

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Lead Member for Universal Services
Date:	15 January 2024
Title:	2024/25 Revenue Budget Report for Universal Services
Report From:	Director of Universal Services

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Section A: Purpose of this Report

1. The purpose of this report is to set out proposals for the 2024/25 budget for Universal Services in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in November 2023. It also proposes a revised budget for Universal Services for 2023/24.

Section B: Recommendation

To approve for submission to the Leader and the Cabinet:

2. The revised revenue budget for 2023/24 as set out in Appendix 1.
3. The summary revenue budget for 2024/25 as set out in Appendix 2

Section C: Executive Summary

4. This report provides the summary outputs of the detailed budget planning process undertaken by Universal Services for 2024/25 and the revised budget for 2023/24. This process has been undertaken against the backdrop of a budget gap of £132m by 2025/26, which the Council is unable to close through savings alone, and escalating cost pressures within key demand led services, including Adult Social Care and School Transport. Over £130m of inflation, pressures and growth has been added to budgets since 2023/24, significantly exceeding increases in the Council's funding. The current high inflationary environment also continues to present particular challenges in balancing budget certainty for Directorates with levels of affordability for the Council.

5. Disappointingly, the Autumn Statement delivered by the chancellor on 22 November didn't include any additional financial measures to ease the pressures facing local authorities. The announcement of a higher National Living Wage for 2024/25 than had previously been forecast is likely to result in additional financial pressures for the Council, both through increasing costs for our service providers and also impacting future local government pay awards. It was also notable that the tightening of medium term spending limits set by the government suggests a worrying direction of travel for future funding settlements.
6. The anticipated delay to delivery of some aspects of the remaining Transformation to 2021 (Tt2021) programme and Savings Programme to 2023 (SP2023) have been factored into our financial planning, and one-off Directorate funding will be provided where required to bridge the forecast savings gap in 2024/25. As of September 2023, £10.2m of Tt2021 savings and £11.4m SP2023 savings have yet to be delivered across the Council. Plans are in place to deliver most of the remaining Tt2021 and SP2023 savings by 2024/25, however this presents a considerable challenge for directorates in addition to the £17.1m SP2025 savings due to be delivered next year. The report discusses the specific issues impacting delivery of the savings programmes for Universal Services in Sections F, G and H.
7. The report also provides an update on the business as usual financial position for the current year as at the end of September and the outturn forecast for the Directorate for 2023/24, is a budget pressure of £2.455m, which will be offset by a draw from the Cost of Change reserve to balance the budget. The revised budget is shown in Appendix 1.
8. The proposed budget for 2024/25 analysed by service is shown in Appendix 2.
9. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2023/24 and detailed service budgets for 2024/25 for Universal Services. The report has been prepared in consultation with the Executive Lead Member and will be reviewed by the Universal Services Select Committee. It will be reported to the Leader and Cabinet on 6 February 2024 to make final recommendations to County Council on 22 February 2024.

Section D: Contextual Information

10. In November 2023, Full Council approved the Medium Term Financial Strategy and Savings Programme to 2025 (SP2025) which set out the scale of the financial challenges which the Council currently faces and the proposed measures which will begin to address the budget gap of £132m to 2025/26. However, for the first time the Council finds itself in the position of being unable to close the budget gap through savings proposals alone, with a substantial recurring shortfall of £41.6m remaining from 2025/26 after accounting for SP2025 savings.

11. As reported to Cabinet in December, the cost pressures facing the County Council have worsened further since the MTFs was set, most notably within Adult Social Care, Special Educational Needs and School Transport. Where the impact of these pressures is known, additional funding has been included in the provisional cash limits and allocated to services as part of the detailed budget setting process undertaken by directorates.
12. The provisional cash limits for 2024/25 include over £130m of inflation, pressures and growth added to budgets since 2023/24. This represents an average increase in directorate cash limits of over 12% in a single year, which is clearly an unsustainable position when set against a maximum increase in Council tax of 5%. It is therefore not surprising that the Council expects to draw some £86m from reserves to balance the budget for the forthcoming year.
13. Setting a budget in a high inflationary environment 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 Universal Services 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.
14. The Council's approach to planning and delivering savings over a two year period means that the 2024/25 cash limits do not include any new savings proposals. However, given that the balance of the Budget Bridging Reserve will be fully utilised in 2024/25, all SP2025 savings delivered in the forthcoming year will be transferred to the BBR at the end of the financial year.

