

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Leader and Executive Member for Hampshire 2050 and Corporate Services
Date:	19 January 2023
Title:	2023/24 Revenue Budget Report for Hampshire 2050 Directorate
Report From:	Assistant Chief Executive and Director of Hampshire 2050 and the Director of Corporate Operations

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Section A: Purpose of this Report

1. The purpose of this report is to set out proposals for the 2023/24 budget for the Hampshire 2050 Directorate in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in November 2021.

Section B: Recommendation(s)

To approve for submission to the Leader and the Cabinet:

2. The revised revenue budget for 2022/23 as set out in Appendix 1.
3. The summary revenue budget for 2023/24 as set out in Appendix 1

Section C: Executive Summary

4. This report provides the summary outputs of the detailed budget planning process undertaken by the Hampshire 2050 Directorate for 2023/24 and the revised budget for 2022/23. For the first time in many years, this process has been undertaken in a high inflationary environment, which presents particular challenges in balancing budget certainty for Directorates with levels of affordability for the Council. The budget for Hampshire 2050 therefore represents a prudent assessment of the funding level required to deliver services, with additional corporately held risk contingencies playing an important role to mitigate the impact of financial uncertainty on service delivery.

5. The Autumn Statement delivered by the chancellor on 17 November announced significant additional resources for local government through social care grants and greater Council tax flexibilities, in addition to the usual index linked increases in business rates income. This funding, including the opportunity to increase council tax, provides a partial solution to meeting the Council's budget shortfall. However, the cost pressures facing the County Council have worsened further over the current year, with extra funding required for children's social workers, Home to School Transport and growth in Younger Adults. Substantial budget gaps therefore remain across the MTFs, despite the announced increases in local government funding and SP23 savings factored into Directorate budgets in 2023/24.
6. The Council's new organisational structure, implemented from 1 January 2023, draws a clear distinction between our public facing service Directorates, place shaping activity, and organisation facing enabling functions. This structure places a key focus on the Council's priorities emerging from the Hampshire 2050 Commission of Inquiry, ensures that all enabling functions are centrally managed to facilitate maximum efficiency and effectiveness and ensures that services are delivered in the most coordinated and consistent way possible to maximise value for our residents. As detailed work on later phases of the restructure progresses it is likely that further, more minor changes to budgets may be required and this report therefore represents an interim position that will be fine-tuned during the period to 2023/24.
7. The anticipated delay to delivery of some aspects of the remaining Transformation to 2019 (Tt2019) and Transformation to 2021 (Tt2021) programmes has been factored into our financial planning, and one-off Directorate funding will be provided where required to bridge the forecast savings gap in 2023/24. As of September 2022, £32.2m of Tt2019 and Tt2021 savings have yet to be delivered across the Council, however expected early delivery of Savings Programme to 2023 (SP2023) savings totals £21.5m during the current year. Of the required £80m SP2023 savings, £71m are due to be achieved next year, and plans are in place to deliver the remaining savings by 2024/25. There are no savings outstanding for Hampshire 2050.
8. The report also provides an update on the financial position for the current year and the outturn forecast for the Directorate for 2022/23, is a budget under spend of £1.1m.
9. The proposed budget for 2023/24 analysed by function is shown in Appendix 1.
10. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2022/23 and detailed budget for 2023/24 for the Hampshire 2050 Directorate. The report has been prepared in consultation with the Executive Member and will be reviewed by the Hampshire 2050, Corporate Services and Resources Select Committee. It will be reported to the Leader and Cabinet on 7 February 2023 to make final recommendations to County Council on 23 February 2023.

