the integrity of its transport networks. This also has the effect of boosting economic growth while minimising transport's impact on the natural and built environment.
- Concern for the environment has led to the widespread adoption of sustainable policies and practices, including integrated land-use and transport planning, as well as targeted demand management measures including users paying for more of their mobility on a 'pay as you go' basis, with bus and rail fares having been reduced in real terms in the longer term. This will result in a shift away from the private car towards more sustainable travel modes. There is a reduced need to travel (or, at least, the need to travel far) and this ultimately delivers a cleaner, safer environment for residents.

1.32 As Table 1.1 shows, the Sustainable Route to Growth outputs produce strong, regionally-led economic growth akin to the results yielded by the Route to Growth scenario but deliver this growth in a more environmentally sustainable manner, more aligned to the Sustainable Future scenario. This scenario delivers the second highest growth in GVA of all the scenarios (including the central case). The modelling of this scenario generated some results that run against the vision and objectives for this strategy. For example, some model runs indicated there

could be a relative decline in walking and cycling. Further work will be undertaken as part of the development of the forthcoming area studies to ensure measures are identified that will mitigate these unwanted outcomes.

1.33 This process has allowed Transport for the South East to develop a vision for 2050 that is forward looking, that accommodates and reflects the views of stakeholders, and that delivers a desired future for the South East's businesses, residents and visitors⁷. Further information about the methodology that was used to develop these future scenarios and model their impacts is contained in the "Scenario Forecasting Technical Report".

1.34 Moving forward, the outputs from the modelling work will be used to guide the five area studies. Key modelling outputs on housing population, jobs, GVA, transport CO2 emissions, traffic and passenger flows for future years will be used to identify the interventions needed to ensure the preferred future will be delivered.

Prioritising initiatives

1.35 Transport for the South East worked with a wide group of stakeholders to identify their initial priorities for investment over the short, medium, and long term. The types of schemes that emerged as highest priority, that are best placed to deliver optimal outcomes (economic, social and environmental), and that best align with the Sustainable Route to Growth scenario are presented in this strategy. This work will be taken forward in subsequent area studies, which will identify specific schemes and interventions needed to deliver the transport strategy.

Undertaking an Integrated Sustainability Appraisal

1.36 Alongside the development of the transport strategy, Transport for the South East commissioned Steer and WSP to prepare an Integrated Sustainability Appraisal. This document examined the potential impacts this transport strategy could have on a wide range of sustainable development indicators, including economic, social, and environmental aspects. These include, but are not limited to, health, equality of access to opportunities, and community safety. This document has been published alongside the transport strategy and was subject to public consultation in parallel with the transport strategy.

Holding a public consultation

1.37 A public consultation exercise was undertaken on this transport strategy over a thirteen-week period between October 2019 and January 2020. The purpose of the consultation was to seek the views of a wide range of stakeholders on the transport strategy. The aim was to ensure buy-in to the vision for the future set out in the transport strategy. The transport strategy, Integrated Sustainability Appraisal, and supporting evidence were made available to the public and all statutory consultees along with a consultation questionnaire. The consultation exercise was publicised online, in the press and on social media. The online information for the public consultation was supplemented by a series of engagement events arranged to serve different groups of stakeholders.

1.38 At the end of the consultation period, Transport for the South East produced a consultation report on the transport strategy that summarised an analysis of the responses.⁸

The final transport strategy

1.39 Following consideration of all feedback, Transport for the South East revised the transport strategy and published a final version in summer 2020. The transport strategy will be complemented by five area studies which will identify and prioritise the specific interventions required across the South East. The outputs from these area studies will be fed into a Strategic Investment Plan setting out the short, medium, and longer-term scheme priorities. Transport for the South East will then shift focus towards implementation, which is described in more detail in Chapter 5.

Conclusions

In this chapter we have set out the context to the Transport Strategy for the South East and described how we have worked with partners and stakeholders to develop this transport strategy. In the next chapter, the key characteristics of the South East area are highlighted and some of the challenges it currently faces are described. In addition, the national, regional and local policy frameworks that currently govern and influence transport and planning policy in the South East area are described.

2 Our Area

Introduction

2.1 The South East is a diverse area with different environmental, social and economic challenges and opportunities. These influence the way we travel and

create their own transport challenges, while also influencing the potential for improvements to our connectivity and accessibility.

2.2 This chapter introduces the South East area¹ and summarises its characteristics, challenges and opportunities. It starts by describing the economic, social, and environmental characteristics of the South East area. It then explores the relationship between the South East and the rest of the United Kingdom, including London. It goes on to set out the policy context of this transport strategy and summarises the current transport corridors and patterns of movement in the South East area. This is followed by a description of the challenges facing the transport network, future opportunities, and conclusions to be considered in the strategy.

Introducing the Transport for the South East area

2.3 The area covered by Transport for the South East comprises the counties and unitary authorities that make up the south east corner of Great Britain. The South East area extends from the Thames Valley and the New Forest in the west to the white cliffs of Dover in the east and from the Isle of Wight up to the southern boundary of Greater London. It is home to approximately 7.5 million residents². The most populated boroughs and districts in the South East (as defined by local authority population) are Brighton and Hove (289,000), Medway (276,000), Southampton (254,000) and Portsmouth (215,000). The largest built-up areas in the South East, which cut across borough and district boundaries, are South Hampshire (over one million), Brighton and Hove (475,000) and Reading (318,000)³. A map showing the constituent authorities within the Transport for the South East area is provided in Figure 2.1.

2.4 The Transport for the South East area has several of the United Kingdom's largest international gateways including the Port of Dover, the Port of Southampton, Eurotunnel and Gatwick Airport. Heathrow Airport lies just on the boundary of the Transport for the South East area. A map showing the key population centres, international gateways and transport networks in the Transport for the South East area is provided in Figure 2.2.

2.5 The Transport for the South East area encompasses 16 local transport authorities, as outlined below.

- Six unitary authorities in Berkshire represented through the Berkshire Local Transport Body: Slough Borough Council; Royal Borough of Windsor and Maidenhead Council; Reading Borough Council; Bracknell Forest Borough Council; Wokingham Borough Council; and West Berkshire Council.
- Brighton & Hove City Council;
- East Sussex County Council;
- Hampshire County Council;
- Isle of Wight Council;
- Kent County Council;
- Medway Council;
- Portsmouth City Council;
- Southampton City Council;
- Surrey County Council; and
- West Sussex County Council.

2.6 Several of these authorities are county councils, which operate a two-tiered system of local government. In these areas local spatial planning policies are determined by borough and district councils.

2.7 There are also five local enterprise partnerships in the South East area, which lead economic planning in their respective areas:

- Berkshire Thames Valley;
- Coast to Capital;
- Enterprise M3;
- South East; and
- Solent.

2.8 The Transport for the South East area includes the South Downs and New Forest National Parks, which work to their own spatial planning policies and governance arrangements, as well as several protected landscapes, coastlines and built areas.

2.9 The remainder of this chapter describes the South East area's economic, social and environmental characteristics and challenges. It then sets out the broader policy framework underpinning the transport strategy and describes the key transport corridors and patterns in the South East area. This chapter also describes the South East area's relationship with the rest of the country (and London), and explores key issues and opportunities affecting its transport networks.

Key characteristics of the South East area

Economic characteristics and challenges

2.10 The South East is a powerful motor of the national economy. It adds £183 billion a year to the UK economy⁴. It is home to over 7.5 million people (9% of the UK total)⁵, four million workers (13% of the UK workforce)⁶, and 320,000 companies⁷. It is also home to national and world-leading universities (six in the

UK Top 50 and world's top 350)⁸ and research centres which support a wide range of disciplines and sectors. The key economic characteristics of the Transport for the South East area are shown in Figure 2.1.

2.11 The South East is a relatively prosperous region. It has the second highest GVA per capita of all the UK regions and nations (second only to London)⁹. The average employment rate is also relatively high at 77%, above the UK average of 74%¹⁰. However, there are significant disparities in wealth and deprivation across the South East area. Many coastal communities in particular contain areas with high levels of deprivation. Spending per head on transport infrastructure in the South East is lower than that experienced in other regions.¹¹

2.12 The Economic Connectivity Review, published by Transport for the South East in July 2018, provided an overarching view of the South East area's current economic geography, its economic potential up to 2050, and the role of strategic transport interventions in achieving this potential.

2.13 The review identified the role of strategic transport connectivity in enabling economic growth through:

- improving business to business connectivity;
- improving access to international gateways;
- growing labour market catchments;
- enabling development; and,
- supporting deprived communities.

2.14 The Economic Connectivity Review identified the key priority industrial sectors of the South East, which are shown in Figure 2.3. These are sectors in the South East that:

- have national and international competitive advantage;

- are knowledge-intensive;
- have identified relationships with higher education and research and innovation bodies; and
- are forecast to grow.

2.15 A significant level of housing and employment development is planned for the South East area, but this development is not distributed evenly across the South East area.

2.16 As shown in Figure 2.4, particularly high levels of housing development are planned for North Kent, the Thames Valley, and along the south coast. Employment development, on the other hand, will be more geographically concentrated than future housing development. As Figure 2.5 shows, future job growth will likely occur in the urban areas around Brighton and Hove, Southampton, Portsmouth, Gatwick Airport, and the Thames Valley. This presents a significant transport challenge as many people will be living and working in different places, which means the future transport network may need to provide for longer distance commuter trips within the South East area.

2.17 As part of the development of the five area studies, the economic data used in the Economic Connectivity Review will be reviewed and updated, including consideration of the evidence base that all the local enterprise partnerships have produced to inform their local industrial strategies. This will allow an updated set of economic priorities to be developed for each of the areas under study, demonstrating how this strategy and five area studies can help ensure that the TfSE area will maximise its contribution to UK productivity, and build on its distinctive strengths to economically position the area for the future.

Social characteristics and challenges

2.18 The social geography of the South East is varied. The South East area is home to some of the most prosperous and productive areas of the country, but also contains significant areas of deprivation. The overall distribution of deprivation in the South East relative to other areas of England is shown in Figure 2.6. This appears to show a relationship between poor connectivity and higher levels of deprivation. For example, some of the least deprived areas of the South East are found around Guildford, the Blackwater Valley, Woking and Bracknell. These areas are economically productive and benefit from good connectivity to London, where there is a concentration of highly paid jobs. In contrast, many coastal communities, which are less well connected to London and other key economic hubs, have significantly higher levels of deprivation than the England average.

2.19 While there appears to be a relationship between transport connectivity and prosperity, there are also some anomalies in the South East area. The areas around Medway and the Thames Estuary, for example, are relatively well connected to London yet have relatively high levels of deprivation. This may be due to characteristics of the local economies of these areas, which are still adjusting to structural changes in the national economy since deindustrialisation in the 1980s. It also may be because this high-level connectivity has only recently been unlocked by the launch of domestic high-speed rail services in 2009 and the impact of these services may not yet be showing in deprivation data. Either way, this example shows that, while transport connectivity is important for minimising the likelihood of deprivation, there are clearly other key factors which have a role to play. It should be noted that all the economic hubs in the South East area have

some deprived areas, including those that are perceived to be relatively prosperous.

Environmental characteristics and challenges

2.20 The South East has a varied and highly valued natural environment. Significant parts of the South East area are designated as National Parks, Areas of Outstanding Natural Beauty and Sites of Special Scientific Interest. The South East area also has a long coastline. A map showing the location of key protected landscapes in the South East area is provided in Figure 2.7. The environmental assets of the South East help make the area an attractive place to live, work and visit, and they also make an important contribution to its economy. The future development of the South East area and its transport network will need to be managed to minimise any potential adverse impact and where possible enhance these natural assets.

2.21 The South East area faces several significant environmental challenges in the future. As shown in Figure 2.8, there is a significant number of Air Quality Management Areas in place across the South East area. These areas have been established to improve air quality and reduce the harmful impact of Nitrogen Oxides (NO_x), Sulphur Oxides (SO_x), and particulates on human health and the natural environment. A number of the local authorities in the Transport for the South East area including Brighton and Hove City Council, the Royal Borough of Windsor and Maidenhead, Reading, Chichester District Council and Sevenoaks District Council, have Air Quality Action Plans in place to address the air quality issues in their areas. In addition, the Government has mandated a number of local authorities, including Southampton City Council and Portsmouth City Council, to produce Air Quality Action Plans. Transport – particularly road

transport – is one of the largest contributors to poor air quality in the South East area. Transport therefore has a significant role to play in improving air quality.

2.22 Noise pollution is also a significant issue, particularly for communities located close to the Strategic Road Network. As Figure 2.9 shows, noise pollution is particularly high on the busiest road corridors of the South East area, notably around the M25. This map also shows the Noise Important Areas which are ‘hotspots’ of transport noise from both road and rail identified by the Department for Environment, Food and Rural Affairs.¹²

2.23 The South East also has a significant role to play in tackling climate change. Today, the South East accounts for 12% of the United Kingdom’s greenhouse gas emissions¹³. In 2018, transport accounted for a third of the United Kingdom’s greenhouse gas emissions¹⁴. Most of the South East’s local authorities have declared ‘climate emergencies’ and there is evidence of increasing support from politicians and residents for transport policies and interventions that help mitigate climate change and protect and enhance the natural environment. A number have identified target dates by which they aim to achieve net zero carbon emissions, some with targets dates before 2050. In some instances, these target dates relate just to the buildings and services managed by the authority but in others they also relate to the geographical area under their jurisdiction.

2.24 The differing characteristics of the local authority areas within the Transport for the South East area means that the current levels of carbon emissions, their available carbon budgets and trajectories to net zero carbon emissions will vary. Some authorities have the ability and the ambition to move forward at a faster pace. In view of this, the strategic environmental priority relating to decarbonisation set out in this transport strategy is to reduce carbon emissions to net zero by 2050 at the latest. In March 2020 the government

published 'Decarbonising transport: setting the challenge' ¹⁵ and is due to publish its Transport Decarbonisation Plan before the end of 2020. This strategic priority will be kept under review and will be updated as appropriate. An assessment will take place of the carbon reduction impact of the interventions that are identified as part of the five area studies. This will include:

- establishing a baseline for the existing level of carbon emissions from surface transport to, from and within the Transport for the South East area and area study geographies;
- enabling a trajectory towards a net zero position by 2050 to be identified;
- identifying the contribution of the interventions identified as part of the area studies; and
- assessing the residual requirement to achieve net zero position by 2050.

2.25 In conclusion, the South East's future transport strategy must seek to balance economic and social needs with the environmental constraints and challenges outlined above.

The South East's relationship with the rest of the UK

The gateway to the British Isles

2.26 The South East is crucial to the UK economy and is the nation's major international gateway for people and business. The Transport for the South East area has several of the United Kingdom's largest international gateways including the Port of Dover, the Port of Southampton, Eurotunnel and Gatwick Airport. Heathrow Airport is positioned just on the boundary of the Transport for the South East area. Half of all freight passing through Dover travels on to other parts of the country. Southampton sees £71 billion of international trade each year and is the principal port for the automotive industry, while Portsmouth handles two

million passengers a year. More than 120 million air passengers a year use Gatwick, Southampton and Heathrow airports. The role of these international gateways was examined in more detail in the Freight Logistics and Gateway Review that was undertaken as part of the development of this transport strategy. 16

2.27 It is estimated that approximately 10% of trips in the South East area start or finish outside the South East and London 17. The South East's geographical position as the closest part of the British Isles to continental Europe means it has a unique role as the gateway to the United Kingdom. Significant business, freight and tourist flows pass through the South East area to reach London, the rest of the United Kingdom (and Ireland).

2.28 Much processing of freight in the UK occurs in the "Golden Triangle" – an area in the Midlands where there is a particularly high concentration of national distribution centres (where freight is processed and distributed to regional networks). It is quite common for freight to arrive into the UK in the South East, be transported to the Midlands for processing, and then return to the South East for regional distribution.

2.29 This means that the road and rail routes that connect the South East to the Midlands and North of England are particularly important for freight. The key corridors for each mode are:

- **For road:** The M3/A34/M4 between Southampton and the Midlands/West of England and the M2/ M20/M25 between Dover and the Midlands/East of England.
- **For rail:** The South Western Main Line/Basingstoke – Reading Line between Southampton and the Midlands and High Speed 1/North Kent Line/South Eastern

Main Line between Dover/Folkestone and London. To reach the rest of the country, most rail freight from Kent needs to pass through Greater London where track capacity is scarce due to high passenger train flows.

2.30 The transport network in the South East has significant interfaces with schemes being pursued by neighbouring sub-national transport bodies. This includes the Oxford – Milton Keynes – Cambridge Expressway and East – West Rail projects that are being advanced by England’s Economic Heartland. There is an important freight interface with this sub-national transport body on the A34 corridor, which connects the Port of Southampton with the Midlands and North of England. There are also important interfaces with the Western Gateway emerging sub-national transport body on the A36, A303/West of England Main Line, M4/Great Western Main Line and M25 corridors, as well as with Transport East at the Dartford Crossing.

The South East’s relationship with London

A key relationship

2.31 London’s contribution to the UK economy is well in excess of the contribution of other regions in the UK. However, it does not function in isolation and its economic success relies on strong transport links with towns, cities and international gateways outside of London, including many locations within the South East. The relationship between London and the South East is reflected strongly in commuting patterns between both regions. Further analysis of this relationship is provided in “The Relationship between the South East and London” Report, which is published alongside this transport strategy. Given the importance of this relationship, arrangements are in place to ensure effective

liaison between Transport for the South East and both the Greater London Authority and Transport for London.

Commuting from the South East to London

2.32 The number of residents commuting into Greater London from the South East is substantial (350k)¹⁸. While this is a sizeable figure, it should be noted that it represents just 13% of commuting trips in the South East¹⁹. Most (83%) trips into central London are by rail²⁰. Trips to outer London, on the other hand, tend to be made by car (80%)²¹. As shown in Figure 2.10, the areas with the highest number of commuter journeys to London are those that are closest to the Greater London boundary.

2.33 As the distance from London increases, the number of residents travelling to Greater London decreases. However, there are areas further from London, such as Winchester, Haywards Heath/Burgess Hill and Royal Tunbridge Wells, where a higher number of people commute to Greater London compared to their surrounding rural areas. These locations are major economic hubs, and typically have good strategic connectivity with fast journey times into London.

Commuting from London to the South East

2.34 Figure 2.11 shows the number of employees commuting from Greater London to the Transport for the South East area. Over two-thirds of these trips are by car (67%). Generally, the areas within the Transport for the South East area with the highest number of employees commuting out from Greater London are located on the boundary with outer London. These include Slough, Elmbridge, Epsom/Ewell, Leatherhead, Redhill/Reigate and Dartford. However, there are clusters further from the boundary with a higher number of employees commuting out from Greater London - notably around Reading, Maidenhead,

Bracknell, Blackwater Valley, Woking, Guildford, Crawley/Gatwick and Sevenoaks. These are locations where there is a concentration of economic activity sectors such as professional services, finance and IT. This may explain why these areas have high commuting levels from London.

Other socio-economic trends

2.35 In addition to commuting, there are strong socio-economic ties between the South East and London that drives significant development in housing and employment on London's periphery.