Autumn Statement

15. The Government announced the 2023 Autumn Statement on 22 November. Disappointingly, the Statement didn't include any additional financial measures to ease the pressures facing local authorities, despite strong lobbying from the sector in the period leading up to the Statement, which attracted widespread press coverage.
16. Of particular significance for Local Government was the announcement of a 9.8% increase in the National Living Wage for 2024/25 to £11.44 per hour. This significantly exceeds the previous central estimate of £11.16 published by the Low Pay Commission in May on which the current MTFs forecasts are based. This increase is likely to result in additional financial pressures for the Council, both through increasing costs for our service providers and also impacting future local government pay awards.
17. The Economic and Fiscal Outlook published by the Office for Budgetary Responsibility alongside the Statement showed that Local Authority spending has fallen from 7.4% of GDP to just 5% since 2010/11 and the Government's current spending plans suggest that spending outside the NHS will fall further in

real terms over the next five years. This sets a worrying backdrop for the medium term outlook for local government finance and suggests that there is unlikely to be sufficient scope to address the funding shortfalls faced by Councils within the government's current spending plans.

Operating model changes

18. The Council transitioned to a new operating model in January 2023 which established new directorates for the delivery of place shaping services and our Hampshire 2050 vision. When the 2023/24 budget was set, it was highlighted that further changes to budgets would be required to ensure budget allocations accurately match the services and roles aligned to each Directorate. The 2023/24 original budget has therefore been restated to reflect the detailed work undertaken on the later phases of the restructure since the budget was set in February 2023.
19. In addition to the early delivery of some SP2025 savings, the Fit for The Future operating model reviews will continue to be progressed and will ensure that the Council's corporate enabling functions, transformation and administrative activity are delivered as efficiently as possible, and that our contact model takes full advantage of new technologies and the changing ways in which residents interact with the Council. It is anticipated that these reviews will identify some further efficiency savings, however these will not be sufficient to bridge the remaining budget gap.
20. Universal Services has been developing its service plans and budgets for 2024/25 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the Directorate are set out below.

Section E: Directorate Challenges and Priorities

21. The Universal Services Directorate delivers a wide range of services to most, if not all, the residents of Hampshire, with total gross expenditure of £281m a year and income streams of £125m, leaving a cash limit of £156m. In addition, the Directorate is responsible for the Coroners Service and the Hampshire Transport Management business unit, which sit outside the Universal Services cash limit, as well as managing the River Hamble Harbour Authority and the Sir Harold Hillier Gardens.
22. The Directorate's underlying budget strategy continues a relentless focus on core service delivery around Highways Maintenance; Waste Management; Transport; management of our Country Parks, sites, Rights of Way and outdoor centres; maintaining the corporate estate through Property Services and Facilities Management; and a suite of regulatory services including Registration and Trading Standards.

Highways Maintenance

23. The challenge posed by the deteriorating condition of the highways network due to long-term underfunding from central government at a national level has long been recognised, with the maintenance backlog in Hampshire currently estimated at a cost of around £500m. External factors such as Brexit, Covid and the war in Ukraine have led to increased market volatility and spiralling inflation that has particularly impacted the construction industry, thereby worsening the pressure on highways maintenance. This has all been compounded by the harsh weather over the winter of 2022/23 with the prolonged, heavy freezing conditions mixed with further wet periods having a devastating impact on the highway network, generating unprecedented levels of enquiries, pothole reports, other defects, and damage claims, as well as dramatically accelerating the deterioration in the highways network.
24. Since 2010, the County Council has provided an additional £10m revenue funding per year, which is capitalised for structural planned maintenance activities (such as carriageway resurfacing and other surface treatments), to supplement ringfenced grant funding from the Department for Transport for planned maintenance, although it should be noted that £7.5m of this now forms part of the SP25 savings proposals. The County Council has also substantially increased revenue funding for reactive maintenance (targeting potholes and other carriageway defects) over recent years.
25. Cabinet agreed in March 2020 for £2m per annum to be added in-year to the Highways Maintenance budget, utilising any underspend from the prior year on the Winter Maintenance budget, topped up to £2m from corporate contingencies if required. From 2024/25 the £2m has been added to the permanent base budget.
26. In November 2021 the County Council agreed to provide an additional £7m per year for Highways Maintenance, initially focussed on reactive revenue-funded repairs but with the intention over time to support structural maintenance capital work programmes, prioritising those which provide the best value in terms of cost-effective improvements in the overall network condition. In March 2022, just as the war in Ukraine started, the Highway Network Recovery Strategy was approved, setting out a 10-year plan to arrest the deterioration of the highway network condition. However, the rapid and sustained increase in construction industry inflation has meant that whilst the £7m new funding has been vital in ensuring previously planned work programmes could continue, it has not yet been possible to fully realise the benefits originally envisaged, and in November 2023, the Executive Lead Member for Universal Services agreed to further postpone the Highway Network Recovery Strategy until the 2025/26 financial year at the earliest, subject to a review in Autumn 2024.
27. In the Spring 2023 Budget, and in response to the impact of the harsh winter weather, central government announced an additional £200m nationally for highway maintenance, of which the County Council's share was £5.9m. Whilst very welcome, this funding is far below the level required to make a substantial difference. Furthermore, the nature of this funding meant that all Local Authorities were effectively competing for limited resources to undertake the