Section D: Contextual Information

11. In July 2022, Cabinet received a report updating on the development of the next Medium Term Financial Strategy against a potential budget gap of £180m to £200m to 2025/26. This took account of the expected local government pay award, the impact of rising inflation on contract prices and anticipated regulatory changes, resulting in a significant increase on the £157m budget deficit reported to Cabinet in February 2022.
12. Since that time, the cost pressures facing the County Council have worsened further, with substantial extra funding required for children's social workers, Home to School Transport and growth in Younger Adults. These pressures have arisen due to a combination of sustained increases in demand following the pandemic, surging inflation and labour shortages in both in-house and contracted services. The financial crisis that has recently hit the country, with an extended recession being expected, has also worsened the longer term funding outlook for the sector; with no Fair Funding Review, no new two year deal for local government and the announcement in the Autumn Statement that government spending will grow by just 1% per year in real terms from 2025/26. This is significantly lower than the 9.4% increase provided to local government through the 2021 Spending Review.
13. However, the Government has acted to prioritise Social Care spending to 2025, with additional grant funding provided to support hospital discharges and to help meet the increasing costs of both adults and children's care packages. £1bn additional funding will be distributed through the Better Care Fund and existing Adults Social Care Discharge Fund, to be shared between local authorities and the NHS. A further £1.3bn will be distributed through the general Social Care Grant and is repurposed funding previously earmarked for implementation of the Adults Social Care charging reforms, which have been delayed until October 2025.
14. Councils will also be permitted to increase Council Tax by a maximum level of 2.99% plus a further 2% for the social care precept. The extended Council Tax flexibilities will remain in place until 2027/28 and could generate an additional £14m - £15m per year for the Council, or around £45m by 2025/26. Current levels of inflation also increase the index linked uplift which Councils receive on business rates income. The September 2022 CPI was 10.2% and if this was applied to our retained business rates and top up grant from the Government this would yield an extra £13m next year after allowing for the downturn in the economy.
15. Setting a budget in a high inflationary environment, which the council has not experienced for many years, presents particular challenges in balancing budget certainty for Directorates with levels of affordability for the Council, given the potential for the position to worsen or improve substantially throughout the year in line with changes in the economic picture. The budget for Hampshire 2050

therefore represents a prudent assessment of the funding level required to deliver services, with additional corporately held risk contingencies playing an important role to mitigate the impact of financial uncertainty on service delivery.

16. Directorate budgets have been adjusted to take account of SP23 savings, however substantial budget gaps remain across the MTFs, despite recently announced increases in local government funding. The Directorate will therefore continue to look to improve efficiency wherever possible, driving collaboration across the organisation and with our wider partners, maintaining a focus on process improvement including maximising the benefit of new technologies, and ensuring our operating models and governance arrangements are lean and responsive to the needs of our residents. This will put the Council in the strongest possible position as it looks to a successor savings programme to meet the substantial medium term challenge that the council faces.
17. Central to our focus on continual improvement is the Council's new organisational structure, which draws a clear distinction between our public facing service Directorates, place shaping activity, and organisation facing enabling functions. This structure places a key focus on the Council's priorities emerging from the Hampshire 2050 Commission of Inquiry, ensuring we can deliver a vision for the county which safeguards Hampshire's economy and future prosperity, quality of life, and protects and enhances the character and environment of Hampshire. This is, of course, alongside our fundamental role of ensuring we can continue to deliver services to our most vulnerable residents.
18. As well as delivering management efficiencies, the new structure will ensure that all enabling functions are centrally managed to facilitate maximum efficiency and effectiveness, as well as reducing duplication. Combining the public facing services delivered by the previous Culture, Communities and Business Services and Economy, Transport and Environment Departments within a new Universal Services Directorate, will ensure that services are delivered in the most coordinated and consistent way possible to maximise value for our residents.
19. The 2022/23 budget has been restated to reflect the revised structure and the 2023/24 budget has been prepared on the new basis. However, as detailed work on later phases of the restructure progresses it is likely that further changes to budgets may be required to ensure budget allocations accurately match the services and roles aligned to each Directorate. Any budget changes as a result of this further work will be contained within the overall organisational budget guidelines agreed by Cabinet in December 2022, accepting that total budgets for individual Directorates may vary within the overall control total agreed. The figures presented in Appendix 1 therefore represent an interim position that will be fine-tuned during the period to 2023/24.