2.36 London is a strong attractor of talent from across the whole country, meaning most areas in the country experience a net-migration flow towards London. In the South East, however, this trend is more complex. While many people are drawn from the South East to move to the capital, a significant number of people are moving in the opposite direction in search of more affordable housing and a better quality of life. This 'ripple effect' has been attributed to tight planning constraints in building new homes in outer London²².

2.37 This trend is expected to continue for the foreseeable future as employment in London continues to grow faster than housing provision. Some targeted transport improvements – such as a Crossrail extension into Ebbsfleet – could further encourage Londoners to move to the South East and benefit from the high-quality transport links it offers.

Policy context

National policy context

2.38 Policy at a national level is developed by government departments and delivered by those departments, or through government agencies and arms-

length bodies. A more detailed exploration of the policy context for the transport strategy is contained in the “Strategic Policy Context” Report²³, which is published alongside this transport strategy. The key documents and considerations include:

National Transport Policy:

- Transport Investment Strategy (DfT, July 2017);
- The Road Investment Strategy 2 (DfT, March 2020);
- Decarbonising transport: setting the challenge (DfT, March 2020)
- Future of Mobility: Urban Strategy (DfT, March 2019).
- High-Level Output Specification for Control Period 7 (Network Rail, July 2017); and
- Long-Term Planning Process Strategy documents (Network Rail).

National Planning Policy:

- The revised National Planning Policy Framework (MHCLG, February 2019);
- The NPS for National Networks (DfT, December 2014);
- The NPS for Ports (DfT, January 2012); and
- The NPS for Airports (DfT, June 2018).

National Economic Policy:

- The Industrial Strategy White Paper (BEIS, November 2017), including consideration of Industrial Strategy Sector Deals
- Clean Growth Strategy (HM Government, October 2017)

National Environmental Policy:

- The 25-Year Environmental Plan: A Green Future: Our 25 Year Plan to Improve the Environment (DEFRA, January 2018);
- Road to Zero Strategy (DfT, July 2018);

- Air Quality Plan (DEFRA, July 2017);
- Clean Air Strategy (DEFRA, January 2019); and
- The Climate Change Act 2008 (as amended in August 2019), which sets a national target of zero net carbon emissions by 2050.

National Social Policy:

- The Housing White Paper (MHCLG, February 2017), including the Housing Infrastructure Fund;
- The Coastal Communities Fund and Coastal Revival Fund; and
- The Inclusive transport strategy (DfT, July 2018).

Regional policy context

2.39 Responsibility for developing regional economic and transport policy is currently shared between:

- Highways England, which prioritises investment on the Strategic Road Network in the South East;
- Network Rail, which prioritises investment on the railway network in the South East; and
- Five local enterprise partnerships (Enterprise M3, Coast to Capital, Solent, South East, and Thames Valley Berkshire), which set the strategic economic priorities for their areas.

2.40 It is envisaged that this transport strategy will form an important part of the regional policy framework for the South East.

2.41 The key documents published at a regional level include:

Regional Transport Policy:

- Highways England's Route Strategies (Highways England, March 2017);

- Network Rail Passenger Market Studies (Network Rail, various dates);
- Network Rail Freight Market Study (Network Rail, April 2017); and
- Network Rail Local Studies (Network Rail, various dates).

Regional Economic Policy:

- Strategic economic plans (local enterprise partnerships, 2014); and
- Local industrial strategies (local enterprise partnerships, under development).

Local policy context

2.42 Local transport policy is developed and delivered by the 16 local transport authorities in the Transport for the South East area. Some of these authorities are unitary authorities, and, as such, are also local planning authorities. In areas governed by county councils, local plans are developed by 46 borough and district councils²⁴ which are local planning authorities in their areas. The local plans developed by these planning authorities provide much of the development evidence base that has underpinned the development of the transport strategy.

2.43 The key documents published at a local level include:

- Local Transport Plans; and
- Local Plans.

The South East's transport networks

Key transport patterns

2.44 In 2018 it is estimated that there were 20.9 million trips each weekday in the South East. It is estimated that 80% of these trips started and finished within the South East area. The remaining trips start from or finish outside the South East (10% involve London and 10% involve other parts of the country)²⁵.

2.45 The split of trips by mode is estimated as follows:

- 70% of trips are by car (driver and passenger);
- 21% of trips are by foot or cycle;
- 5% of trips are by bus or taxi; and
- 4% of trips are by rail.

2.46 As walking and cycling trips tend to be much shorter than rail trips, the mode share by passenger kilometres is higher for rail and lower for foot and cycle.²⁶

2.47 As Figure 2.12 shows, current transport demand represents significant challenges for the transport network. Significant parts of the highway network experience severe congestion during peak hours, while one in five passengers travelling to London from the South East (and South London) are standing on arrival at termini stations (nearly three in 10 at Waterloo)²⁷.

Future transport patterns

2.48 The Department for Transport's National Trip End Model forecasts that the number of weekday trips taking place in the South East will grow by approximately 15% to 24.0 million trips by 2050²⁸. This is driven by a growing population (which is forecast to reach approximately 8.4 million by the same date) and growing productivity and wealth.

2.49 This growth in the number of trips represents an 'unconstrained' outcome and is neither realistic nor sustainable. As Figure 2.13 shows, this growth would add pressure on some of the busiest corridors in the South East area and exacerbate congestion across the whole of the South East. These outcomes risk limiting the development and economic potential of the South East area. The transport strategy therefore focuses on alternative, more sustainable approaches

to transport planning as a means of accommodating and, in the long-term, managing future demand. This is why a scenario-based approach has been adopted in designing this transport strategy.

Key corridors

2.50 The South East is served by a relatively dense network of highways and railways. It is also home to some of the largest international gateways in the United Kingdom. This transport strategy is designed to focus on multi-modal strategic transport corridors, as shown in Figure 2.2.

2.51 The strategic corridors, which are grouped into five areas, are:

South East Radial Corridors

- M2/A2/Chatham Main Line (Dartford – Dover);
- A299/Chatham Main Line (Faversham – Ramsgate);
- M20/A20/High Speed 1/South Eastern Main Line (Dover – Sidcup);
- A21/Hastings Line (Hastings – Sevenoaks);

South Central Radial Corridors

- A22/A264/Oxted Line (Crawley – Eastbourne);
- M23/A23/Brighton Main Line (Brighton – Coulsdon);
- A24/A264/A29/Arun Valley Line (Crawley – Fontwell);

South West Radial Corridors

- A3/A27/M275/Portsmouth Direct Line (Portsmouth – Surbiton);
- M3/M27/M271/A33/A326/South Western Main Line (Southampton – Sunbury);
- A33/Basingstoke – Reading Line (Basingstoke – Reading);
- A34/South Western Main Line/Basingstoke – Reading Line (Reading – Winchester);

- A36/Wessex Main Line (New Forest);
- A303/West of England Main Line (Andover – Basingstoke);
- M4/Great Western Main Line/Reading – Taunton Line (Newbury – Slough);

Inner Orbital Corridors

- M25 (Dartford – Slough);
- A228/A249/A278/A289/Chatham Main Line/Sheerness Line (Medway Ports);
- A228/A229/Medway Valley Line (Maidstone – Medway);
- Redhill – Tonbridge Line/South Eastern Main Line (Ashford – Redhill)
- A25/North Downs Line (Guildford – Redhill);
- A31/A322/A329/A331/North Downs Line (Reading – Redhill);

Outer Orbital Corridors

- A28/A290/A291 (Canterbury – Whitstable);
 - A27/A259/A2070/East Coastway Line/Marshlink Line (Ashford – Brighton);
- and
- M27/A27/A31/West Coastway Line (Brighton – Ringwood).

2.52 Alongside these corridors there is an important network of local roads (notably the Major Road Network, which is shown alongside the Strategic Road Network in Figure 2.14), that support inter-urban and local journeys. Each corridor and transport mode have diverse challenges and opportunities. This transport strategy does not seek to prescribe a solution to each individual corridor. However, it does examine thematic journey types, which are described in more detail in Chapter 3. These journey types are illustrated in Figure 2.15.

2.53 The remainder of this chapter describes the current configuration of the South East area's transport network and the challenges it faces. This is structured along the lines of transport mode.

Highways

2.54 The South East is served by a mostly radial Strategic Road Network – managed by Highways England – that radiates from the M25 London Orbital motorway towards the coastline and West of England. These radial routes are complemented by two main orbital routes (the M25 and M27/A27). The A27, in particular, is built to a much lower specification than the M25 and most radial routes in the South East.

2.55 The Strategic Road Network is complemented by a Major Road Network, which is managed by the South East area's local transport authorities. This network serves a wide range of journey types from first/last mile to relatively long-distance trips. A map of the Strategic and Major Road Networks is provided in Figure 2.14.

2.56 The South East's radial Strategic Road Network generally provides an adequate level of connectivity (with a possible exception on the A21 corridor) but regularly suffers from congestion. As Figure 2.12 shows, congestion is particularly acute on the M25 and routes close to London. Beyond targeted interventions to address local congestion hot spots, there is limited scope to expand capacity on these corridors, which suggests a future transport strategy will need to consider a broader range of interventions – potentially including demand management policies – to accommodate future growth on these corridors.

2.57 The South East's orbital Strategic Road Network is much sparser than its radial routes, particularly between the M20 and A3 corridors. This places

significant pressure on the parts of the M25 and A27/A259/A2070 corridors that lie to the north and south of Gatwick Airport. The Major Road Network therefore supports a significant portion of inter-urban traffic on the South East area's east-west corridors. There are hotspots of congestion and poor reliability across these orbital corridors.

2.58 The highway network serves a very large portion of local journeys in the South East. These range from urban corridors that connect residents to economic hubs such as Brighton city centre, through to rural roads that connect more remote communities to the wider economy and transport network. Each route faces unique challenges related to capacity, connectivity, reliability and safety. There are opportunities for many of these routes, particularly those serving urban areas, to look again at the balance of road space provided to private cars, public transport, and active transport modes.

2.59 The highway network will be a key enabler for future mobility technologies such as ridesharing, connected and autonomous vehicles, and demand management systems. The transport strategy will need to balance the opportunities these technological advancements present with the social and environmental needs of the South East area, and ensure that the benefits of new technology are shared equitably between prosperous and more deprived parts of the South East, as well as between urban and more rural areas.

Railways

2.60 The South East has one of the densest railway networks in the United Kingdom outside London. In the main it provides good connectivity to central London through relatively fast and regular radial routes, although some corridors (e.g. Hastings Line) do not perform as well as others. As with the highway

network, orbital corridors are less well served by the railway network. The level of connectivity (i.e. frequency and speed of passenger rail services) provided by the South East's rail network varies significantly across the area. Many coastal areas have relatively poor levels of connectivity compared to more inland towns and cities on mainlines. For example, although Hastings and Winchester are around the same distance from London, journeys from Hastings to London (1hr. 45 mins) take 75% longer than Winchester to London (1hr.). Orbital connectivity to Gatwick Airport by rail from the east and the west is poor in comparison to the radial connectivity to the airport from the north and the south. A map of the railway network is shown in Figure 2.16.

2.61 The network was developed relatively early in the technological development of the railways. This means many routes were developed at a time when the economic geography of the South East area was different to how it is configured today. It also means many routes were developed to standards that fall short of modern expectations. Some cross-regional routes were closed when the railway network was rationalised in the 1960s.

2.62 Most of the rail network in the South East is owned, maintained, and developed by Network Rail. A notable exception is High Speed 1, which is owned by HS1 Ltd and maintained by a subsidiary of Network Rail. Until 2020, most franchised passenger rail services are currently delivered by private operators under franchise agreements with the Department for Transport. The Government has announced a review that will consider reform of the current governance of passenger rail services in Great Britain. Crossrail services, which will soon operate under the "Elizabeth Line" brand, are managed as a concession by Transport for London.

2.63 The current passenger rail franchises serving the South East include:

- the **Cross Country franchise** (serving Berkshire, Hampshire, Surrey, and Southampton), which provides long-distance services connecting the South East to the Midlands and North of England;
- the **Crossrail concession** (serving Berkshire), which will provide direct commuter services through central London;
- the **Great Western franchise** (serving Brighton and Hove, Berkshire, Hampshire, Southampton, Portsmouth, Surrey, and West Sussex), which delivers commuter, cross-regional, and high-speed long-distance services to the West of England, South West England and South Wales;
- the **South Eastern franchise** (serving East Sussex, Kent and Medway), which provides commuter services and some cross-regional services;
- the **South Western franchise** (serving Berkshire, Hampshire, the Isle of Wight, Portsmouth, Surrey, and Southampton), which provides commuter services, the Island Line service and some longer distance services to the West of England and South West England; and
- the **Thameslink, Southern and Great Northern franchise** (serving every local transport authority except Berkshire and the Isle of Wight), which delivers commuter services, the Gatwick Express service and cross-London services.

Additionally, international rail services are provided by **Eurostar**, which is an Open Access Operator. There are also a number of heritage rail operations across the region.

2.64 The South East is home to the United Kingdom's first and (currently) only interoperable high-speed railway (as defined under EU regulations) – High Speed 1. This railway provides both domestic and international high-speed services that can theoretically operate at a maximum speed of 300kph (186mph). Domestic high-speed services currently serve a significant number of communities in Kent.

There is potential to expand these services further, potentially into East Sussex, in the longer term.

2.65 Most of the railway network is electrified using third rail traction. This offers many benefits, not least to the environment as electric railways typically generate lower carbon emissions and lower localised air pollution than diesel railways. However, it presents a barrier in other ways. There are gaps in the electrified network that prevent through running of electric train services on a number of routes in the Transport for the South East area including the North Downs Line, Uckfield to Hurst Green, Basingstoke to Reading West and Ore to Ashford. The third rail generally delivers lower acceleration and maximum speeds compared to overhead line equipment (OLE). The third rail also presents a barrier to expansion, as safety regulations potentially limit the extent this technology can be used to 'in-fill' gaps in electrification on the current railway network. The introduction of bi-mode trains represents a way of overcoming this issue for services operating both inside and outside the Transport for the South East area, such as the Brighton to Bristol route. The Great Western Main Line has been recently upgraded to OLE which, along with new rolling stock on this route, has enabled a decrease in emissions and improvements in air quality and noise impacts on this corridor.

2.66 The most pressing challenge for the rail network in future years relates to capacity, especially on radial routes into London. More capacity is needed on most radial railway corridors in the South East area (some more so than others). There are also sections of orbital rail routes where capacity increases are needed such as the North Downs line, the Medway Valley line, Ashford to Hastings line and the two Sussex Coastway corridors. Capacity can be delivered through investing in rolling stock, track, junctions, signalling, and platforms (particularly at

London termini). All of these would require significant investment and long-term planning to deliver.

2.67 The Government has announced a review that will consider reform of the current governance of passenger rail services in Great Britain. Transport for the South East has participated in this review and looks forward to its outcomes, which may include greater involvement in the future planning and development of the rail network in the South East.

International gateways

2.68 The South East is the UK's gateway to mainland Europe. As such, it has some of the largest ports in the country, including:

- **The Port of Southampton**, which is operated by Associated British Ports. It handles the highest tonnage of freight in the South East and is the second busiest container port in the UK. In 2018 around 34.5 million tonnes passed through this port²⁹. Liquid bulk accounted for more than half of freight handled by this port in 2018³⁰. Southampton also served 1.6 million cruise passengers in 2017³¹.
- **Portsmouth International Port**, which is managed by Portsmouth City Council. In 2018 this port handled 3.4 million tonnes of freight³² (three-quarters by Ro-Ro³³) and 1.8 million passengers³⁴. The port also acts as an important military base for the Royal Navy.
- **The Port of Shoreham**, which is managed by the Shoreham Port Authority and, in 2018, handled 2.1 million tonnes of freight (mostly aggregate)³⁵, almost all by dry bulk.
- **The Port of Newhaven**, which is operated by Newhaven Port and Properties Limited. In 2018, this port carried 0.7 million tonnes of freight³⁶ and 0.4 million passengers³⁷.

- **London Thamesport**, which is operated by the Hutchison Ports Group. This port has one of the UK's first automated container terminals. In 2017, this port carried approximately 4 million tonnes of freight³⁸. This port does not serve passengers.
- The **Medway Ports**. These include Sheerness Port, which is located on the eastern side of the **Medway Estuary**, and Chatham Port, which is located on the southern side. These ports are managed by Peel Ports. In 2018, 10.2 million tonnes³⁹ passed through this port, mostly by dry and liquid bulk⁴⁰. This port does not serve passengers.
- The **Port of Dover**, which is managed by the Dover Harbour Board and is the largest roll-on/roll-off (RORO) port in the world. In 2018, 24.9 million tonnes⁴¹ passed through this port, almost all by RORO⁴². 11.8 million passengers used the Port of Dover in 2018⁴³.

2.69 The South East is the home of the country's only rail link to the continent – the Channel Tunnel. This key international gateway can be accessed by road at the **Eurotunnel Folkestone Terminal** and by accessing international passenger rail services at Ashford International, Ebbsfleet International, and St Pancras International railway stations (the latter being in London). This international gateway is technically a land border between the United Kingdom and France. In 2018, the Channel Tunnel carried 21.6 million passengers, 4.4 million vehicles, and 1.3 million freight tonnes (by through train)⁴⁴.

2.70 The South East is home to some of the busiest airports in the country. These include:

- **Southampton Airport**, which carried just under 2 million passengers in 2018 and serves over 40 destinations⁴⁵.

- **Farnborough Airport**, which is one of the largest general aviation airports in the country, with reportedly over 30,000 air traffic movements in 2018⁴⁶.
- **London Heathrow Airport**, which is the second busiest international airport in the world, with over 80 million passengers in 2018⁴⁷. This airport lies on the border of Greater London and the South East. There are plans to expand the airport with the possible development of a third runway to the north west of the current site. This airport will continue to have a significant impact on the economy of the South East.
- **Gatwick Airport**, which is the second busiest airport in the country and the busiest single-runway airport in the world, with over 46 million passengers in 2018⁴⁸. This airport supports a cluster of businesses in the “Gatwick Diamond”. It serves as a particularly important gateway to continental Europe. The airport has recently published a masterplan, which seeks to use its emergency runway to increase the number of flights⁴⁹.
- **Other airports**, including Biggin Hill and Brighton City Airport, which also serve the general aviation market.

2.71 The South East’s highways and railways provide important connectivity to these international gateways, not just for residents and businesses in the South East, but also for London and the rest of the United Kingdom (and, indeed, Ireland). At times, the South East area’s highways network can be adversely affected by border and transport operations on both sides of the English Channel.

2.72 It is therefore critically important that Transport for the South East ensures the South East’s transport network continues to serve these gateways as best as possible and facilitate trade and tourism. This is particularly important as the country moves to new trading relationships with the European Union. An assessment of the potential impacts of the country’s departure from the

European Union on the South East was prepared as part of the development of the transport strategy.⁵⁰ Further technical work will be undertaken to identify the potential short term impacts of the Covid-19 pandemic on travel behaviour, employment patterns and the economy in the South East. The outputs from this work will be fed into the area and thematic studies that will follow on from this transport strategy.

Buses

2.73 Bus services in the South East are provided by private or municipal operators and are funded through fares, and support from local transport authorities and the government. Some areas close to the Greater London border are also served by franchised Transport for London bus services.