work, although the County Council mobilised resources quickly enabling it to counter this.

28. In July 2023 the County Council approved further funding of £22.5m over three years for the Stronger Roads Today campaign, to provide a direct response to the deterioration caused by the severe weather. The strategy includes a significant increase to frontline operational resources and changes to working practices to provide a swift response to reported defects, which have already been implemented, and have ensured that the County Council is much better prepared for any harsh weather conditions this winter.
29. Innovative and proactive approaches are being trialled and developed to increase productivity and improve public perception, and the additional resources will be utilised to undertake large programmes of reactive carriageway repairs, which in the longer-term will be protected by increased programmes of surface treatments to improve the longevity and resilience of the repairs, prolonging the life of the road network. However, the funding is still nowhere near enough to address the maintenance backlog and will only, as a minimum, slow down, and, at best, arrest the deterioration in the highway network.
30. On 17 November 2023, central Government announced further capital funding totalling £8.3billion nationally for local road resurfacing and wider maintenance activity on the local highway network. Hampshire's allocation of this funding is a minimum of £132.297m over the eleven-year period up to and including 2033/34, with allocations of £4.225m per annum confirmed for the 2023/24 and 2024/25 financial years. This significant funding boost is planned to be used to reintroduce more planned works such as surface treatments, resurfacing schemes and structural repairs, which as above had previously been scaled back to focus on reactive maintenance. However, expectations still need to be tempered in so far as more funding will not yield a quick fix to an already weakened network.

Waste Management

31. The Environment Act received Royal Assent in November 2022, introducing radical changes to waste and recycling, including the introduction of a deposit return scheme, extending producer responsibility to pay the net cost of disposal of their products and implementing greater consistency of recycling collections which will bring major changes including the requirement to collect food waste separately. However ongoing delays in central Government clarifications and the ensuing continuing uncertainty have severely impacted timescales for completing delivery of the Tt2021 savings as set out in Sections F and H below.
32. The Simpler Recycling announcement from Government on 21 October has provided some clarity on requirements. However, the exemptions now available that allow for a fully co-mingled collection waste system would not be compatible with the proposed twin-stream Material Recycling Facility (MRF) which was planned to be operational by Summer 2025. Therefore, these plans have had to be put on hold until such time as an agreement between the

Hampshire Waste Authorities (including Portsmouth & Southampton City Councils) has been reached on the future collection methodology. There remains ongoing uncertainty surrounding the deposit return scheme, whilst the extended producer responsibility (EPR) regime is not anticipated to commence until 2025, which continues to delay delivery of the Tt2021 savings. The Leader of the County Council has written to the Secretary of State for Environment, Farming and Rural Affairs to stress the impact of the delays in these schemes and urge resolution.

33. In response to the uncertainty, the County Council has written to all District & Borough Councils informing them that we are pressing ahead with plans to retain all recycling income from the existing MRFs, which had previously been passed through to the waste collection authorities, to meet a substantial part of the Tt2021 savings shortfall, with the remainder expected to be largely met in the following financial year by utilising the anticipated EPR income and from efficiencies in the disposal of wood waste, with just a small balance expected to be delivered from the 2026/27 financial year.
34. Since 1 June 2016, the County Council has been charging a small fee for residents to dispose of DIY waste (soil & rubble; plasterboard and asbestos) at their local Household Waste Recycling Centre to contribute towards the significant cost of dealing with these non-household wastes and ensure that the cost burden was borne by the waste producer, rather than all taxpayers. However, the Government announced on 18 June 2023 that it would be prohibiting charges on DIY waste, and on 21 November 2023, legislation was passed requiring all local authorities to comply by 1 January 2024.
35. It is difficult to quantify the cost impact of this change given that disposal costs and disposal habits of residents in relation to DIY waste have changed since the introduction of charges in June 2016. £0.935m has been added to the proposed budget for 2024/25 to partly address this pressure, based on the costs of disposal before charges were introduced. However, it is not unreasonable to assume that allowing for inflation, the actual costs of disposing of DIY waste should tonnages return to 2016 levels is likely to be in the range of £1.5 - £2.5m and therefore a further addition to the budget from the corporate waste contingency is expected in due course. Additionally, it has removed the County Council's ability to charge for other types of DIY waste with high disposal costs, further impacting delivery of the Tt2021 savings.
36. The Government has also recently announced that from 2028 Energy Recovery Facilities will need to comply with the Emissions Trading Scheme, effectively adding a tax per tonne for all waste being incinerated. This will have significant future cost implications, potentially as much as £11million per annum based on current tonnage and existing carbon market prices.