Section E: Departmental Challenges and Priorities

20. The Hampshire 2050 Directorate commenced on 1 January 2023 following an organisational restructure that reflects a desire to focus on the place that is Hampshire and our ambitions for the County as described in our Hampshire 2050 Strategy. The Directorate comprises services that have transferred from former departments of the County Council including Economy, Transport and Environment (ETE); Culture, Communities and Business Services (CCBS) and Children's Services Departments. These services have been developing service plans and budgets for 2023/24 and future years in keeping with the County Council's priorities. They provide a strong starting point for the Directorate to review, refine and consolidate, where appropriate, the strategic plans and direction of travel for the Directorate.
21. The new directorate will be pivotal in shaping the strategic delivery of the 2050 vision and working in partnership both across the County Council and external partners to deliver place based ambitions and priorities. In particular this includes the development and delivery of the new Economic Strategy agreed by Cabinet in December 2022, including working effectively in partnership with business and public sector partners to deliver place based economic regeneration and growth priorities.

Section F: 2022/23 Revenue Budget

22. With the new organisational structure commencing on 1 January 2023, the 2022/23 budget has been restated to align to the new Directorates. This has been achieved by transferring existing budgets and corresponding actual income and expenditure for those functions and services that have transferred to another Directorate.
23. Enhanced financial resilience reporting, which looks not only at the regular financial reporting but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued throughout the year with periodic reports to the Corporate Management Team (CMT) and to Cabinet.
24. The anticipated outturn forecast for Hampshire 2050 Directorate for 2022/23 is a budget under spend of £1.1m. The majority of this saving relates to staffing vacancies pending recruitment and the early delivery of SP2023 savings. This saving will be transferred to the Cost of Change Reserve at year end and may be used to fund investment required to secure future savings and essential reinvestment into services to ensure they remain efficient and effective.
25. There are no outstanding savings targets for services transferred to the Hampshire 2050 Directorate.
26. The 2022/23 budget for functions transferred to the Hampshire 2050 Directorate has been updated throughout the year and the revised budget is

shown in Appendix 1. The revised budget shows an increase of £4.2m made up of:

- £3.783m drawn down from the funding agreed by Cabinet to support the Strategic Land Programme in 2022/23.
- £273,000 one-off increase relating to the remaining balance in the Leader's grant fund in 2021/22 that has been added to the 2022/23 fund.
- £162,000 funding for the inflationary pay award increase.
- £100,000 temporary funding from the Ukraine Support grant.
- A net reduction of £101,000 from transfers between departments.

Section G: Revenue Savings Proposals

27. Savings targets for 2023/24 were approved as part of the MTFs by the County Council in July 2020. Proposals to meet these targets have been developed through the SP2023 Programme and were approved by Executive Members, Cabinet and County Council in October and November 2021.
28. Services that have transferred to the Hampshire 2050 Directorate had savings targets of £442,000 and these have been delivered in full. Rigorous budget monitoring will continue during 2023/24, to ensure that the Directorate is able to stay within its cash limited budget as set out in this report.

Section H: 2023/24 Revenue Budget Other Expenditure

29. In addition to the cash limit, some Directorates have other budgets for business units, specific Government Grants and other services. Currently for Hampshire 2050, there are no other budgets outside the cash limit.

Section I: Budget Summary 2023/24

30. The budget update report presented to Cabinet on 13 December 2022 included provisional cash limit guidelines for each Directorate. The cash limit for Hampshire 2050 in that report was £10.9m, a £1.4m increase on the previous year. The increase comprises:
 - £1.996m drawn down from the funding agreed by Cabinet to support the Strategic Land Programme in 2023/24.
 - A reduction of £442,000 for SP2023 savings as set out above.
 - A total increase of £506,000 for pay and non-pay inflation.
 - A net reduction of £650,000 from transfers between directorates, mostly relating to internal restructures, that due to the corporate restructure are now cross directorate.