2.74 It is widely recognised that good local bus services are an essential part of vibrant, sustainable communities, enabling people to access health, education, leisure services, shops and jobs. They are crucial to many people's general well-being, enabling them to maintain their social networks. A full double decker bus can take up to 75 cars off the road ⁵¹ and therefore buses have a vital part to play in reducing or managing traffic congestion and greenhouse gas emissions, particularly in urban areas.

2.75 Figure 2.17 shows levels of bus use for travel to work purposes and illustrates how these levels vary markedly across the TfSE area. In general, there is a higher mode share by bus for journeys to work in urban areas than rural areas. The highest levels of bus use occur in some urban areas, notably Reading, Crawley and Brighton and Hove, which reported some of the highest number of bus passenger journeys per head in England (outside London) in 2019 ⁵². University towns such as Canterbury and Winchester, as well as areas served by major

transport hubs, such as Gatwick Airport and Bluewater/Ebbsfleet, also appear to have a higher bus mode share than neighbouring areas. The Isle of Wight also appears to have a relatively high level of bus use given its relatively rural context.

2.76 In contrast to many other regions in the UK, most local transport authorities in the Transport for the South East area have seen an increase in bus use in recent years. In the last ten years, the number of passengers using buses in Reading and several other Berkshire authorities has grown by more than 30%. Similarly, strong growth has occurred in Brighton and Hove (20%) and Southampton (15%). 53

2.77 Bus priority measures are important in reducing bus journey times and increasing service reliability. There are different types of bus priority measures including segregation, traffic management, traffic signal control and bus stop improvements. Effective bus priority measures can achieve mode shift from car, and in so doing, reduce delays for both bus users and car drivers, however, competition for limited road space is often a barrier to introducing bus priority. There are a number of busway schemes in the Transport for the South East area providing segregated corridors for buses in Crawley, South East Hampshire, and the Thames Gateway area of Kent. The Crawley Fastway scheme is a combination of segregated guided busways and dedicated bus lanes along three routes linking Horley, Gatwick Airport and Crawley. The scheme allows buses to bypass congestion hotspots, offering faster and more reliable bus journeys. The introduction of these has resulted in average journey time reductions on these routes of 9.5 minutes. Passenger numbers have increased by 160% over 10 years with passenger satisfaction levels of 90%. 54

2.78 The bus industry faces a number of ongoing challenges. Overall, financial support for buses and patronage are in decline. Increasing congestion has the

effect of reducing the attractiveness of bus services, which in turn reduces demand and forces operators to reduce services, which in turn further reduces the attractiveness of the bus. Finally, there are challenges in decarbonising the bus fleet – a challenge that will require new technology and investment to deliver a zero emissions bus fleet.

2.79 Moving forward buses will have a key role to play in delivering a more balanced, more sustainable transport system in the South East. A key challenge will be the potential role of the bus as part of emerging ‘mobility as a service’ initiatives. There are examples of very successful bus services and bus priority in the Transport for the South East area that have delivered significant growth in recent years. This is due to investment in bus priority schemes, passenger information systems, improved payment systems, integrated ticketing arrangements, waiting facilities, on-board wi-fi and cleaner, more comfortable vehicles. This has shown that it is possible, with the right investment and policies, to reverse the historic cycle of decline and boost bus patronage and mode share.

Walking and cycling

2.80 The South East is a popular location for leisure walking and cycling. It is home to several nationally important long-distance footpaths and many National Cycle Network routes, which are shown in Figure 2.18. Its cycle network also includes the London – Paris “Avenue Verte” international cycle route.

2.81 It is estimated that more than a fifth of journeys in the South East area are currently undertaken by walking and cycling. Most urban areas in the South East are well served by footpaths and (increasingly) cycleways that are designed to support these journeys. However, as Figure 2.18 shows, the proportion of people cycling by local authority district varies significantly across the South East area. In

general, cycling rates are higher in Brighton and Hove, West Sussex and Surrey (particularly Elmbridge) and lower in East Sussex, the Isle of Wight, western parts of Kent and Medway. Walking rates are generally more consistent across the South East area.

2.82 There is some evidence to suggest the South East's long-distance cycle network is less accessible than that in neighbouring sub-national transport body areas. Transport for the South East's analysis of the National Cycle Network (NCN) found that 62% of residents in the South East live within approximately a 10 minute cycle ride of the NCN. This compares to 67% for the England's Economic Heartland area and 78% for the Western Gateway area.

2.83 In general, many of the long-distance footpath and cycle routes in the South East appear to be better suited to supporting leisure journeys (e.g. longer coastal routes) rather than connecting large population centres together. There are some notable gaps in the National Cycle Network (e.g. West Kent and Thanet) and the quality of cycle routes varies enormously across the network. While some sections are well surfaced and clearly lit, many other sections are unsuitable for night-time journeys and/or would be hazardous to use in poor weather. Furthermore, some Major Economic Hubs are not served by the National Cycle Network at all (for example, the Blackwater Valley). This suggests there is scope to further expand walking and cycling infrastructure to encourage more sustainable forms of transport, particularly within and between the larger urban areas in the South East. The primary mechanism for delivering walking and cycling infrastructure improvements will continue to be through the Local Transport Plans and the Local Cycling and Walking Infrastructure Plans administered by the sixteen local transport authorities within the Transport for the South East area.

Integration

2.84 The South East's transport network and transport planning framework faces several integration challenges. These challenges are driven by the current lack of integration between road and rail investment programmes, the fragmentation of public transport provision, and limitations that competition law place on the ability for independent operators to collaborate. In some places, particularly historic centres, there are also physical constraints preventing the creation of high-quality integrated public transport hubs. The consequences of these barriers mean:

- There are difficulties in providing multimodal interchanges that support housing and employment development;
- it is difficult for transport operators to provide multi-modal/multi-operator tickets for passengers travelling across operational boundaries and different modes;
- it is difficult for transport operators to co-ordinate timetables and share information to provide a consistent travel experience for passengers; and
- there are several examples where bus hubs are located some distance from rail hubs, which undermines the quality of interchange between different public transport modes.

2.85. The South East's planning framework is also relatively complex and fragmented. Most of the South East area is governed through two-tier structures where transport planning responsibilities are delivered through county councils and most spatial planning responsibilities are exercised by borough and district councils⁵⁵. The five local enterprise partnerships are also responsible for promoting economic development. This fragmented arrangement presents a significant barrier to developing coherent, integrated, long-term plans in the South East. Looking further ahead, there may be opportunities for better

alignment of transport planning with the energy and digital sectors. This transport strategy seeks to set out the benefits of better integrated economic, spatial and transport planning for the South East.

Conclusions

In this chapter we have highlighted the key characteristics of the South East area and described some of the challenges it currently faces. This has provided a compelling case for the need for this transport strategy and long-term Strategic Investment Plan for the area. In the following chapter we set out our vision, goals and priorities for the South East and describe the five key principles we have adopted to develop this transport strategy.

3 Our Vision, Goals and Priorities

Introduction

3.1 This chapter describes the outcomes that Transport for the South East and its partners and stakeholders wish to realise by 2050. It is structured as follows:

- First, it sets a vision statement for the South East in 2050. This vision, which has been developed by Transport for the South East in partnership with constituent authorities and key stakeholders, articulates a ‘preferred future’ for the South East area.
- Second, it outlines three strategic goals for the South East area. These align with the three pillars of sustainable development; economic, social and environmental.
- Third, it describes fifteen strategic priorities that will help the South East area to achieve the strategic goals.

3.2 The relationship between the vision, the strategic goals, and the strategic priorities is shown in Figure 3.1. The next part of this chapter describes each of these in more detail.

Strategic Vision, Goals and Priorities

Vision statement

3.3 The vision statement, which sets out the overall direction of the transport strategy, forms the basis of the goals and priorities that underpin it. These goals and priorities help to translate the vision into more targeted and tangible actions.

3.4 Transport for the South East's 2050 vision for the South East area is:

By 2050, the South East of England will be a leading global region for net-zero carbon, sustainable economic growth where integrated transport, digital and energy networks have delivered a step-change in connectivity and environmental quality.

A high-quality, reliable, safe and accessible transport network will offer seamless door-to-door journeys enabling our businesses to compete and trade more effectively in the global marketplace and giving our residents and visitors the highest quality of life.

Strategic goals

3.5 The vision statement is underpinned by three strategic goals, which align to the three pillars of sustainable development and are shown in Figure 3.2:

- **Economic:** Improve productivity and attract investment to grow our economy and better compete in the global marketplace;

- **Social:** Improve health, safety, wellbeing, quality of life, and access to opportunities for everyone; and
- **Environmental:** Protect and enhance the South East's unique natural and historic environment.

This transport strategy aims to achieve a balance between these three pillars to deliver overall sustainability represented by the point where the three pillars interconnect at the centre of Figure 3.2.

3.6 The three pillars of sustainable development should be viewed in the context of the South East's existing characteristics set out in Chapter 2:

- The area is perhaps best known for its strong economic foundations. This is the most easily quantifiable of these goals to measure. However, future economic growth must not come at the expense of the natural environment.
- Despite this prosperity, the South East area faces many social challenges. It is home to some of the most deprived areas of the country, particularly in coastal regions. Addressing this issue will be challenging, but possible if future development is carefully managed. The South East area also suffers from unsustainably high house prices in many areas, which limits access to high-quality, affordable homes. Ultimately, addressing these challenges will lead to a higher quality of life for all residents of the South East area.
- The South East area has many rich environmental assets. The South East is home to two National Parks, seven Areas of Outstanding Natural Beauty, an environmentally sensitive coastline, and multiple historic monuments and conservation areas. Any intervention in the South East area's transport networks must ensure this environment is protected and, where possible, enhanced.

3.7 In some cases, these goals are mutually supportive. For example, improving the environment through focussing on air quality will also have the social benefit

of improving health outcomes for residents. In other instances, however, these goals are often in conflict. For example, unconstrained economic growth has the potential to harm the environment by allowing growth in emissions and the degradation of environmentally sensitive areas.

Strategic priorities

3.8 Beneath each of the strategic goals lies a set of fifteen strategic priorities. These priorities narrow the scope of the goals to mechanisms and outcomes that will be most important to effectively deliver its vision. They are designed to be narrow enough to give clear direction but also broad enough to meet multiple goals.

3.9 The strategic priorities are as follows:

Economic strategic priorities:

- Better connectivity between our major economic hubs, international gateways (ports, airports and rail terminals) and their markets.
- More reliable journeys for people and goods travelling between the South East's major economic hubs and to and from international gateways.
- A transport network that is more resilient to incidents, extreme weather and the impacts of a changing climate.
- A more integrated approach to land use and transport planning that helps our partners across the South East meet future housing, employment and regeneration needs sustainably.
- A 'smart' transport network that uses digital technology to manage transport demand, encourage shared transport and make more efficient use of our roads and railways.

Social strategic priorities:

- A network that promotes active travel and active lifestyles to improve our health and wellbeing.
- Improved air quality supported by initiatives to manage congestion and encourage further shifts towards less polluting and sustainable modes of transport.
- An affordable, accessible transport network for all that promotes social inclusion and reduces barriers to employment, learning, social, leisure, physical and cultural activity.
- A seamless, integrated transport network with passengers at its heart, making it simpler and easier to plan and pay for journeys and to interchange between different forms of transport.
- A safely planned, delivered and operated transport network with no fatalities or serious injuries among transport users, workforce or the wider public.

Environmental strategic priorities:

- A reduction in carbon emissions to net zero by 2050, at the latest, to minimise the contribution of transport and travel to climate change.
- A reduction in the need to travel, particularly by private car, to reduce the impact of transport on people and the environment.
- A transport network that protects and enhances our natural, built and historic environments.
- Use of the principle of 'biodiversity net gain' (i.e. development that leaves biodiversity in a better state than before) in all transport initiatives.
- Minimisation of transport's consumption of resources and energy.

3.10 Figure 3.1 shows each of the strategic priorities grouped beneath the strategic goals. This is a useful organising principle and makes it easier to understand broadly where these priorities are focussed. That said, the reality is

that many of the strategic priorities address several of the goals. For example, the strategic priority to build “a network that promotes active travel and active lifestyles to improve our health and wellbeing” clearly supports the social goal through improved healthcare outcomes and will also help to achieve the environmental goal by encouraging people to walk and cycle.

Applying the Vision, Goals and Priorities

Achieving key outcomes

3.11 The vision statement, strategic goals and strategic priorities outlined above describe the outcomes that Transport for the South East and its partners and stakeholders wish to realise by 2050. The remaining part of this transport strategy sets out how these outcomes will be delivered.

3.12 As described in Chapter 2 (paragraph 2.50), Transport for the South East has identified six thematic journey types, which are shown in Figure 2.15.

3.13 Transport for the South East has developed a framework that applies a set of principles to identify strategic issues and opportunities for each journey type in the South East.

3.14 The key principles that have applied in this process are as follows:

- Supporting sustainable economic growth, but not at any cost
- Achieving environmental sustainability
- Planning for successful places
- Putting the user at the heart of the transport system
- Planning regionally for the short, medium and long term

3.15 Each principle is described in detail in the next part of this section. The relationship between these principles and the journey types is shown in Figure 3.3.

Supporting sustainable economic growth, but not at any cost

3.16 Economic growth, if properly managed, can significantly improve quality of life and wellbeing. Stronger economic growth means more jobs, wider prosperity, better opportunities and services, and a higher quality of life for residents. It delivers much needed additional housing and employment opportunities and helps improve the productivity and well-being of the South East. Much of this new housing and employment development is directly dependent on the delivery of adequate transport networks and services. This is why an integrated approach to spatial and transport planning is essential to achieve sustainable economic growth.

3.17 However, without careful management, unconstrained economic growth can have damaging consequences or side effects. For example, increases in trade flows can lead to a rise in traffic congestion and associated emissions of greenhouse gasses and a decrease in local air quality, with significant adverse impacts on climate change and human health.

3.18 This transport strategy strongly supports sustainable economic growth which seeks to achieve a balance with social and environmental outcomes. This means economic growth must be viewed as a means to improving the long-term quality of life for residents of the South East, rather than an end in itself. There are areas of the transport strategy that focus explicitly on encouraging economic growth. However, where it does so, it also considers the potential social and

environmental consequences this may bring. Ultimately this reflects the overall vision of this document, and the strategic goals which lie beneath it.

Achieving environmental sustainability

3.19 Transport for the South East strongly believes the South East must reach a point where future economic growth is decoupled from damaging environmental consequences. This will be challenging, but against a background of global climate change and worsening local environmental quality (as evidenced, for instance, by Air Quality Management Areas within the South East), this goal is nonetheless critical.

3.20 There are several clear and practical ramifications of this approach. For example, spatial planning and transport planning must become more closely integrated, ensuring that future development occurs in locations close to jobs and opportunities. This approach will ensure that people are able to travel shorter distances to reach economic opportunities, which helps lower the environmental impacts of doing so. Where people still need to travel longer distances, better provision of sustainable transport options should be provided to reduce dependency on the private car. Better integration of different transport modes (for example, through initiatives such as ‘park and ride’) will help people easily make multimodal journeys and access economic hubs, such as city centres, without needing to rely on the private car.

3.21 A natural capital approach should also be taken to transport planning, maximising opportunities for biodiversity and delivering wider environmental net gains to create a more resilient transport network across the region. For example, incorporating green infrastructure as part of new or enhanced transport networks can contribute to Nature Recovery Networks, natural flood risk management,

infrastructure resilience, carbon reduction, and clean air, as well as other place-making and visitor economy objectives.

All these approaches will help ensure that the transport strategy provides a transport network that is more sustainable but does not limit future economic growth. They will also help to deliver the ambitions of the government's Twenty-Five Year Environment Plan, Clean Growth Strategy and Environment Bill, as well as support work undertaken by Natural England, Network Rail and Highways England on green transport corridors. ¹

Planning for successful places

3.22 This transport strategy envisages a South East where villages, towns and cities thrive as successful places, where people can live and work with the highest quality of life. Transport networks that simply aim to provide the most efficient means of moving along a corridor have the potential to bring a wide range of damaging consequences, particularly socially and environmentally. The transport network therefore has competing, dual priorities. On the one hand it must ensure that people can efficiently and easily move from one place to another. On the other hand, however, it must also ensure that 'places' are protected and ideally enhanced.

3.23 The best way to ensure that this occurs is to develop a transport network that considers both 'place' and 'link' functions. Some parts of the transport network are designed to fulfil 'link' roles while other parts contribute more to a sense of 'place'. A diagram illustrating the difference between these functions is provided in Figure 3.4.

3.24 Areas with high 'place' functions are areas such as town and city centres where 'active' modes, such as walking and cycling, should be prioritised over

motorised forms of transport. This will help to enhance the environmental quality of these places, ultimately ensuring that they can continue to fulfil their role as the focus of their communities.

3.25 By contrast, sections of the transport network with a high 'link' function must allow journeys to move as efficiently as possible along them. Motorways and high-speed rail lines such as HS1 are examples of this function, as these enable high volumes of vehicles to move through corridors as quickly as possible while minimising contact with vulnerable users such as pedestrians and cyclists.

3.26 In an ideal transport network, high speed and low speed components of the network should be clearly segregated from each other. For example, it is more appropriate for long distance rail services to use high speed railways (such as HS1) while stopping services should focus on slower corridors. Similarly, pedestrians and cyclists should be kept far away from the Strategic Road Network and other high-volume roads.

3.27 The most optimal transport network is one where traffic flows are aligned to their link function, and where conflicts between user types are minimised to ensure the efficient and safe operation of the transport network.

3.28 The application of the movement and place framework will require compromise. To ensure the best outcome for both movement and place, the process must be as inclusive and exploratory as possible, including looking at a range of options with experts from different disciplines and key stakeholders as well as those who use the space.

Putting the user at the heart of the transport system

3.29 This transport strategy envisages a transport network – particularly a public transport network – that places the passenger and freight user at the heart of it.

This approach mirrors the philosophy adopted by the Williams Rail Review, which seeks to place the passenger at the heart of the passenger rail industry.

3.30 This approach seeks to understand why people make journeys and why they choose between different modes, routes, and times to travel. It also seeks to understand the whole-journey experience, from origin to destination rather than just a part of the journey.

3.31 This principle highlights the need for much better integration between modes. This is not just limited to physical interchanges (which are undoubtedly needed), but also integration in timetables, ticketing and fares, and information sharing. Similarly, there is more that can be done to better integrate highways traffic management and information systems between the Strategic Road Network and other roads in the South East area.

3.32 The affordability of transport is a key issue. Many people can be left cut-off from opportunities and essential services, including education, work and healthcare because of the costs of car ownership and the cost and availability of public transport alternatives. It is an issue that affects people in both urban and rural areas. Moving forward it is vital to ensure that the current inequalities in mobility and accessibility do not deepen and widen. Action needs to be taken to ensure that new transport technologies and innovations that are emerging are accessible to all, and in particular to the groups that currently find it hard to access the transport system.

3.33 It is recognised that, in a highly fragmented industry, there are significant barriers to promoting integration. However, one of the roles a sub-national transport body can undertake is to support the development of pan-regional smart card systems (as is currently being developed by Transport for the North).

While this specific initiative may not be the right solution for the South East, it demonstrates the role a regional body such as Transport for the South East can play in fostering better integration between transport geographies and modes. 'Mobility as a service' is, however, one such option – a model whereby consumers have a 'bundle' of travel or 'mobility' across multiple modes of transport (much like a mobile phone plan with call minutes, messages, and data) or on a 'pay as you go' basis.

3.34 Mobility as a service could incorporate travel by car, as well as public transport and shared mobility options such as bike hire. This has the ability to ensure we only pay for the travel or mobility we 'consume', while also having the potential to better manage demand across the network.

3.35 Pricing mechanisms could be used to incentivise travel at less busy times or by more sustainable modes, or there is the potential to charge a premium if you travel at busier 'peak' times (e.g. similar to train travel, flights, and Uber), on more congested routes, by yourself or by more heavily polluting means, with options for road freight.

Planning regionally for the short, medium and long term

3.36 This transport strategy seeks to build on the excellent work of Transport for the South East's constituent authorities and other planning authorities in the South East. The transport strategy builds on transport plans set out by local transport authorities, local plans issued by local planning authorities, and the Strategic Economic Plans and Local Industrial Strategies created by local enterprise partnerships.

3.37 This transport strategy adopts a larger scale perspective that looks across the South East area focussing on cross-boundary journeys, corridors, issues and

opportunities. As far as possible, it also seeks to align with the ambitions of the Greater London Authority and Transport for London, and other neighbouring sub-national transport bodies.

3.38 This transport strategy also adopts a multi-modal approach. It views corridors as being served by different types and levels of infrastructure, from the Strategic Road Network to first and last mile, from intercity rail services through to rural bus operations. This transport strategy does not differentiate its approach to the future development of infrastructure based on how this infrastructure is currently managed. Transport for the South East views the transport system as a holistic system, while acknowledging key interdependencies and interfaces between different owners and actors.

Conclusions

In this chapter we have described our vision for the South East as a leading global region for net-zero carbon, sustainable economic growth. This vision is supported by a set of economic, social, and environmental goals and priorities for the South East area, which have also been outlined in this chapter. We have described the five key principles that we have drawn upon to develop our transport strategy, which are:

- Supporting sustainable economic growth, but not at any cost;
- Achieving environmental sustainability;
- Planning for successful places;
- Putting the user at the heart of the transport system; and

- Planning regionally for the short, medium and long term.

In the following section we focus on the six journey types that, together, describe the way people and goods move in the South East. We also highlight the key challenges facing each of these movement types and give an initial indication of the types of measures that will be needed to address them.

4 Our Strategy

Introduction

4.1 This Chapter outlines how Transport for the South East proposes to deliver its vision for the South East in 2050. It will do so by applying the principles introduced in Chapter 3 (paragraph 3.14) to each of the six journey types described in Chapter 2 (paragraph 2.50). This process will help identify key issues and opportunities, which will be explored further in subsequent area studies. A diagram illustrating this approach is shown in Figure 3.3.

4.2 The linkages between the principles and journey types have helped identify several key issues and opportunities. For example, applying the ‘planning for successful places’ principle to orbital and coastal journeys highlights significant issues relating to the mix of traffic passing through urban areas on the M27/A27 corridor. This is currently contributing to poor local air quality and conflicts between users. Similarly, applying the ‘achieving environmental sustainability’ principle to ‘inter-urban’ routes points towards a need for better allocation of space on urban corridors to public transport, cycling and walking. Funding sources and financing arrangements will be an important consideration in the

development of schemes and interventions identified in the subsequent area studies. This issue is explored in more detail in Chapter 5.

4.3 The rest of this chapter summarises the context, challenges and opportunities relevant to each of these six journey types. It also sets out an initial indication of the types of initiatives (schemes and/or policies) that the evidence suggests will help the South East area to address the challenges described below. This transport strategy will be complemented by five area studies which will identify and prioritise the specific interventions required across the South East to deliver the strategy. Further technical work will be undertaken to identify the potential impacts of the Covid-19 pandemic on travel behaviour, employment patterns and the economy in the Transport for the South East area. The findings from this work will be used to inform the area studies. The outputs from the area studies will then be fed into a Strategic Investment Plan setting out our short, medium, and longer-term scheme priorities.

Radial journeys

Context

4.4 Radial journeys are longer distance passenger journeys between the South East and Greater London area and, in the case of Berkshire and Hampshire, between the South East and the South West / South Midlands. These journeys typically use the Strategic Road Network that radiates from the M25 towards the south coast and West of England, and/or main line railways that terminate in central London. A map showing the key radial corridors serving the South East, which also highlights key issues and opportunities affecting these corridors, is provided in Figure 4.1.

4.5 Most radial corridors are served by frequent and, in many cases, fast rail services that terminate in central London. Most radial journeys into central London are undertaken by rail (83%)¹. This is unlikely to change as UK government and GLA policy strongly encourages high public transport mode share for trips to and from central London².

4.6 In contrast, a significant number of trips in outer London are made by car (44%)³. This perhaps reflects the relatively low level of public transport interchanges that support trips between the South East and outer London compared to central London.

4.7 There is a significant imbalance in jobs and homes in London. For every four jobs created in Greater London, just one additional dwelling is delivered⁴. In 2017, more than 1.2 million people entered central London on a typical weekday⁵. This imbalance in housing supply and demand gives rise to high levels of commuting to the capital.

4.8 London is expected to continue to grow and generate employment opportunities for the foreseeable future⁶. While TfSE supports the development of employment at economic hubs within its region, it acknowledges many people who live in the South East will continue to work in London. In general terms, commuting to London is highest in local authority areas that are closest to the Greater London boundary. Some areas with fast rail links, such as Brighton and Hove, also have relatively high levels of commuting to London⁷.

Challenges and opportunities

4.9 In general terms, the radial routes to London from the South East have evolved to accommodate the high demand for employees to service the London economy, and are historic in nature rather than strategically planned. Virtually all

major settlements and economic hubs have good access to a radial road on the Strategic Road Network and/or a radial railway. There is no obvious need to create a new radial corridor on the Strategic Road Network or rail network. However, these radial corridors face several challenges. In particular:

Challenge 1

While Kent has benefitted from significant improvements in rail journey times to London thanks to the introduction of High Speed 1 domestic services in 2009, some areas in **North and East Kent** risk being left behind. For example, the towns of Maidstone and Margate have relatively poor levels of connectivity compared to other parts of the region⁸. This undermines the potential for these corridors to support regeneration and unlock housing development in North and East Kent. There are also capacity constraints on several routes into London (many of which are only dual tracked, meaning longer distance services compete for track space with London/suburban stopping services) and at key termini such as London Charing Cross and London Cannon Street⁹. Similarly, journey times to London on the **Reading – Waterloo** Line are long compared to neighbouring corridors such as the Great Western Main Line.

Challenge 2

Both the road and railway serving the **A21/Hastings Main Line Corridor** deliver poor connectivity to the Hastings area¹⁰. The A21 is the least developed SRN road in the South East area and runs as a single carriageway for most of the route south of Pembury in Kent. Rail journeys from London to Hastings are typically 75% longer than from London to Brighton, even though the distances covered by these services are similar¹¹. This undermines the potential for this corridor to support

regeneration and economic development in ‘left behind towns’ such as those in the Hastings area.

Challenge 3

The **M23/A23/Brighton Main Line Corridor** is heavily utilised, has a significant ‘capacity gap’ and suffers from poor resilience¹². This undermines the potential for this corridor to support the economy and unlock development near key economic hubs. This corridor has several branches at its southern end, which together means it serves a large area of the Sussex coast (from Chichester to Eastbourne). Any disruption at the north end of this corridor has the potential to cause significant delays in the south. Highways England and Network Rail are both investing in schemes to improve resilience on this corridor, including a smart motorway on the M23¹³ and a resilience and renewal programme on the Brighton Main Line¹⁴.

Challenge 4

The **A3/Portsmouth Direct Line Corridor** passes through the Guildford and Portsmouth urban areas. The A3 trunk road contributes to poor air quality and noise in these areas¹⁵. This has the potential to undermine the health and wellbeing of the people served by this corridor. This corridor suffers from significant congestion around Guildford¹⁶.

Challenge 5

The **M3/South Western Main Line Corridor** provides important connectivity for freight traffic using the Port of Southampton, which is set to expand¹⁷. This corridor has high capacity (including an eight-lane smart motorway and a four tracked railway). However, it is also heavily utilised and regularly suffers from congestion¹⁸. The South Western Main Line railway suffers from serious

overcrowding at peak times. This undermines the potential of this corridor to support economic productivity and development, particularly at fast growing towns such as Basingstoke. Capacity constraints on this line also limit the opportunity to provide faster journeys on the Portsmouth Direct Line. This is a challenge because it currently takes longer to travel to London from Portsmouth than it does from Southampton (even though Portsmouth is closer to London). Network Rail is developing proposals to address bottlenecks on this corridor but funding to implement these proposals is not confirmed.

Challenge 6

The **M4/A4/Great Western Main Line Corridor** has benefitted from significant investment in recent years (Crossrail, Great Western Main Line electrification, new rolling stock and enhancements to Reading station)¹⁹. The M4 smart motorway enhancements are currently under construction and scheduled for completion in 2022. However, there are plans to expand Heathrow, which would mean this already very busy corridor is expected to come under increasing pressure. There is a risk it could hold back the economic benefits arising from improved global connectivity delivered by expansion at Heathrow.

The initiatives that are needed to address the radial journey challenges are:

Extend radial routes (e.g. Crossrail from Abbey Wood to Ebbsfleet and/or extend South Eastern franchise passenger services to the Isle of Grain) that serve particularly large new housing developments.

- Addresses: Challenge 1

Invest in rail improvements to speed up journey times to London, particularly by utilising spare capacity on High Speed 1 and investing in parts of the railway that are served by high speed services.

- Addresses: Challenge 2

Improve connectivity by both road and rail to deprived communities – particularly potential ‘left behind towns’ in Swale, Thanet, Hastings, Bognor Regis, Littlehampton, Worthing and Shoreham.

- Addresses: Challenge 1 and Challenge 2

Provide additional capacity and resilience on radial railways, particularly the busiest corridors such as the South Western Main Line, Reading to Waterloo Line and Brighton Main Line.

- Addresses: Challenge 3 and Challenge 5

Improve the resilience of the road network, potentially by adopting holistic demand management policies.

- Addresses: Challenge 3 and Challenge 5

Reduce human exposure to noise and poor air quality from radial roads, particularly where these run through urban areas such as Guildford and Portsmouth (e.g. by reducing speed limits, reallocating road space to cleaner transport modes, moving routes underground and/or away from urban areas, and/or supporting the uptake of cleaner technologies such as electric vehicles).

- Addresses: Challenge 4

Facilitate an increase in radial journeys by public transport, including longer distance coach services, particularly to/from outer London and to/from Heathrow Airport, with improvements to interchange facilities to help facilitate this shift.

- Addresses: Challenge 6

Orbital and coastal journeys

Context

4.10 Orbital and coastal journeys describe longer distance passenger journeys that use corridors that run perpendicular to the radial corridors described previously. The roads and railways serving these flows are sparser and have lower capacity and speeds than most radial corridors²⁰. They provide important links between economic hubs across the South East but have perhaps not received the level of investment that their function warrants in recent years²¹. A map showing the key orbital corridors serving the South East, which also highlights key issues and opportunities affecting these corridors, is provided in Figure 4.2. A further map highlighting some of the rail connectivity issues that are described in more detail below is provided in Figure 4.3.

4.11 The corridors serving these orbital journeys are heavily constrained by protected landscapes, which tend to run along an east – west axis in the South East area between the ridges of the North and South Downs. In contrast to the radial corridors, the road and rail networks are not closely aligned on the orbital corridors.

4.12 Journey times by rail on orbital corridors are typically much slower than on radial routes (largely due to cross-regional services having to serve local, regional and interurban markets simultaneously). Most rail routes on these corridors are split between different train operators and, in some cases, are divided by gaps in electric traction. A single trip from Maidstone to Reading requires changing trains twice, and a trip from Ashford to Southampton requires more changes. Indeed, it is often faster to travel via London rather than use an orbital rail route²².

Challenges and opportunities

4.13 The challenges and opportunities for orbital corridors vary across the South East area and are as follows:

Challenge 1

The M25 corridor is one of the busiest and one of the most congested corridors in Europe²³. There is very little scope for increasing capacity on this road, especially on the south west quadrant (between Junctions 7 and 15) where traffic diverts onto local routes. There are currently limited public transport alternatives on this route, although work needs to be undertaken to identify how these could be improved. There is a risk that lack of capacity on this corridor will hold back economic development and productivity improvement for the whole country, not just the communities and businesses in the South East who depend on it. The Lower Thames Crossing, which will improve access to the North and Midlands via the northern part of the M25, could divert demand away from the south west quadrant.

Challenge 2

There are very few long-distance orbital rail services in South East England. This is partly because of the rail franchise geography, which splits east-west routes between up to three different operators (e.g. Reading to Ashford). It is also partly due to gaps in electrification on these corridors (e.g. Marsh Line between Hastings and Ashford)²⁴ and the poor quality of infrastructure on some routes. Orbital connectivity to Gatwick Airport by rail from the east and the west is poor in comparison to the radial connectivity to the airport from the north and the south. Cross-country connectivity has declined on this corridor (intercity rail services from the Midlands and North of England used to run as far south and east as Gatwick Airport, Brighton, Ramsgate and Portsmouth)²⁵. Furthermore,

there are some parts of the orbital and coastal rail network that suffer from severe crowding in peak hours. The quality of the railway infrastructure on orbital and coastal corridors therefore presents a barrier to economic development on these corridors.

Challenge 3

The M27/A27/A259/East Coastway/West Coastway Corridor has multiple issues and challenges. The M27/A27/A259 serves as a grade separated expressway around Brighton, an urban distributor road in Worthing, a city centre corridor in Hastings, a rural single carriageway in Kent, an outer ring road in Chichester, and an inter-regional motorway in South Hampshire. The railway similarly tries to accommodate slow, stopping rural and suburban services alongside faster, non-stopping longer distance services²⁶. This mixture of traffic types creates multiple conflicts between users and undermines capacity and performance on this corridor. The poor performance of this corridor represents a significant barrier to fostering sustainable growth along the South Coast – particularly growth that encourages more local employment in economic hubs such as Brighton. The proximity of this corridor to protected built and natural landscapes means it also impacts on quality of life and wellbeing.

Challenge 4

While there are several high capacity links between the A3, M3, M4 and M40 in the west of the South East area and the M2 and M20 in the east, **there are several gaps between the M20, M23/A23 and A327**²⁷. This forces traffic to use the A27 and M25 and limits east-west access to Gatwick Airport and the “Gatwick Diamond” economic hub. Furthermore, there are some **bottlenecks on orbital links between the M3 and M4 such as the A404(M).**

Challenge 5

Some high capacity orbital links pass through urban areas such as Bracknell, which impacts negatively on air quality, safety and quality of life.

The initiatives that will help address orbital and coastal journey challenges are:

In the longer term, introduce holistic demand management initiatives that address congestion across the road network while avoiding displacement effects from one part of the network to another (ideally when alternative public transport options are available).

- Addresses: Challenge 1

Deliver the Lower Thames Crossing, which will provide an alternative route around the north of the M25, avoiding the south west quadrant.

- Addresses: Challenge 1

Encourage the wider electrification of the network and/or wider use of bi-mode trains across the south east to enable more direct, longer distance services on orbital corridors such as the North Downs Line.

- Addresses: Challenge 2

Provide capacity enhancements at bottlenecks where orbital railways cross busy radial routes, such as at Redhill.

- Addresses: Challenge 2

Improve long distance rail and coach connectivity and capacity particularly between the Midlands, South West and North of England into the South East area along orbital corridors and support the introduction of more direct east-west services to Gatwick Airport.

- Addresses: Challenge 2

Build a consensus on a way forward for the M27/A27/A259/East Coastway/West Coastway corridor, based on a multi-modal approach that seeks to reduce conflicts between different users on this corridor and improves interchange facilities.

- Addresses: Challenge 3

Improve orbital connectivity between Gatwick Airport and Hampshire and Kent.

- Addresses: Challenge 4

Improve orbital links between the M3 and M4, ideally in a way that avoids directing heavy traffic through urban areas such as Bracknell.

- Addresses: Challenge 4 and Challenge 5 – and potentially Challenge 1 by relieving pressure on the M25 South West quadrant.

Reduce the exposure to the adverse environmental impacts of road traffic on orbital corridors that pass through urban centres such as Gosport, Hastings, Portsmouth and Worthing, which may include reducing speed limits, reallocating road space to cleaner transport modes, and/or supporting the uptake of cleaner technology such as electric vehicles.

- Addresses: Challenge 5

Inter-urban journeys

Context

4.14 Inter-urban journeys primarily describe medium-distance passenger journeys between economic hubs and the Strategic Road Network. These

journeys are predominantly served by the South East area's Major Road Network and any railways that mirror these corridors.

4.15 Inter-urban journeys take several forms:

- There are journeys **between economic hubs** (such as town and city centres) across the country that do not use the Strategic Road Network at all (e.g. A26/A228 (Lewes – Strood));
- There are journeys between the Strategic Road Network and economic hubs (e.g. A264 (Horsham – M23));
- There are journeys that **shadow strategic road corridors** and act as distributor routes for these corridors (e.g. A4 (Slough – Newbury)). The routes that serve these journeys are highly susceptible to 'spill over' from the Strategic Road Network during periods of congestion and/or disruption.

4.16 In contrast to the (radial) Strategic Road Network, the railway network does not align particularly well to many of the corridors that serve inter-urban journeys. For this reason, the primary public transport alternative on the corridors that serve inter-urban routes is the bus. There are also some well-developed longer distance cycleways (some of which replaced abandoned railways).

Challenges and opportunities

4.17 Inter-urban routes, and the Major Road Network in particular, face the following challenges and opportunities:

Challenge 1

Routes that act as secondary routes for radial and orbital roads (e.g. A22, A24 and A30) fall below standard in places. Where possible, these routes should be developed to offer a consistent standard across the corridors they serve. In some cases, this may require investment in improvements to junctions and/or targeted

widening. Several interventions have been identified by local transport authorities that aim to bring these routes up to a more consistent standard.

Challenge 2

Bus services risk deteriorating on inter-urban routes if congestion rises. This in turn risks slowing down bus services and reducing their attractiveness and viability. Interventions may be needed to provide bus priority measures and improved interchange facilities to ensure bus performance does not deteriorate, particularly on corridors within urban areas and/or that serve park and ride facilities on the edges of large urban centres.

Challenge 3

There are many gaps in the railway network serving inter-urban corridors, which represents an issue as rail is better placed to provide public transport services on many inter-urban corridors, although the introduction of new rail lines is expensive. For example, the West Coastway Line runs too far north of the A259 in places for it to provide a realistic public transport alternative on this road.

Challenge 4

There are several road safety ‘hot-spots’ on the Major Road Network, which may require intervention through speed limits, junction improvements and other interventions.

The initiatives that will help address inter-urban journey challenges are:

Support existing Major Road Network and Large Local Major schemes (e.g. A22 junction improvements) that bring secondary routes up to an appropriate standard.