31. At that stage, the cash limit guidelines did not include the following items which have now been added (and will be included in the February budget report), reducing the cash limit to £10.8m:
- £126,000 adjustment to the pay inflation given, reflecting the reduction in employer National Insurance and pension contributions.
32. Appendix 1 sets out a summary of the proposed budgets for the functions covered by the Hampshire 2050 Directorate for 2023/24 and show that these are within the cash limit set out above. However, changes to some of these budgets are anticipated following detailed work on later phases of the organisational restructure. This will ensure budget allocations accurately match the services and roles aligned to each Directorate.
33. The gross expenditure and income for Hampshire 2050 are shown in the table below:

	2023/24	
	£'000	£'000
Cash Limited Expenditure	18,394	
Cash Limited Income	(7,579)	
Net Cash Limited Expenditure		10,815

Section L: Consultation, Equalities and Climate Change Impact

34. Consultation on the budget is undertaken every two years when the County Council considers savings to help balance the budget. All savings proposals put forward by the County Council has an Equality Impact Assessment published as part of the formal decision making papers and for some proposals stage 2 consultations are undertaken before a final decision is made by the relevant Executive Member.
35. This report deals with the revenue budget preparation for 2023/24 for the Hampshire 2050 Directorate. This takes account of the savings proposals agreed by the County Council in November 2021 including the Equality Impact Assessments prepared at that time. Any revised impacts and subsequent consultation that has been required have been reported to the relevant Executive Member as savings proposals have been further developed and implemented.
36. Hampshire County Council utilises two decision-making tools to assess the carbon emissions and resilience of its projects and decisions. These tools provide a clear, robust, and transparent way of assessing how projects, policies and initiatives contribute towards the County Council’s climate change targets of being carbon neutral and resilient to the impacts of a 2°C temperature rise by

2050. This process ensures that climate change considerations are built into everything the Authority does.

37. This report deals with the revenue budget preparation for 2023/24 for the Hampshire 2050 Directorate. Climate change impact assessments for individual services and projects will be undertaken as part of the approval to spend process. There are no further climate change impacts as part of this report which is concerned with revenue budget preparation for 2023/24 for the Hampshire 2050 Directorate.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Medium Term Financial Strategy Update and Savings Programme to 2023 Savings Proposals https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=163&MId=7737	Cabinet – 12 October 2021 / County Council – 4 November 2021
Developing a Medium Term Financial Strategy https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=163&MId=9942&Ver=4	Cabinet – 19 July 2022 / County Council – 29 September 2022
Budget Setting and Provisional Cash Limits 2023/24 Financial Update and Budget Setting and Provisional Cash Limits 2023/24 (hants.gov.uk)	Cabinet – 13 December 2022
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:

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

<https://democracy.hants.gov.uk/mgAi.aspx?ID=45388#mgDocuments>

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

Budget Summary 2023/24 – Hampshire 2050

Service Activity	Original Budget 2022/23 £'000	Revised Budget 2022/23 £'000	Proposed Budget 2023/24 £'000
Climate Change & Environmental Strategy	528	317	318
Rural Broadband	130	179	5
Development Management, Minerals and Waste Policy	142	75	85
Economic Development	1,047	1,390	1,047
Integrated Transport	585	473	465
Spatial Planning	1,760	1,808	1,769
Skills and Participation ⁱ	0	0	0
Economy & Skills	4,192	4,242	3,689
CCBS Grants Fund	32	32	32
Energise Me (Sport) / The Spring Grants	116	116	116
Arts and Museums (including HCT grant)	2,326	2,326	2,326
Sports Bursaries	18	10	10
Leader's Grants	400	773	400
Culture & Communities	2,892	3,257	2,884
Corporate Estate	(180)	(180)	(177)
Development Account	(358)	(358)	(356)
Property Services	1,728	1,754	1,522
Feasibility	1,035	1,035	1,035
Strategic Land	0	3,783	1,996
Strategic Land Disposal of Sites	236	236	243
Manydown	(14)	(21)	(21)
Strategic Assets	2,447	6,249	4,242
Net Cash Limited Expenditure	9,531	13,748	10,815

ⁱ The budget for Skills and Participation is currently within the cash limit for Children's Services. A budget transfer will be determined to reflect the element transferring to the Hampshire 2050 Directorate.