- Addresses: Challenge 1 and Challenge 4

Support initiatives that enhance, or at the very least, maintain the viability of bus services on inter-urban corridors such as bus priority measures and improved interchange facilities between different forms of transport, including integration between public transport and cycling.

- Addresses: Challenge 2

Deliver better inter-urban rail connectivity, such as direct rail services from Brighton/Lewes to Uckfield.

- Addresses: Challenge 3

Local journeys

Context

4.18 Local journeys are short distance journeys to destinations within the same community, village, town or city. They also include the first or last part of longer distance journeys including the first mile/last mile movements that form an important element of other journey types described in this strategy.

4.19 Local journeys can be undertaken by almost any mode of transport, including walking and cycling. In rural areas, where the bus network is much sparser than in urban areas, the choice of mode for these journeys may be more limited.

4.20 This journey type is particularly well suited to the 'planning for successful places' framework outlined in Chapter 3 (paragraph 3.14). This framework emphasises the importance of protecting vulnerable users, particularly in urban areas. This approach guides transport and spatial planners towards creating spaces and corridors that are safe and attractive to pedestrians and cyclists and that prioritise public transport modes over other motorised transport.

4.21 Interventions needed to support local journeys are typically smaller in scale and tend to be sponsored by local authorities (as opposed to national and regional bodies) through their Local Transport Plans. Funding arrangements therefore tend to differ to larger schemes. Funds such as the 'Transforming Cities Fund' and 'Housing Infrastructure Fund' have been established to support initiatives at this scale. Specific mechanisms for developing improvements that will support local journeys have been put in place such as the Local Cycling and Walking Infrastructure Plans developed by local authorities.

Challenges and opportunities

4.22 The challenges relating to local journeys vary between urban and rural contexts. In urban environments they broadly relate to congestion and conflicts between different users and modes. In rural contexts, the key challenge is ensuring adequate levels of accessibility, especially for the most vulnerable of transport users. The key challenges and opportunities for this journey type are as follows:

Challenge 1

There are many conflicts between different modes and user types, particularly vulnerable users and people with reduced mobility in urban areas. There are several examples of urban corridors in the South East where too much priority is given to the car over other transport modes. This is particularly common where the Strategic Road Network passes through urban areas (e.g. at Worthing and Bexhill). There are also examples of corridors that serve both long-distance and short-distance trips, which risks creating conflicts between heavy road traffic and more vulnerable road users such as pedestrians and cyclists.

Challenge 2

There are significant issues with air quality and road safety on many urban corridors that serve local journeys, with emissions from vehicles operating in congested conditions and brake and tyre wear leading to poor air quality. Some of these corridors are designated as Air Quality Management Areas or Clean Air Zones. The poor air quality and road safety concerns have the effect of deterring people from walking and cycling, which in turn can generate higher demand for car transport, which risks undermining air quality and road safety further still. This behaviour also results in increased congestion, which reduces the speed and attractiveness of bus services.

Challenge 3

Integration between transport modes could be better. There are limits to the degree that bus and rail companies can align timetables and ticketing arrangements (due to competition law). There are places where bus hubs are not well connected to rail hubs, particularly in historic towns and cities (e.g. Canterbury). This presents significant barriers to achieving modal shift and for access for people with reduced mobility. There is scope for wider use of park and ride sites on the periphery of large urban centres, and for greater use of water-based transport in the Solent area and along the Thames. Smart ticketing could be rolled out further than it is at present. Looking further ahead, there are opportunities to better integrate 'mobility as a service' modes with traditional transport modes, including bus, rail and even by car (or other private vehicles).

Challenge 4

Bus services have come under significant pressure in recent years, particularly in rural areas. Local transport authority budgets have been squeezed in recent years

and this has limited the level of support these authorities have been able to provide for socially necessary bus services. Any further retrenchment of the bus network risks leaving some of the most vulnerable members of society isolated and unable to access key services.

Challenge 5

Public transport is not always affordable for everybody. While very affordable rail fares are available for those who book in advance, rail fares have increased ahead of inflation in most years since privatisation in 1996, and today are reportedly among the highest in Europe²⁸. Bus fares have also increased significantly ahead of inflation in recent years²⁹. This trend risks putting access to transport beyond the means of some of the most vulnerable people in the South East. In addition, current season ticket options do not support flexible working practices.

Challenge 6

Rural areas have particular transport challenges. They are characterised by low population density, limited public transport service provision and high levels of car dependency. This denies people choice, opportunity and creates isolation by excluding those groups who do not have access to a car. These are most often the young, older people, those with disabilities and those in lower income households.

The initiatives that will help address local journey challenges are:

Develop high-quality public transport services on urban corridors, such as Bus Rapid Transit and Light Rail Transit, as appropriate.

- Addresses: Challenge 1 and Challenge 2

Improve air quality on urban corridors by, for example, reducing speed limits, reallocating road space to cleaner transport modes, and/or supporting the uptake of cleaner technology such as electric vehicles.

- Addresses: Challenge 2

Prioritise the needs of pedestrians and cyclists over the private car, making streets safer for pedestrians, cyclists and public transport users to help encourage greater use of these sustainable forms of transport.

- Addresses: Challenge 1 and Challenge 2

Invest (or encourage others to invest) in integrated passenger information systems to provide passengers with dynamic, multi-modal travel information.

- Addresses: Challenge 3 and Challenge 6

Develop integrated transport hubs (bus, rail, park and ride, new mobility and cycle parking), integrated 'smart ticketing', and integrated timetables, where feasible.

- Addresses: Challenge 3

Lobby government to protect and enhance funding for socially necessary bus services in rural areas.

- Addresses: Challenge 4, Challenge 5 and Challenge 6

Lobby government to reduce public transport fares in real terms in the longer term.

- Addresses: Challenge 5 and Challenge 6

Improve the accessibility of transport infrastructure and public transport services in urban and rural areas by investing in accessibility improvements and by ensuring streets and public places are accessible to all.

- Addresses: Challenge 1, Challenge 2 and Challenge 6

Encourage the roll out of integrated ticketing arrangements that enable multi-operator and multimodal journeys and new tickets that provide better value for those working flexible hours.

- Addresses: Challenges 3, Challenge 5 and Challenge 6

Improve the management of the supply and cost of car parking in urban areas to encourage modal shift to more sustainable forms of transport.

- Addresses: Challenge 1 and Challenge 2

Identify the potential for technological developments to transform transport and accessibility in rural areas as part of the development of a Future Mobility Strategy for the South East.

- Addresses Challenge 6

International gateways and freight journeys

Context

4.23 As described in Chapter 2 (paragraphs 2.64 to 2.68), and the “Logistics and Gateway Review” technical report³⁰, the South East is home to many of the most important and busiest international gateways in the UK. These gateways serve both passenger and freight markets. Many of the people who use and who benefit from these gateways live outside the South East and, indeed, outside the UK. These international gateways are therefore critically important for the whole country. Many businesses in the North of England and Midlands depend on these

gateways to access suppliers and customers, while many visitors to London pass through the Channel Tunnel and Gatwick Airport.

4.24 A map showing the key corridors serving international gateways and freight journeys in the South East is provided in Figure 4.4. However, it should be noted that inter-urban and local roads also support the delivery of ‘first mile/last mile’ freight services. These types of freight trips include those driven by strong recent growth in internet shopping, which rely on package deliveries.

4.25 The international gateways in the Transport for the South East area are a focus for employment and commerce. Several large business parks have developed near Heathrow Airport (along the A4/M4 corridor) and Gatwick Airport (in the Gatwick Diamond cluster). The businesses located here see a benefit in being located to high-quality international hubs.

4.26 Most of the busiest international gateways are well connected to the Strategic Road Network and the railway network, although some offer better onward connectivity to the rest of the country than others (e.g. the Port of Southampton is better served by the Strategic Road Network and railway network than Shoreham Port).

4.27 The key corridors that enable road freight to access the South East’s key ports are:

- the A2/M2 corridor from Dover to the East of England, Midlands and North of England via the Dartford Crossing;
- the A20/M20 corridor from Dover and the Channel Tunnel terminal at Cheriton to the East of England and North of England via the Dartford Crossing, or the West of England and Midlands via the M25 and M4/M40; and
- the M3/A34 corridor from Southampton to the Midlands.

4.28 The most important corridors for accessing the South East area's airports are:

- the M4/Great Western Main Line and M25 corridors for Heathrow Airport; and
- the A23/M23/Brighton Main Line corridor for Gatwick Airport.

4.29 The key railway corridor for accessing the Channel Tunnel is served by the country's only high-speed railway – High Speed 1. This corridor could carry more rail freight and is underutilised at present. Currently, most rail freight from Kent is forced to pass through inner London (notably on a busy section of the South London Line between Nunhead and Wandsworth Road, which carries up to two freight trains per hour) to reach the rest of the country. There are also heavy freight flows between Southampton and Reading, with up to 40 freight train paths in each direction, each day³¹. There are a number of constraints on increasing rail freight capacity, including continued growth in the number of local and regional passenger services using off peak capacity, the lack of alternatives to busy orbital routes across and around London, gauging and route clearance constraints and, limited opportunities on the network for freight trains to wait to find compliant train paths.

4.30 The operation of the South East area's international gateways impacts the South East area's surface transport networks and vice versa. For example, delays on the M25 could cause passengers to miss their flights, while delays on cross-channel ferry operations can cause significant tailbacks on the M20/A20 and M2/A2 highways.

4.31 Many of the South East area's international gateways are expected to grow. For example, Heathrow Airport is developing proposals for a third runway to the

north-west of its current site; Gatwick Airport has launched its masterplan and a Development Control Order process to seek permission for expansion; while the Port of Southampton is developing proposals to expand its operations. It will be important to ensure that any future growth at these gateways can be accommodated, by more sustainable modes where possible, and minimising adverse impacts on the communities and environment nearby.

4.32 Any future transport strategy for international gateways and freight must provide enough flexibility to respond to the most plausible future relationship between the United Kingdom and the European Union.

4.33 There are exciting opportunities for improving the efficiency of road freight thanks to emerging technologies such as connected and autonomous vehicles (also known as 'CAVs').

4.34 Technology also offers scope for more efficient logistics models. Better information sharing between steps on the logistics chain has the potential to make freight delivery significantly more efficient. This could help to ensure that there is less congestion on the roads, liberating space for other road users and providing more reliable delivery services. Improvements in service-based freight models have the potential to reduce last mile delivery costs for operators and reduce multi-attempt delivery trips.

4.35 In addition to accessing international gateways, there are important regional freight flows that also depend on the Strategic Road Network.

4.36 Congestion on these roads has a significant impact upon the attractiveness of these international gateways for trade and has an impact upon other road users. Several of the largest international gateways in the South East lie near city centre locations (most notably Southampton and Portsmouth), therefore this

congestion has a significant impact upon the local population. However, heavy goods vehicle movements account for a small percentage of vehicle movements, therefore tackling congestion around international gateways needs to comprise a rounded approach that encompasses all road users.

4.37 The provision of adequate lorry parking and driver welfare facilities are critical to the operation of the freight and logistics sector in the UK. There is currently a shortage of lorry parking both nationally and in the South East. Inappropriate lorry parking causes issues for not only residents with litter, noise, damage to kerbs/verges but also for the drivers, with a lack of adequate facilities causing potential road safety issues, and concerns of personal safety/crime towards drivers and their loads. The lorry parking issue was examined as part of the Freight Logistics and Gateways study that was undertaken as part of the development of the transport strategy [32](#).

4.38 The freight market and international gateways in the South East predominantly serve two distinct markets: containerised freight and roll-on, roll-off shipping. These two markets are served by different components of the transport network. Transport networks need to be adaptable and flexible to the changing make up of freight as these two distinct markets evolve in the future.

Challenges and opportunities

4.39 The key challenges to international gateways and freight relate primarily to accommodating future growth and reducing the impact of freight transport on the environment:

Challenge 1

Heathrow Airport is planning to develop a third runway to the north-west of the current site, which will enable up to three aircraft to take off and/or land

simultaneously. This has the potential to accommodate growth in excess of 35% of air traffic movements in the long term³³. This expansion will enable the doubling of the current cargo volume and 260,000 additional air traffic movements. Additional growth at Heathrow, which currently has a public transport surface access mode share of 40%³⁴, presents significant transport and environmental risks to the South East. Currently there are no rail links from the west or the south to Heathrow Airport. It is critically important that viable public transport alternatives are put in place to enable access to and from Heathrow Airport by other means than the car. These improvements are required regardless of the current expansion plans. If expansion proceeds, these improvements will need to be accompanied by demand management policies (e.g. parking and drop-off charges). **Gatwick and Southampton airports** also have expansion plans. Gatwick has plans for expansion within the existing airport estate by bringing its emergency runway into use. This will bring significant, challenges for both passenger, airport worker and freight flows on corridors serving this airport. Southampton Airport also wants to extend its runway and increase the number of flights. Again, the additional passenger and employee journeys arising from this expansion should principally be mitigated by increasing sustainable transport mode share.

Challenge 2

The roads serving the **Port of Dover and the EuroTunnel terminal** routinely suffer from poor resilience due to port and border operations on both sides of the English Channel, which can cause freight traffic to build up on the M20³⁵. The A2 trunk road east of Canterbury could be further developed to strengthen the resilience of both corridors serving these two important gateways.

Challenge 3

There are opportunities for port expansion at several locations in the South East, including at **Southampton** and (to a lesser extent) at **Dover**. Any expansion will need to be supported by appropriate access to the highway and railway networks.

Challenge 4

The **Dartford Crossing (M25)** currently experiences severe congestion. Highways England is developing the Lower Thames Crossing scheme to relieve congestion on this route. However, this scheme risks diverting traffic from the M20 to the M2/A2 corridor (as the crossing route starts at Strood). This may place additional pressure on the A229 between the M2 and M20.

Challenge 5

Rail freight mode share nationally is relatively low³⁶ and there are constraints limiting the scope of rail freight to expand (for example, on the A34 corridor). In some areas (e.g. Dover) there are constraints in the railway gauge that limit the transport of containers by rail. There are understandable commercial reasons for a preference for road haulage, especially as the nature of logistics is changing (by moving away from bulk deliveries towards smaller 'just-in-time' package deliveries). However, this is holding back the potential for freight to contribute to reducing carbon emissions and improving air quality in the South East.

Challenge 6

Freight is dependent on some of the most congested roads in the South East area. This is particularly the case for the M25 and the A34 corridors.

Challenge 7

There is a **shortage of lorry parking and driver welfare facilities in the South East** inhibiting the efficient operation of the freight sector, causing potential road safety issues, and concerns of personal safety/crime towards drivers and their loads.

Challenge 8

It is much harder to reduce heavy goods vehicle emissions than lighter road vehicles. Battery powered freight vehicles are less developed than smaller electric vehicles. Different traction technologies to the battery may be needed to provide non fossil fuel alternatives for freight vehicles.

Challenge 9

Finally, the **United Kingdom's future relationship with the European Union** also presents potentially significant uncertainty and challenges for the South East area's international gateways. There is a risk of more disruption at the Channel ports in the short term, which could disrupt transport networks across Kent. In the longer run, there could be a shift in freight patterns.

The initiatives that will help address key international gateway and freight journey challenges are:

Improve public transport access to Heathrow Airport through delivering the western rail and southern access schemes, and improvements in public transport access to Gatwick Airport and Southampton Airport.

- Addresses: Challenge 1

Support the use of demand management policies at Heathrow Airport, such as vehicle access charges, to minimise traffic growth arising from expansion at this airport.

- Addresses: Challenge 1

Provide appropriate links and improvements to the highways and railway networks at expanding and/or relocating ports in the South East. This should include improvements to road routes, such as the A34 and A326, and parallel rail routes (serving Southampton) and A2 (serving Dover).

- Addresses: Challenge 2 and Challenge 3

Deliver Lower Thames Crossing and associated improvements on the A229, Junctions 3, 5 and 7 of the M2 and Junction 6 of the M20. Deliver improvements at Junction 9 of the M3.

- Addresses: Challenge 4

Implementing rail freight schemes, such as electrification and gauge enhancements, to increase capacity on strategic routes and encourage modal shift from road to rail.

- Addresses: Challenge 5 and Challenge 6

Improve the efficiency of freight vehicle operations through adoption of new technologies.

- Addresses: Challenge 7

Help international gateways adapt to changes in trade patterns. This may include investing in facilities such as customs checkpoints away from key locations such as Dover.

- Addresses: Challenge 9

Develop a Freight Strategy and Action Plan for the South East to improve the efficiency of freight journeys, and specifically identify potential solutions to the current shortage of lorry parking and driver welfare facilities.

- Addresses: **All Challenges**

Future journeys

Context

4.40 Future journeys encompass any journey type that may be facilitated by an emerging technology. This is an exciting and rapidly developing area of transport that has the potential to deliver significant change to all aspects of mobility. A more detailed exploration of the potential impact of this emerging technology on the South East area is described in the “Future Transport Technology”³⁷ and “Ticketing Options Study”³⁸ technical reports

4.41 This transport strategy sets a vision for the South East in 2050, which is more than thirty years in the future. To understand the degree of change that could be delivered over this period, one only needs to consider what the world looked like thirty years ago in 1990. At this time:

- The Cold War was coming to an end following the fall of the Berlin Wall;
- China had not yet emerged as a superpower; and
- The internet could only be accessed by a tiny portion of the population.

4.42 Transport was also very different thirty years ago. In 1990:

- Railway patronage (by passengers) was approximately half the level it is today;
- The Channel Tunnel was still under construction;

- The low-cost airline industry was yet to emerge; and
- Many of the major roads in the South East had not been built, including parts of the M20 and M25.

4.43 It is therefore difficult to predict which technologies and social trends will influence the future over a thirty-year time horizon. That said, some trends seem more certain than others, and some of these trends will have a greater impact on transport demand than others. In the “Future Transport Technology” Technical Report 39, six themes of trends are identified that have the potential to significantly affect transport demand. These themes are:

- **Demographic trends:** Including a growing, ageing population and urban densification;
- **Social trends:** Including greater acceptance of ‘sharing’, higher expectation of immediacy and customer centricity, and a greater appreciation of experiences over assets;
- **Environmental attitudes:** Greater awareness and concern about climate change, air quality, scarcity of resources, circular economy and interest in greener technologies;
- **Economic changes:** Including the rise of the ‘gig economy’, increased automation, new business models, and on-demand manufacturing; and
- **Political landscape:** Including increased devolution to regions and countries and increasing conflict between globalisation and protectionism.

4.44 The technologies that are arguably most likely to succeed are those that respond best to the challenges and trends outlined above. The “Future transport strategy” categorises these technologies into the four following groups:

- **Connected**, which encompasses the movement of data between people, other people, vehicles, assets and systems;
- **Autonomous**, which includes any technology that replaces ‘mundane’ human tasks with technology;
- **Alternative fuels**, which includes the decarbonisation of energy production, storage and consumption; and
- **Shared**, which describes the sharing of services that traditionally were ‘owned’ by individuals.

4.45 The technologies outlined above are delivered to the public through different business models, which include:

People-based mobility models, such as:

- Ride-sharing, which match private vehicle drivers with potential passengers (sometimes co-workers) making similar regular or one-off trips;
- Ride-sourcing, which match customers with available rides using a smartphone application and enable users to pay on account via pre-approved payment methods, with prices set according to supply and demand; and
- Asset-sharing, which allow customers to access and to share use of different mobility modes without having to own them (e.g. car or bicycle). Assets are generally available at permanent or semi-permanent parking locations and booked, paid for and located via an application.

Service-based mobility models, such as:

- Mobility as a service, which integrates multimodal public and private sector mobility services through digital platforms by incorporating travel information, payments, and reservation systems into a single application;

- Parking platforms, which provide consumers with information and app-based payment functions to reduce the traditional problems associated with finding and paying for parking; and
- Digital as a mode, which uses digital connectivity to reduce/remove the need to travel (e.g. by enabling remote working and remote access to services including health and education).

Freight-based mobility models, such as:

- Digital-based freight models, which offer customers easier access to real-time and price transparent freight services, which helps improve supply chain visibility and asset utilisation; and
- Service-based freight models, which use data and automated technologies to provide customers with a wider selection of flexible last-mile delivery and collection options.

4.46 The impact that these trends have upon transport patterns will be modulated by 'critical uncertainties', which include:

- willingness to share data;
- willingness to adopt new technologies;
- preferences for sharing transport or travelling alone;
- future levels of automation;
- future rates of electrification; and,
- the role of/authority of the private and public sectors.

4.47 These uncertainties are significant and could have a major bearing on future technological development. This makes it difficult to develop a narrow or specific strategy when it comes to future journeys. Therefore, this strategy

identifies broad challenges and opportunities relating to future journeys for further consideration.

Challenges and opportunities

4.48 While Transport for the South East may not be able to control all the levers driving the development of technology in the South East, it can help steer the direction and uptake of these innovations and shape the regulatory framework governing them. It is important to ensure that these new technologies develop in a way that supports this transport strategy (e.g. by contributing to zero-net carbon) rather than undermining any of its objectives (e.g. by encouraging mode-shift from walking/cycling/public transport to shared taxis and potentially contributing to traffic growth). Transport for the South East's overarching objective for future journeys is to ensure they are accessible to all, environmentally acceptable, and do not undermine the efficiency of the transport network.

Some of the key challenges and opportunities for future journeys in the South East include:

Challenge 1

There are gaps in electric and digital infrastructure. The South East's power distribution network needs to have the capacity to accommodate the uptake of electric vehicles. It also needs to provide widespread access to charging points to ensure electric vehicles can be conveniently charged anywhere in the region. While there has been some investment in charging infrastructure in the South East, this has not yet been consistent, meaning there are gaps in accessing them. Similarly, there are gaps in internet connectivity across the region, which could

undermine the development of internet-based services and (in the longer term) connected vehicles.

Challenge 2

There is a risk some parts of the South East may be 'left behind' as some future mobility initiatives may not be accessible to all because of their cost or the technology needed to access them. Many of the service-based mobility models described above have the potential to make the lives of residents around the South East significantly easier, particularly those who have limited mobility, such as ageing members of the population who struggle to access conventional public transport modes. However, these services may not be affordable to all users or economically viable in rural areas, which means that some parts of the South East risk being left behind. There is also a risk that new mobility services may only be accessible through channels that target particular demographics (e.g. younger people with access to smart phones), which may mean other parts of society who cannot easily access these channels will miss out on the benefits these services offer.

Challenge 3

There is a risk that new technology may undermine walking, cycling and public transport modes. There is some evidence from North America that the popularity of service-based mobility models is attracting users away from public transport to private vehicles (albeit taxis rather than privately owned vehicles). If this trend were to emerge in the South East, then this could risk increasing road traffic congestion, thus undermining any economic or environmental benefits that might arise from the uptake of new technologies.

Challenge 4

There is a risk that new technologies may further fragment the delivery of transport services. This has the potential to undermine strategic planning in the South East and make it difficult to find ways of better integrating different transport modes to promote sustainable transport choices. This is particularly pertinent of smart ticketing technologies, which are currently being developed by multiple operators across the South East area.

Challenge 5

There is a risk that the uptake of internet shopping will generate more freight traffic, particularly freight that is not well suited to more sustainable transport modes such as rail.

Challenge 6

Alternative fuel private vehicles won't solve the congestion problem. Although the switch to electric cars may reduce harmful greenhouse gas emissions, it will not reduce traffic levels on the network.

The initiatives that will help address key future journey challenges are:

'Future-proof' the digital and energy infrastructure within the South East by making provision for accelerated future uptake. The South East Energy Strategy that has been produced jointly by the Coast to Capital, Enterprise M3 and South East Local Enterprise Partnerships aims to achieve clean growth from now until 2050 in energy across the power, heat and transport sectors. The Thames Valley Berkshire LEP has produced a similar strategy for their area. 40

- Addresses: Challenge 1

Incorporate ‘mobility as a service’ into the current public transport network (and potentially for private vehicles too), to provide better accessibility for a wider range of the population in both rural and urban areas.

- Addresses: Challenge 2, Challenge 3, Challenge 4 and Challenge 5

Encourage consistency in the ‘smart ticketing’ arrangements across the South East, expanding the use of ‘pay as you go’ and contactless payment.

- Addresses: Challenge 4

Develop a Future Mobility Strategy for the South East to enable Transport for the South East to influence the roll out of future journey initiatives in a way that will meet Transport for the South East’s vision.

- Addresses: All Challenges

Conclusions

In this chapter we have shown how we have applied the principles described in Chapter 3 to the six Journey Types to address the key transport challenges facing the South East area. In the following chapter, we describe how we plan to implement this transport strategy.

5 Implementation

Introduction

5.1 This chapter outlines how the transport strategy will be delivered. It outlines broad priorities for interventions, outlines a high-level schedule for these interventions, describes who will be involved in delivering the transport strategy, how progress will be monitored, governance arrangements, and next steps.

Priorities for interventions

5.2 The previous chapter highlighted examples of schemes, interventions and policies that will support the delivery of this transport strategy. Some of the schemes identified are relatively advanced in their development. Others are at feasibility stage, or earlier, in their development cycle. Five area studies will be undertaken to identify the particular schemes and interventions that will be needed in different parts of the Transport for the South East Area. Further technical work will be undertaken to identify the potential impacts of the Covid-19 pandemic on travel behaviour, employment patterns and the economy in the South East. The outputs from this work will be used to inform the area studies.

5.3 It is acknowledged that the current pipeline of highway and rail schemes being delivered through the Road Investment Strategy and rail investment programmes will address short term capacity and connectivity challenges. However, in the longer term, the focus should shift away from road building ('planning for vehicles') towards investing in public transport services ('planning for people') and, supporting policies such as integrated lands use and transport planning and demand management policies ('planning for places').

5.4 In the course of developing the strategy, a wide range of partners and stakeholders have been asked for their priorities for schemes and interventions across the South East. The interventions have been categorised by importance (high, medium and low) and timeline (short, medium and long term).

5.5 The priorities for interventions and suggested timescales identified by partners and stakeholders are shown in Figure 5.1 and are summarised below:

- **Highway schemes** Changing traffic flow patterns on the road network means there will always be a need for localised improvements to address issues that will continue to arise. New roads, improvements or extension of existing ones should be prioritised in the short term but become a lower priority in the longer term. Highways schemes should target port access, major development opportunities and deprived communities.
- **Railway schemes** are high priority across all timelines – Brighton Main Line upgrades are prioritised for the short term, while improvements to orbital rail links such as the East and West Coastway, Gatwick to Reading, Kent to Gatwick and new Crossrail lines are a longer-term goal.
- **Interchanges** are a high priority across all timelines where these facilitate multi modal journeys and create opportunities for accessible development.
- **Urban transit schemes** (e.g. Bus Rapid Transit and/or Light Rail Transit schemes, where appropriate for the urban areas they serve), are high priority and generally medium to long term.
- **Public transport access to airports** is a high priority and, in the case of Heathrow Airport, must be delivered regardless of whether airport expansion takes place.
- **Road and public transport access to ports** is also high priority and prioritised for delivery in the short term.
- **Technology** and innovation in transport technology – vehicle, fuel and digital technologies – is supported, however the widespread roll-out of some beneficial technologies may only be realised in the medium to long term.
- **Planning policy** interventions are relatively high priority and short term.
- **More significant demand management policy** interventions are a much longer-term goal.

Funding and financing

5.6 Funding sources and financing arrangements are an important consideration in the development of an implementation plan for schemes and interventions identified in the transport strategy. In this context, it should be noted that:

- Funding refers to the capital which pays for the up-front costs of the scheme (i.e. it does not need to be directly repaid); and
- Financing refers to how the capital requirements of the scheme are met from various sources that are repaid over time. Financing is generally required for a project if funding is insufficient to cover the projects total costs during construction.

5.7 A “Funding and Financing Options” technical report has been developed as part of the transport strategy, which explores potential funding mechanisms for schemes and interventions. The approach it sets out has been designed so that it can be tailored to specific infrastructure investment projects.

5.8 Due to the number and scale of schemes and interventions put forward as priorities, it is acknowledged that multiple sources of funding and financing will be required to deliver the transport strategy. A summary of the most common routes to financing infrastructure is provided in Figure 5.2.

5.9 Public finance is likely to remain the key source of funding for highway and railway infrastructure in the near future. Looking further ahead, in order to manage demand and invest in sustainable transport alternatives, new funding models will need to be pursued in future in order to secure finance to implement schemes. This could include funding models, such as hypothecated road user charging schemes, as a means of both managing demand in a ‘pay as you go’

model or as part of a 'mobility as a service' package, as well as providing much needed funding for investing in sustainable transport alternatives. Transport for the South East will continue to identify and secure additional sources of funding to help deliver the transport strategy.

Monitoring and evaluation

5.10 A mechanism for monitoring and evaluating the progress of the transport strategy will be established. This will include monitoring the delivery of the priorities summarised in paragraph 5.5. It will also include tracking outcome orientated key performance indicators, which are described below. In addition, any interventions arising from the transport strategy would need to demonstrate compliance with environmental legislation. Development that would be likely to have a significant effect on a European Natura 2000 sites (designated for nature conservation)¹ will be subject to assessment under habitats regulations at project application stage.

5.11 Transport for the South East will use a set of key performance indicators to monitor how well the strategy is progressing. These key performance indicators will consist of a range of measures that will be used to assess the extent to which the strategic priorities, outlined in Chapter 3 (paragraph 3.14), are being achieved. The key performance indicators that are going to be used to monitor the performance are listed in Table 5.1 below.

Transport for the South East's role

Powers and functions

5.12 Transport for the South East proposes to become a statutory sub-national transport body, as described in Part 5A of the Local Transport Act 2008 (as amended). Transport for the South East proposes to have the 'general functions' of a sub-national transport body as set out in Section 102H (1) of this legislation.

The general functions are:

- to prepare a transport strategy for the South East;
- to provide advice to the Secretary of State about the exercise of transport functions in relation to the South East (whether exercisable by the Secretary of State or others);
- to co-ordinate the carrying out of transport functions in relation to the South East that are exercisable by different constituent authorities, with a view to improving the effectiveness and efficiency in the carrying out of those functions;
- if the sub-national transport body considers that a transport function in relation to the area would more effectively and efficiently be carried out by the sub-national transport body, to make proposals to the Secretary of State for the transfer of that function to the sub-national transport body; and
- to make other proposals to the Secretary of State about the role and functions of the sub-national transport body.

5.13 Under current legislation relating to sub-national transport bodies sets out that the Secretary of State will remain the final decision-maker on national transport strategies. However, the Secretary of State must have regard to a sub-national transport body's statutory transport strategy. This demonstrates the

need for the strong, ongoing relationship between Transport for the South East and government on developing schemes and interventions.

5.14 The consultation on the draft Proposal to Government ran from 7 May to 31 July 2019. This process was concurrent with the development of the draft transport strategy. The draft proposal identifies powers required in order to successfully deliver the transport strategy. These powers include:

- **General functions:** The powers to prepare a transport strategy, advise the Secretary of State, co-ordinate the carrying out of transport functions, make proposals for the transfer of functions, make other proposals about the role and functions of the sub-national transport body;
- **Railways:** The right to be consulted about new rail franchises and to set High Level Output Specification for the railway network in the South East;
- **Highways:** The powers to set a Road Investment Strategy for the Strategic Road Network in the South East, to enter into agreements to undertake certain works on roads in the South East, to acquire land to enable the delivery of schemes, and to construct highways, footpaths, bridleways;
- **Capital grants for public transport facilities:** The powers to make capital grants for the provision of public transport facilities;
- **Bus service provision:** The power to secure the provision of bus services through Quality Bus Partnerships;
- **Smart ticketing:** The powers to introduce integrated ticketing schemes;
- **Establish Clean Air Zones:** The powers to establish Clean Air Zones;
- **Other powers:** The right to promote or oppose Bills in Parliament; and
- The powers which are additional to the general functions relating to sub-national transport bodies will be requested in a way that means they will operate concurrently and with the consent of the constituent authorities.

5.15 Transport for the South East does not propose seeking the following functions or powers (some of these are subject to any changes recommended in the forthcoming devolution White Paper and governance of the rail network recommended by the Williams Rail Review):

- set priorities for local authorities for roads that are not part of the Major Road Network;
- be responsible for any highway maintenance responsibilities;
- carry passengers by rail;
- take on any consultation function instead of an existing local authority;
- give directions to a constituent authority about the exercise of transport functions by the authority in their area;
- act as co-signatories to rail franchises; or
- be responsible for rail franchising.

5.16 The Williams Rail Review may recommend significant changes to the structure of the rail industry which could affect the role of sub-national transport bodies in the planning and delivery of rail infrastructure and service specifications. Transport for the South East will review the White Paper due for publication in summer 2020 and assess its potential future role in the railway industry in due course.

5.17 Transport for the South East is intending to submit the Proposal to Government in autumn 2020, following approval of the transport strategy by the Shadow Partnership Board.

Governance

5.18 Transport for the South East has put in place governance arrangements that will enable the development, oversight, and delivery of the transport strategy. It is envisaged that this governance framework will be further formalised when Transport for the South East becomes a statutory sub-national transport body. The governance arrangements are summarised as follows:

- Transport for the South East is governed by a **Shadow Partnership Board**. The Shadow Partnership Board is formed of elected members from each constituent member authority, with the six Berkshire unitary authorities being represented by one elected member through the Berkshire Local Transport Body. This body elects a chair and vice chair from the constituent members. It currently meets four times a year. Transport for the South East's regulations provide for the appointment of persons who are not elected members of the constituent authorities but provide highly relevant expertise to be co-opted members of the Partnership Board. Currently a representative from two of the five local enterprise partnerships in the geography, two representatives from the boroughs and districts, a representative from the protected landscapes in the geography, the chair of the Transport Forum and representatives from Network Rail, Highways England and Transport for London have been co-opted onto the board.
- The Partnership Board works by consensus but has an agreed approach to voting where consensus cannot be reached and for certain specific decisions.
- The Partnership Board has appointed a Transport Forum to act as an advisory body to the Senior Officer Group and Partnership Board. This forum comprises a wider group of representatives from user groups, transport operators, borough and district councils and business groups. The Transport

Forum meets quarterly and is chaired by an independent person appointed by the Partnership Board.

- The Partnership Board and Transport Forum are complemented by a Senior Officer Group, which provides expertise and co-ordination to Transport for the South East's activities and the Shadow Partnership Board (including the development of the transport strategy). The Senior Officer Group meets monthly.

Next steps

Future programme of studies

5.19 Further studies will be undertaken to identify the measures that will be needed to implement this transport strategy and achieve its vision. Five area studies will identify the specific schemes and policy initiatives that will be required in different parts of the Transport for the South East area. These studies will include an assessment of the potential impact of these measures in reducing carbon emissions. Figure 5.3 shows the area that will be covered by three radial area studies and Figure 5.4 shows the extent of two orbital area studies. In addition, two thematic studies will be undertaken to identify the specific role of these two areas in achieving the vision: one on freight and international gateways, and a second on future mobility. The outputs from these area and thematic studies will be fed into a Strategic Investment Plan setting out our short, medium, and longer-term scheme priorities.

5.20 A diagram showing a revised route map for our technical programme, including the timing and phasing of the area studies and thematic studies and Strategic Investment Plan outlined above, is provided in Figure 5.5.

Conclusions

In this chapter, we have set out how this transport strategy will be delivered, including: the broad priorities for interventions; possible funding sources and financing arrangements; how it will be monitored; our governance arrangements moving forward; and the next steps.

Overall in this transport strategy, we have set out a clear, ambitious vision for the South East area as a leading global region for net-zero carbon, sustainable economic growth. We are committed to turning this vision into a reality, working with our partners to deliver a better connected, more sustainable South East which will benefit of everybody who lives in, works in, and visits our area.

COUNCIL MEETING, 16 JULY 2020

REPORT OF THE
HAMPSHIRE FIRE and RESCUE AUTHORITY
PART II

1. CHAIRMAN'S REPORT

- 1.1. At its meeting of the 19 February 2020, the Hampshire Fire and Rescue Authority (HFRA) approved the 2019/20 revised budget and the 2020/21 forward budget. It also approved the Risk Management Policy, which sets out how the Fire and Rescue Service in Hampshire and Isle of Wight will approach risk management. Further to this, Members approved the Hampshire and Isle of Wight Safety Plan 2020-2025, which incorporates the Integrated Risk Management Plan requirement and the annual Service Plan into a single document. Both Hampshire and Isle of Wight Services are set to be formally joined under a CFA in April 2021, therefore the agreed approach was deemed the most effective in ensuring an aligned strategic direction going forward.
- 1.2. At its meeting of 3 June 2020, the Hampshire Fire and Rescue Authority (HFRA) approved proposals to implement a Sponsorship and Charity Engagement Policy. HFRS actively engage in charity and sponsorship activities which bring benefit to communities, staff or the organisation as a whole. However, there was previously no clear policy position or procedures in relation to these activities. To comply with the Authority's financial regulations, control mechanisms were essential to avoid any suggestion of malpractice or financial mismanagement and it was agreed that having a policy in place was in the best interest of the Service and those seeking partnership.
- 1.3. Members also approved the Year End Performance report for April 2019-2020 as well as the formal closure of the five-year Service Plan. A new Organisational Risk Register was also approved, which included the integration of external risks and internal risks through the Hampshire and Isle of Wight Fire and Rescue Service Safety Plan. This would be closely managed by the Standards & Governance Committee going forward.
- 1.4. At the same meeting, the Authority looked at the Annual Statement of Equality and were pleased to learn that following a recruitment process earlier in the year, 8% of on-call Firefighters had been women. This followed 21% of successful firefighter candidates in 2019 being women, the highest proportion achieved by the Service.

Further details can be found at the following links:

[HFRA – 19 February 2020 Papers](#)

[HFRA - 3 June 2020 Papers](#)

COUNCILLOR CHRIS CARTER
Chairman of Hampshire Fire and Rescue Authority

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COUNCIL MEETING, 16 JULY 2020

REPORT OF THE
HAMPSHIRE & ISLE OF WIGHT
FIRE and RESCUE AUTHORITY (SHADOW AUTHORITY)
PART II

1. CHAIRMAN'S REPORT

- 1.1. On 3 June 2020, the Hampshire and Isle of Wight Fire and Rescue Authority (HIWFRA) met for the first time as a Shadow Authority. The Shadow Authority will exist until April 2021, whereby the new Combination Scheme will come into force.
- 1.2. This first meeting focused on the Constitutional and Governance arrangements for the Shadow Authority, confirming those that are implemented immediately and also those that will apply once the Combined Fire Authority is fully operational in 2021.
- 1.3. This successful meeting commenced a year of instituting the Shadow Authority and the next meeting is due to take place on the 22 July 2020.
- 1.4. Further details can be found at the following link:

[HIWFRA Shadow Authority – 3 June 2020 Papers](#)

COUNCILLOR CHRIS CARTER
Chairman of Hampshire & Isle of Wight Fire and Rescue Authority
(Shadow Authority)

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COUNCIL MEETING, 16 JULY 2020

ANNUAL REPORT OF THE
Policy and Resources Select Committee
PART II

1. SUMMARY

- 1.1 This report provides an annual update on the work of the following Hampshire County Council Select Committees from April 2019 to March 2020: Children & Young People Select Committee, Culture & Communities Select Committee, Economy Transport & Environment Select Committee and Policy & Resources Select Committee. The work of the Health and Adult Social Care Select Committee is reported elsewhere on this agenda.

2. CHILDREN AND YOUNG PEOPLE SELECT COMMITTEE

- 2.1. **Chairman for this period:** Councillor Kirsty North

- 2.2. **Statutory Duties Undertaken:** None this period.

- 2.3. **Pre-scrutiny of Significant Executive Decisions:**

Transformation to 2021 – Revenue Savings Proposals

The Select Committee considered the savings proposals for Children's Services, developed as part of the Transformation to 2021 programme at its 18 September 2019 meeting. The Committee supported the recommendations to the Executive Lead Member for Children's Services and Young People.

- 2.4. **Call-in of Significant Executive Decisions:** None in this period

- 2.5. **Outcomes being monitored:**

Reshaping Short Break Activities

The Select Committee monitored progress made in implementing changes to the Short Break Activities Programme at its 10 January 2020 meeting, following on from pre-scrutiny of this decision on 12 July 2018 and a previous update on the 7 January 2019.

- 2.6. **Referrals:** None in this period

- 2.7. **Scrutiny of Budgets and Performance:**

Revenue Budget for Children's Services 2020/21

The revenue budget proposals for Children's Services for 2020/21 was pre-scrutinised by the Select Committee at its 10 January 2020 meeting. The Select Committee resolved to support the recommendations being proposed to the Executive Lead Member for Children's Services and Young People.

Capital Programme for Children's Services 2020/21 – 2022/23

The proposed capital programme for Children's Services for 2020/21 – 2022/23, and the revised capital programme for 2019/20 was pre-scrutinised by the Select Committee at its 10 January 2020 meeting. The Select Committee resolved to support the recommendations being proposed to the Executive Lead Member for Children's Services and Young People.

2.8. **Policy Review:** None this period

2.9. **Questioning and exploring areas of interest and concern:**

The Select Committee received items on the following issues:

- Annual Safeguarding Report for Children's Services 2018-19
- Attainment of Children and Young People in Hampshire Schools 2019
- Autism Assessment Services for Children and Young People
- Child and Adolescent Mental Health Services (CAMHS)
- Child Exploitation
- Children in Care and Corporate Parenting
- Elective Home Education
- New Ofsted Education Inspection Framework
- Special Educational Needs and Disabilities

2.10. **Upcoming topics:**

The following topics feature on the Select Committee's Work Programme:

- Annual Safeguarding Report for Children's Services
- Autism Assessment Services for Children and Young People – Further Update as requested by the Committee
- Child and Adolescent Mental Health Services (CAMHS) – Further Update as requested by the Committee
- Covid-19 Update – Impact on Children's Services and Education
- Early Years Childcare and Childcare Sufficiency
- Ethnic Minority and Traveller Achievement Service
- Fostering Overview
- Post 16 Transport Policy Statement
- Special Educational Needs and Disabilities – Further Update as requested by the Committee
- Youth Offending Service

3. CULTURE AND COMMUNITIES SELECT COMMITTEE

3.1. **Chairman for this period:** Councillor Anna McNair Scott

3.2. **Reviews undertaken / outcomes being monitored:**

Library Strategy to 2025 Task and Finish Group

In September 2018, the Select Committee resolved to set up a task and finish group to develop the Library Strategy to 2025. A cross party group of members was established, and the first meeting was held in November 2018. The work of the task and finish group has been ongoing throughout the 2019/20 period with regular meetings being held at library branches throughout the county.

3.3. **Statutory Duties Undertaken:** Not applicable to this committee

3.4. **Pre-scrutiny of Significant Executive Decisions:**

Transformation to 2021 – Revenue Savings Proposals

In September 2019, the Select Committee considered the proposed changes to cultural and community services as part of the Transformation to 2021 programme. The Committee supported the recommendations to the Executive Member for Recreation and Heritage and the Executive Member for Countryside and Rural Affairs.

3.5. **Call-in of Significant Executive Decisions:** None in this period

3.6. **Referrals:** None in this period

3.7. **Scrutiny of Budgets and Performance:**

2020/21 Revenue Budget proposals

At the January 2020 meeting, the Select Committee pre-scrutinised the 2020/21 budget proposals for Recreation and Heritage services and for Countryside and Rural Affairs services. Following debate, the Select Committee supported the proposals to the Executive Member for Recreation and Heritage and the Executive Member for Countryside and Rural Affairs.

3.8. **Policy Review:** None in this period

3.9. **Questioning and exploring areas of interest and concern:** The Committee received items on the following issues:

- CCBS Sponsorship and Partnerships

3.10. **Upcoming topics:** The following topics feature on the Select Committee's Work Programme:

- Energise Me Update
- Revenue budgets 2021/22
- Transforming the Council's Country Parks

4. ECONOMY TRANSPORT AND ENVIRONMENT SELECT COMMITTEE

4.1. **Chairman for this period:** Councillor Russell Oppenheimer

4.2. **Reviews undertaken / outcomes being monitored:**

Road Safety (April 2019)

The Select Committee received an update on road safety. Strategic mapping was being done to help focus on areas of most concern and those in need of funding for improvements and driving courses were being provided to high risk groups such as the over 60's and young drivers. This topic would continue to be monitored going forwards and a further update would return to the Select Committee in 2020/21.

Cycling Strategy (September 2019)

The Select Committee received a report providing an update on the progress of the Hampshire County Council Cycling Strategy adopted in September 2015. The County Council was working on local strategies that would sit alongside the overall cycling strategy and these would be revisited in 2020/21.

4.3. **Questioning and exploring areas of interest and concern:**

The Committee received items on the following issues:

- Air Quality (April 2019 and January 2020) - The Select Committee received an update on the department's work to improve air quality. It was anticipated that the Transforming Cities Fund would help towards more sustainable public transport as well as walking and cycling routes.
- Fly tipping (June 2019) - The Select Committee received an update on tackling fly tipping following a strategy being agreed in 2017 and an update in 2018. The Committee noted the solid progress and gave its strong support to this work programme.
- Strategic Transport Update (June 2019) - The Select Committee received an update on transport and were updated on major schemes and how they were planned and implemented. Officers were thanked for their hard work in maintaining Hampshire's high profile in highways work.
- Recycled Products Market (January 2020) - The Select Committee received a presentation on recycled products and the process involved. More work would be done on recycling once central government had confirmed the direction forward and how waste management would be done long-term.

4.4. **Pre-scrutiny of Significant Executive Decisions:**

- Government Waste Strategy Consultation Responses (April 2019) – The Select Committee received a report, which set out proposed responses to the government consultation on waste. Following debate, the Select Committee supported the recommendations being made to the Executive Member.
- Hampshire County Council Response to Government Consultation on the Draft Flood and Coastal Erosion Risk Management Strategy for England

(June 2019) - The Select Committee received a report and supporting presentation regarding the consultation and learned the amount of investment that the County Council had already made to date across the more susceptible areas of the County. Following debate, the Select Committee supported the recommendations being made to the Executive Member.

4.5. **Call-in of Significant Executive Decisions:** None in this period

4.6. **Scrutiny of Budgets and Performance:**

Transformation to 2021 – Revenue Savings Proposals

At the September 2019 meeting the Select Committee pre-scrutinised the proposed savings for Economy, Transport and Environment budget that have been developed as part of the Transformation to 2021 (T21) programme. Following debate, the Select Committee supported the proposals to the Executive Member for Economy, Transport and Environment.

ETE Proposed Capital Programme 2020/21, 2021/22 and 2022/23

At the January 2020 meeting the Select Committee pre-scrutinised the 2020/21 budget proposals for the Economy, Transport and Environment Department. Following the debate, the Select Committee supported the proposals to the Executive Member for Economy, Transport and Environment.

2020/21 Revenue Budget Report for Economy, Transport and Environment

At the January 2020 meeting the Select Committee pre-scrutinised 2020/21 budget proposals for the Economy, Transport and Environment Department. Following the debate, the Select Committee supported the proposals to the Executive Member for Economy, Transport and Environment.

4.7. **Policy Review:**

Climate Change Action Plan (September 2019)

The Select Committee received an update on progress with the Action Plan. Members learned about collaborative working going on with partner organisations and the various areas under review. The Select Committee would receive a further update in 2020/21.

4.8. **Upcoming topics:** The following topics feature on the Select Committee's Work Programme:

- Verge management
- The Hampshire economy and Covid-19 recovery
- Street Light Safety
- Further updates on Fly-tipping, the Climate Change Action Plan and the Flood Defence and Mitigation strategy

5. POLICY AND RESOURCES SELECT COMMITTEE

5.1. **Chairman for this period:** Councillor Jonathan Glen

5.2. Statutory Duties Undertaken:

Crime and Disorder

This Select Committee has the remit to cover the statutory duty to scrutinise Crime and Disorder issues as per the Police and Justice Act 2006 (However, this does not cover the Police and Crime Commissioner, who is held to account by the Police and Crime Panel). In November 2019, the Select Committee received a presentation on reducing serious violence and the county-wide collaborative arrangements responding to this priority including the creation of the Serious Violence Reduction Unit (VRU).

5.3. Pre-scrutiny of Significant Executive Decisions:

Transformation to 2021 – Revenue Savings Proposals

In September 2019, the Select Committee considered the proposed changes to policy and resources budget as part of the Transformation to 2021 programme. The Committee supported the recommendations to the Executive Member for Policy and Resources.

5.4. **Call-in of Significant Executive Decisions:** None this period

5.5. **Referrals:** None this period

5.6. Scrutiny of Budgets and Performance:

End of Year Financial Report

In June 2019, the Select Committee considered the 2018/19 End of Year Financial Report

Serving Hampshire – 2018/19 Performance Report

In June 2019, the Select Committee considered the 'Serving Hampshire' 2018/19 Annual Corporate Performance Report.

Revenue Budget for Policy and Resources for 2019/20 and the Proposed Capital Programme for Policy and Resources for 2019/20 to 2021/22

At the January 2020 meeting the Select Committee pre-scrutinised the proposed revenue budget for policy and resources for 2020/21 and the proposed capital programme for policy and resources for 2020/21 to 2022/23. Following debate, the proposals were supported to the Executive Member for Policy and Resources.

5.7. Questioning and exploring areas of interest and concern:

- Hampshire 2050 Commission: Next Steps – June 2019
- Broadband update – September 2019

- Update on IT developments - January 2020
- Update on Climate Change – March 2020
- New approach for improving customer contact – March 2020

5.8. **Management of the Scrutiny Function/Oversight of Other Scrutiny Committees:** The Policy & Resources Select Committee has a remit to manage the work taking place across the scrutiny function. This year this was achieved through receiving a summary of activity taking place through the other Select Committees at each meeting.

5.9. **Upcoming topics:** The following topics feature on the Select Committee's Work Programme:

- Annual IT Update
- Annual Crime and Disorder Strategy
- Serving Hampshire Performance report

6. CONCLUSION

6.1 Since the period to which this report relates, membership of the Select Committees has changed. Tribute is paid to all Members who played such an important scrutiny role through the Select Committees over the 2019/20 year.

COUNCILLOR JONATHAN GLEN
Chairman, Policy and Resources Select Committee

COUNCIL MEETING, 16 JULY 2019

REPORT OF THE
Health and Adult Social Care Select Committee
PART II

1. SUMMARY AND LEGISLATIVE CONTEXT

- 1.1. This report provides an update on the work of Hampshire County Council's Health and Adult Social Care Select Committee from April 2019 to March 2020.
- 1.2. For 2019-20, the Health and Adult Social Care Select Committee held the Local Government statutory responsibility for health scrutiny powers. These powers are intended to ensure that decisions about health services are taken with due regard to the people affected. The legislative framework within which the Committee functioned in this year allowed Members to consider any aspect of health that affects the population of Hampshire. It also placed very specific duties on the NHS with regard to consultation, information and responses to any recommendations made by the Committee.
- 1.3. The Committee was a statutory consultee on any potential substantial change being considered by the NHS, and had the power to refer contested decisions about health services to the Secretary of State for Health or to Monitor for Foundation Trusts.
- 1.4. In accordance with the Constitution of Hampshire County Council, the Health and Adult Social Care Select Committee also focuses on how the County Council is contributing to delivering the Wellbeing agenda for adults' social care; promoting independence and quality of life for older people; healthy and safe families; Public Health; the integration of Health and Care services and relevant financial management.

2. WORK OF THE COMMITTEE

- 2.1 The annual report of the Health and Adult Social Care Select Committee is appended to this report.

COUNCILLOR ROGER HUXSTEP

Chairman, Health and Adult Social Care Select Committee

Scrutiny Annual Report: April 2019 to March 2020

Select Committee: Health and Adult Social Care

Report of Chairman: Councillor Roger Huxstep

1. In-depth or Light Touch Reviews undertaken / outcomes being monitored:

a) Social Inclusion Update:

Members received an update in January 2020 on Social Inclusion following the £2.4 million investment made in December 2018 in partnership with district and borough councils which have the statutory responsibility for these services. The HASC Task and Finish Working Group had worked on this item in the past. This service provides supported housing and community aid for those who are homeless or at risk of becoming homeless. The goal is to support people with the most complex needs and minimise the impact of funding challenges while ensuring that services dovetail with the work being done under the Homelessness Reduction Act. Members viewed progress as a success story with good outcomes of enthusiasm, collaboration and support at the district level and commended the whole Hampshire approach.

b) HIOW Long Term Plan and HIOW Sustainability and Transformation Partnership (STP) Working Group:

In April 2019, Members received a verbal update on the work of the Working Group the HASC had established in 2018 to scrutinise work taking place under the Sustainability and Transformation Partnerships covering the Hampshire population (Hampshire and Isle of Wight STP and the Frimley STP). In October 2019, an update was received on the process and progress in developing an NHS Long Term Strategic Delivery Plan for Hampshire and the Isle of Wight, alongside a report from the HIOW STP Task and Finish Working Group. Members noted the priority areas identified by the HIOW Long Term Plan and the new service model which is currently in development. Detailed papers and appendices were shared following the November 2019 submission and the HASC will continue to monitor progress made in 2020.

c) Covid-19

Members received an update in March 2020 about COVID-19 being contained in Hampshire and the UK. Hand hygiene, where handwashing is more effective than using an alcohol-based gel and using disposable tissues and throwing them away, remains the main advice. Public Health was working closely with partners in emergency planning and critical authorities on the dynamic situation in Hampshire and the Isle of Wight. It is anticipated that the fallout from the COVID-19 pandemic will give rise to further work to be undertaken by the HASC.

2. Statutory Duties Undertaken (actions, monitoring and information on proposals to develop or vary services) have included:

a) Portsmouth Hospitals Trust and University Hospital Southampton: Spinal Surgery Service Implementation Update

At its May 2019 meeting, the Committee heard from Portsmouth Hospitals Trust regarding the transfer of the Elective Spinal Service from Portsmouth Hospitals NHS Trust to University Hospital Southampton NHS Foundation Trust on 31 October 2018. No specific patient feedback or concerns had been noted but Members drew attention to the difficult nature of recovery from surgery. Members received an update from University Hospital Southampton at the November 2019 meeting on the work in progress. To take on this service in its entirety from Portsmouth, other services were moved to be absorbed into this service fully. Only those needing surgery proceeded to Southampton and this has been a successful pathway. Members noted the developments on the implemented service transfer and requested updates on staffing challenges and wait times. A further update was received from University Hospital Southampton in March 2020 regarding an additional operating theatre, regular performance audits, benefits of having a centre of excellence, and hiring new surgeons. The HASC is continuing to monitor the re-provision of these services in 2020.

b) Southern Health NHS Foundation Trust: Planned Changes to West Hampshire Learning Disability Service

In May 2019, Members heard that due to enduring logistical challenges, a change in base for the staff would make possible a more efficient and effective range of services for users. Users and carers had been engaged and the change had been positively received. The new location would be easily accessible with better technological connectivity allowing for better and more effective use of time. The HASC noted the update of the change in service base and determined it was not a substantial change, and would continue to monitor the item in 2020.

c) Fareham and Gosport and South Eastern Hampshire CCGs and Southern Hampshire Primary Care Alliance: Integrated Primary Care Access Service

In May 2019, Members heard, regarding integrated care and the changes introduced and proposed next steps. Previously, a complex range of services were offered that resulted in duplication and competition, as well as difficulties in staffing that led to cancelled appointments. Multiple sites were running with operational challenges and some services were also used more than others at various times. New integrated primary care access services would combine GP extended access service for out-of-hours, home visits, and urgent appointments. Areas of difficulty and access would continue to be monitored and addressed. A further update was provided in January 2020 after seven months of running services had highlighted stresses and operational

delivery issues. Geographical challenges, inadequate GP recruitment, and service challenges if GPs were absent had been significant hurdles leading to system pressures and challenges, reliability of service provision, and missed appointments alongside expected winter pressures. Consistent direction from 111 and A&E providing up to date information about hub locations and appointment availability was key. The Committee noted the update as well as current challenges and resolutions. The HASC will continue to monitor this item in 2020.

d) Proposed Changes to the Mental Health Crisis Teams Across Solent NHS and Southern Health for Portsmouth and South East Hampshire

In May 2019, Members received a briefing on the change in approach to improving the delivery of mental health services by bringing together two NHS mental health trusts in partnership. The crisis element of mental health provisions is a priority and the crisis resolution team in Solent and acute mental health services at Southern Health would form a single provision across the south east and Solent for timely service for crisis assessments and enhanced alternatives. Members noted their appreciation of the importance of robust strong community mental health teams, especially with limited resources for care in the community. The committee was broadly supportive of the proposal and believed it would help some in crisis mode, but that it was vital to concentrate on the bigger picture and understand why people are getting into these situations in the first place and to obtain more resources for these critical underfunded services. However, the HASC was informed in January 2020 that the Solent crisis team had faced significant staffing pressures and identified service improvement activities needing attention. After careful consideration and in consultation with Portsmouth CCG, they had decided to pause involvement in the PSEH Crisis Team development for the next 9 to 12 months and concentrate on resolving local challenges. The HASC will continue to monitor this item in 2020.

e) Southern Health NHS Foundation Trust: Out-of-Area Beds and Divisional Bed Management System

In September 2019, Members received an overview of one of Southern Health's most significant organizational challenges - managing out-of-area beds. Managing demand of inpatient services within capacity has led to moving patients out of county and into private care. Having a variety of inpatient facilities and in keeping with the reorganization, there are 4 divisions that are managed together. More local ownership and a new approach has led to fewer patients in out-of-area beds, and more capacity is being created to address demand. While currently in the early stages of proposals and commissioning beds, purchasing additional beds will eventually be no longer necessary. Members noted the update, current challenges, and resolutions. The HASC resolved that the proposed changes are in the interest of the service users affected. A further update was provided in January 2020, confirming that Out-of-Area patients placed

outside Hampshire had been decreasing. Though there remained a dependence on Out-of-Area beds (currently with a 17-bed block contract) at significant cost, it has proved to be better for care and a preferable alternative to purchasing beds piecemeal from various providers. Private bed provisions will no longer be purchased by the end of the financial year. Members noted that this is a positive direction for patients and loved ones, but cost, growing provisions, and accurate forecasts remain a challenge in service provision. The HASC will continue to monitor this item in 2020.

f) NHS North Hampshire CCG: Beggarwood and Rooksdown Surgeries Update

In September 2019, Members received an update on the Beggarwood and Rooksdown Surgeries with approximately thirteen and a half thousand patients affected across the two sites, when Cedar Medical's contract came to an end. Concerns were escalated by patients and the CQC due to deteriorating outcomes with commissioners intervening and the contract withdrawn. Rooksdown was taken on by another GP practice and absorbed as another branch. Beggarwood was taken on by North Hampshire Urgent Care for 2 years and the practice continues to be supported by the CCG. The Committee noted the update as well as any challenges and resolutions. The HASC will continue to monitor this item in 2020.

g) Hampshire Hospitals NHS Foundation Trust and West Hampshire CCG: Orthopaedic Trauma Modernization Pilot

In September 2019, Members received an overview of the Orthopaedic Trauma Modernization Project as wait times for orthopaedic surgery had been an issue without a straightforward solution. There is significant evidence that immediate surgery is crucial for emergency situations and this can be done rapidly in Basingstoke while all elective work would be at the Winchester site. The aim is better results and safer, timely care with lower mortality rates and less complications. Approximately 93 percent of patients would be unaffected by these changes and 3-4 people per day would benefit from them. Members noted that this was a positive prospect for creating centres of excellence and that it would be in the interest of the service providers.

The HASC requested a further detailed engagement update and in March 2020 the Trust confirmed that the pilot was 12 weeks into the changes and reported on progress to date from the 2 December reconfiguration to date. There had been changes to processes and pathways to cope with additional demand and capacity, but models had been successful in predicting bed capacity. Patients can now be treated quickly with access to the right surgeon for the correct timely treatment with better outcomes. The Trust were considering patient outcomes, times, and quality of care, collating data for the test period to review with partners. The HASC will continue to monitor this item in 2020.

3. Responses to Health Inquiries received have included:

3.1. Care Quality Commission (CQC) Inspection Outcome and Monitoring

a) Portsmouth Hospitals NHS Trust

In April 2019, as part of their ongoing monitoring of progress against the Quality Improvement Plan, the Committee received an update on action taken by the Trust in response to the areas the Care Quality Commission had identified as requiring improvement, following their inspection of the Trust's services in 2018. Members heard the Trust had been implementing a detailed quality recovery plan in response to the inspection findings. A re-inspection against a section 29A notice was expected, and three section 31 notices had been removed. The Trust's view was that some improvements had been made, but in some areas there was still more to do. Members noted the CQC findings as well as the Trust's response to the findings.

In May 2019, the Trust provided an update following the CQC focused inspection of the Emergency Department in February 2019. There had been increased efforts with commitment, transparency, and collaboration. Whilst there were distressing "Must Do" items in the report, plans had been put into place to tackle specific issues building on the framework already in place. A further update was provided in July 2019 regarding the integrated joined-up improvement plan as well as actions taken to reduce ambulance delays with local health and social care partners (including the county) as well as collaboration with NHS England and NHS Improvement. In March 2020, Members heard that the Trust had received an improved overall rating of "Good" and that resolving must-do issues on a timely basis has been a Trust priority and further work continues. Members commended the improved rating, appreciated responsiveness to resident concerns and noted the excellent work being done even under great pressure. The HASC is continuing to monitor this item in 2020.

b) Local System Review of the Hampshire Health and Care System

In April 2019, Members received an update of the CQC Local System Review of Hampshire which had reviewed how health and care services worked together to support care for people aged 65 and over across the county. Members heard, regarding progress with the actions in the action plan developed following the CQC Local System Review undertaken in 2018. Following concerted efforts by the County Council and system partners over the past year, in December 2018 there had been a 75% reduction in Delayed Transfers of Care. The Health and Wellbeing Board was responsible for overseeing the Local System Review Action Plan and had recently refreshed the Joint Health and Wellbeing Strategy for Hampshire. It was noted that the HASC had a remit to scrutinise the Health and Wellbeing Board, and this could be reflected in future work programme items. The HASC commended the progress made and continued to monitor the Action Plan progress with a further update in October 2019. The action plan was signed off by the Health and Wellbeing Board and

responses submitted to the CQC and DHSC (Department of Health and Social Care) and then closed but progress continues with bigger pieces of work. Members noted this final report on the Care Quality Commission's Local System Review and its Action Plan that was jointly developed by Hampshire's health and care system leaders to respond to the Review's findings and endorsed in writing to the CQC and DHSC the outcome and achievements from the action plan.

c) Southern Health NHS Foundation Trust

In April 2019, Members received an update on action taken by the Trust in response to the areas the Care Quality Commission had identified as requiring improvement, following their inspection of the Trust's services in 2018. Members noted the findings of the inspection and the approach of the Trust in response to these. Members requested that the Trust provide a further update to a future meeting and provide a written paper in advance, so they have a chance to review the detail. At a further update in July 2019, Members heard that the delivery of the action plan was now part of the governance and operational procedure for greater traction and improvements. Members noted that progress was being made but further work remains to be done.

In January 2020, Members heard there had been a delay in publication due to internal CQC issues and it was expected later in January. The action plan noted that most actions were complete, and the remaining items would be rolled over into the new plan based on the latest report. Two deputations were received regarding this item in March 2020 and Members heard an update regarding Southern Health's October 2019 CQC inspection and the four core services reviewed received an improved rating of "Good". The most recent report reflected positive changes, but the Trust's goal was not to be complacent and it recognized that a lot more work remained to be done. Workstreams are being led by Trust leadership and clinicians with an equality improvement plan in place. Listening to feedback from service users, patients, and families and with their support, improvements can be made alongside the efforts of compassionate and passionate staff for better services. The HASC is continuing to monitor this item in 2020.

d) Hampshire Hospitals NHS Foundation Trust

In April 2019, Members received a report on progress and an update on action taken by the Trust in response to the areas the Care Quality Commission (CQC) had identified as requiring improvement, following the inspection of the trust's services in 2018 and new 2019 inspections against the 29a warning notice. Members noted the CQC findings as well as the update on action taken by the Trust. Members received another update in January 2020 regarding further 'must do' actions having been completed alongside weekly reports, better training and awareness, governance improvements, cultural changes, and hiring developments. CQC priorities aligned with those of the Trust but trying to address competing priorities such as finance, operations, and quality with increased pressures on staff remains a challenge. Members noted the update and the HASC is continuing to monitor this item in 2020.

e) *Solent NHS Foundation Trust*

In April 2019, Members received a report regarding the Care Quality Commission inspection of the Trust's services undertaken in October and November 2018. Members heard that the Trust had been rated as 'Requires Improvement' following their previous inspection in 2016, and were proud to report that the outcome of the 2018 inspection was an overall rating of Good, with all categories overall good or outstanding. Members noted the findings and congratulated the Trust on their overall improved rating requesting the Committee be kept updated on further progress. The HASC is continuing to monitor this item in 2020.

f) *Frimley Health NHS Foundation Trust*

In July 2019, Members received an update on action taken by the Trust following their Care Quality Commission inspection of the Trust's services with an overall rating of "Good". Improvements are already being put into place in areas such as maternity staffing, mandatory training, and other critical areas, to be able to provide the best care for patients. Members congratulated the Trust on their rating and requested that the detailed improvement plan put into place be shared with the HASC. A written update was shared in March 2020 and the HASC is continuing to monitor this item in 2020.

g) *University Hospital Southampton Foundation Trust*

In July 2019, Members received an update on action taken by the Trust following their Care Quality Commission inspection of the Trust's services with an overall rating of "Good". The CQC inspections included 4 key services across 4 sites with positive findings of good and outstanding observations, but also a number of 'must do' actions and ongoing audits. An action plan was then submitted to the Committee and a further update in March 2020 confirming 'must do' items and range of actions to be completed by April 2020. Members heard that areas of improvement were being addressed by working differently and prioritizing patient driven care. Nursing leadership been updated and posts are being filled timely, as well as updates being made to the facility. The HASC is continuing to monitor this item in 2020.

3.2. Temporary and Permanent Closures or Restriction of Hours of Services

a) *Hampshire Hospitals NHS Foundation Trust and West Hampshire CCG: Andover Hospital Minor Injuries Unit - Update*

Members received an update in April 2019 regarding Minor Injuries Unit at the Andover War Memorial Hospital provided by Hampshire Hospitals NHS Foundation Trust and the West Hampshire CCG. In recent years, a temporary variation to the commissioned opening hours had been implemented followed by progress on transitioning the MIU at Andover War Memorial Hospital to an Urgent Treatment Centre.

In September 2019, a further update was provided noting patients are currently being assessed only for minor injuries and the new service will have longer hours and people can then be seen for illnesses. Hours will change to accommodate more homes and patients. Current impediments include safely meeting needs within the budget provided current staff are trained to look after injuries, not illnesses. In January 2020 an update was provided on the outcome of the co-production work undertaken to develop a viable service model for the delivery of an Urgent Treatment Centre (UTC) in Andover. The goal remains simplifying services for patient access in the community to avoid a confusing landscape offering fragmented services. Members noted the update and the HASC continues to monitor the outcomes of this change in 2020.

b) Southern Health NHS Foundation Trust: Update on Temporary Closure of Older People's Mental Health Ward (Beaulieu)

In May 2019, Members received an update regarding the reopening of Beaulieu Ward with a new dementia friendly environment, a significant cultural shift, and multi-disciplinary recruitment that would benefit all new patients. The facility is now updated, environmentally friendly, and single sex compliant. While the ward is reopening with 3 fewer beds (from 17 down to 14), this will have no impact on patients and allow for improved patient service and innovative care. Members noted the improvements and the HASC will continue to monitor this item in 2020.

4. Pre-scrutiny of Significant Executive Decisions:

a. Orchard Close Respite Service

In April 2019, a Working Group was instigated to feed into further consideration of options relating to Orchard Close Respite Centre. As part of the investigation of options being undertaken by officers, further engagement with stakeholders would be undertaken and the feedback received fed into the Working Group. A verbal update was provided in July 2019 on the Members' Group and the Voluntary Sector, Carer, Service User & Officer Working Group continuing to meet, collaborate, and explore options.

In November 2019, Members considered the reports from Healthwatch as well as findings from the Task and Finish Group Report. A deputation was received and all users, parent carers, and the voluntary and independent sector were thanked for their collaboration and contribution to the engagement. Members were supportive of the service continuing with 10 beds (down from 13) and the positive outcome of keeping Orchard Close's trusted, highly valued, and wonderful environment available for service users. The Committee hoped the Executive Member would agree as well but noted that the financial consequences of a further third of a million savings would still be necessary.

A further deputation was received in March 2020 and Members heard two proposals outlining a reduction of beds at Orchard Close and market capacity at 3 other respite services. For equitable access at Orchard Close occupancy would be temporarily increased to over 85% for summer months and booking groups together would be encouraged in quieter months. There would be minimal effect on Hampshire respite users and if agreed, the change would commence on 1 October 2020. Members supported the recommendations being proposed to the Executive Member for Adult Social Care and Health. A huge amount of work, thought, and care had gone into these recommendations and the impact would continue to be monitored.

5. Call-In of Significant Executive Decisions:

There were no Call-Ins of any executive decisions.

6. Referrals:

No topics were referred to the HASC for consideration.

7. Scrutiny of Budgets and Performance:

a) Adults Health and Care: Transformation to 2021

The committee reviewed the departmental transformation to 2021 savings proposals and public consultation feedback. Members heard an overview of the key findings of the balancing the budget consultation held by the County Council in summer 2019, and noted that all of departments in the Council had been asked to proportionately contribute a further 13% saving of their budget as part of the next 'Transformation to 2021' (Tt2021) programme.

For Adults' Health and Care, this resulted in an overall requirement of £43.1m (Adult Social Care £36.3m and Public Health £6.8m). With the proposed savings, this would bring the cumulative total to £242.4m by the end of 2022. Members supported the recommendations being proposed to the Executive Member for Adult Social Care and Health and Executive Member for Public Health and the Committee was invited to further review and highlight any concerns or questions to be followed up with the director and department to be addressed.

b) Revenue Budget for Public Health:

The Committee reviewed the revenue budget for Public Health in January 2020 and resolved to support the recommendations being proposed to the Executive Member for Public Health.

c) Revenue Budget for Adults' Health and Care and Capital Programme for Adults' Health and Care:

The Committee reviewed the revenue and capital budgets for the Adults' Health and Care Department in January 2020 and resolved to support the recommendations being proposed to the Executive Member for Adult Social Care and Health.

d) Capital Programme for Adult Social Care 2020/21-2022/23:

The Committee reviewed the capital programme in January 2020 which would carry forward funding from schemes in prior years and included locally sourced funding as well as government allocation. Members commended officers for navigating a difficult financial situation with ever growing complexities and challenges. The Committee resolved to support the recommendations being proposed to the Executive Member for Adult Social Care and Health.

8. Policy Review:

No policy reviews were undertaken during this period.

9. Questioning and exploring areas of interest and concern:

The following topics were considered--

- Integrated Intermediate Care (May 2019)
- Health and Wellbeing Strategy 2019-2024 (May 2019)
- Hampshire Suicide Audit and Prevention Strategy (July 2019)
- Adult Safeguarding Annual Report (November 2019)
- Annual Hampshire Safeguarding Adults Board Report (March 2020)

10. Upcoming topics:

The following topics feature on the Select Committee's Work Programme--

- Adult Safeguarding
- Public Health Policies
- Scrutiny of Health and Wellbeing Board
- Budget Scrutiny
- Care Quality Commission inspections of NHS Trusts serving the population of Hampshire
- Hampshire and Isle of Wight Sustainability and Transformation Partnership and Long-Term Plan

- Integrated Intermediate Care
- Temporary Service Closures and Planned Changes
- Hampshire Hospitals NHS Foundation Trust New Hospital (part of the Health Infrastructure Plan)
- Care and support of vulnerable adults and those with mental health issues in the community
- CAMHS Assessments of Children in Schools and Change in Provider
- CQC Inspector Overview of Inspection and Report Protocols
- Public Health Covid-19 Overview and Impact on Health and Wellbeing and Outbreak Control Plans
- Adults' Health and Care Response and Recovery
- Care Home Support Offer and Update
- Modernising our Hospitals and Health Infrastructure Programme
- Building Better Emergency Care Programme

COUNCIL MEETING, 16 JULY 2020

REPORT OF THE
Leader/Cabinet
PART II

1. THE COUNTY COUNCIL'S RESPONSE TO THE COVID 19 CRISIS

- 1.1 At its meeting of 15 May 2020 Cabinet received a formal update on the County Council's responses so far to the Covid-19 pandemic and crisis. Cabinet noted the contents of the report as a summary of the exceptional events and responses. Approval was given to the immediate emphasis on the County Council's recovery work, on behalf of the County Council and the local Hampshire economy, notwithstanding the long-lasting nature of the crisis. Cabinet also acknowledged the continuing extraordinary and at times heroic efforts of the staff of the County Council as the crisis has progressed.
- 1.2 At its meeting of 14 July 2020 (following publication of this report) Cabinet will receive a further update on the County Council's responses to the crisis, setting out progress and developments across the County Council. Cabinet is asked to note in particular the additional developing initiatives that have been introduced since the previous report including the support to the wider care home sector, the preparations for increasing access to schools, and the beginning of outbreak recovery planning.

2. HAMPSHIRE LOCAL OUTBREAK CONTROL PLAN AND LOCAL OUTBREAK ENGAGEMENT BOARD

- 2.1 At its meeting of 14 July 2020 (following publication of this report) Cabinet will receive a report seeking endorsement for the steps taken by the County Council to put in place a Local Outbreak Control Plan for Hampshire.
- 2.2 The establishment of, and appointment to, a Local Outbreak Engagement Board, in line with new Government guidance and as a sub-committee of Cabinet chaired by the Leader of the County Council, is recommended. The Board will provide political oversight of the local delivery of the Test and Trace Service, lead the engagement with local communities and be the public face of the County Council's response in the event of any local outbreaks of Covid-19.
- 2.3 The establishment of a Hampshire Covid-19 Health Protection Board chaired by the Director of Public Health is recommended, also in line with new Government guidance, to manage the Covid-19 pandemic in Hampshire, particularly with regard to identifying and dealing with future outbreaks of the disease. Furthermore it is recommended that the Director of Public Health is delegated authority to spend funding allocated to the County Council in accordance with the Local Authority Covid-19 Test and Trace Service Support Grant Determination, and the County Council's existing financial regulations,

the Constitution and departmental scheme of delegation, including consultation with the Chief Executive where appropriate.

- 2.4 It is recommended that Cabinet approves the change of name from the existing Cabinet Advisory Sub-Committee on Economic Development to the Cabinet Sub-Committee on Economic Growth and Recovery to better reflect the parallel challenges and responsibilities of economic recovery that face the county and the County Council further to this crisis.
- 2.5 When introducing this Part II report, the Leader will confirm to the County Council the resolutions made by Cabinet on 14 July.

3. Regulation 11 (Key Decisions)

- 3.1 Regulation 11 (special urgency) allows for a key decision to be made if it is impracticable for notice of the intention to take a key decision under Regulation 9 to be given 28 clear days in advance of the taking of the decision. This also allows for a Key Decision to be taken where it is impractical for public notice at least five working days before the decision is taken to be given in accordance with Regulation 10. Regulation 11 sets out the actions required to be taken in those circumstances which include gaining the consent of the Chairman of the relevant Select Committee or in their absence, of the Chairman of the County Council. Details of Key Decisions taken under Regulation 11 must be presented to the County Council.
- 3.2 On 4 June 2020, the Director of Corporate Resources took a Key Decision on the purchase of IT equipment to enable better and safer home working. It was impracticable to give the required 28 days notice of the Director's intention to take this Key Decision as immediate implementation of the proposed decision to purchase was necessary in order to secure the procurement option that was negotiated. In accordance with Regulation 11, agreement was obtained from the Chairman of the County Council, that the Key Decision was urgent and could not reasonably be deferred.

Further details can be found at the links below:

- [Cabinet - 15 May 2020](#)
- [Cabinet - 14 July 2020](#)

COUNCILLOR KEITH MANS
Leader and Chairman of Cabinet