Passenger Transport

37. The County Council established an Enhanced Bus Partnership with bus operators in Hampshire during 2022 in response to the publication of the first ever National Bus Strategy for England, published in March 2021. The Bus

Service Improvement Plan (BSIP) co-developed by the Partnership initially received a zero financial settlement from Government, but in the second tranche of BSIP funding (BSIP Plus) announced in May 2023, the County Council was awarded a total of £7.159m split across the 2023/24 and 2024/25 financial years.

38. On 18 September the Executive Lead Member for Universal Services approved that the BSIP Plus funding be allocated to measures that would support and improve local bus services and associated infrastructure, but given that this area of spend is considered a discretionary service and in light of SP25 savings proposals, these measures would be focused on improving those services with longer term viability or to support making services commercially sustainable, so as not to generate an on-going funding requirement from the County Council.
39. The operating environment for bus companies remains challenging with the high costs of fuel, staff retention challenges and passenger numbers still below pre-pandemic levels. To date the operators have been able to continue to run commercial services using Government funding and have been supported by County Council decisions on reimbursement of Concessionary Fares. On 27 November the Executive Lead Member for Universal Services approved that, in line with Department for Transport guidance, from 2024/25 the reimbursement of Concessionary Fares will revert fully to the standard principles whereby operator reimbursements are determined by the number of concessionary travel journeys made on Hampshire services (during the pandemic and extended to the end of the current financial year, operators were reimbursed based on pre-pandemic passenger levels rather than actual, lower passenger levels). As this additional funding comes to an end, there is a risk that some bus routes will cease to be commercially viable and will be withdrawn, exacerbating the impact of proposed SP25 savings in this service area.
40. The sector remains an important part of any strategy to reach net zero carbon targets for transport and reductions in passenger transport service levels would clearly hamper progress in this area.

General Directorate Challenges and Priorities

41. The Universal Services areas supported by cash limit funding already rely on income and recharges to fund 45% of the gross costs of service delivery. Much (but not all) of the income relates to discretionary service provision that we are not required to provide by law, but that has a wider public benefit. Set against the background of ever decreasing central Government funding, a key objective of the Directorate has for some time been to ensure these discretionary services fully cover their operating costs through income, to be cost neutral to the County Council. Furthermore, by providing combined statutory and income generating discretionary services, efficiencies can be made which effectively lower the cost of providing statutory services, and in many areas effectively subsidise statutory services, such as income from the Country Parks contributing to the cost of providing statutory Countryside services.

42. Maintaining existing levels of income from 'choose to use' services such as Country Parks and Outdoor Centres is challenging and depends at least in part on ongoing digital, marketing, and other investment to ensure the services remain attractive and relevant to Hampshire residents and visitors. The cost-of-living crisis represents an added dimension to income streams and although generally in most areas this doesn't appear to have negatively impacted income as was at first feared, Hampshire Outdoors Centres are the exception to this and have experienced a number of cancelled bookings from schools attributed to the cost-of-living. Furthermore, other income generating service areas are experiencing increased costs that are not able to be fully passed onto customers leading to cost pressures.
43. The tightening of public sector finances has a twofold impact on some services within the Directorate, such as Hampshire Engineering Services and Property Services, which receive recharge income from County Council capital projects funded from government grants and income for services provided to other local authorities, schools and other public bodies. This income is at risk of declining as a result of the restriction of public sector finances. Anticipated reductions in climate change spend is also likely to affect the Directorate.
44. Most services within the Directorate continue to face increasing challenges in retaining and recruiting staff at all levels, which has an impact on both service delivery and cost (agency cover being typically more expensive if available) and also on the wellbeing of existing staff having to cover additional workload often for extended periods of time which in turn has an adverse impact on retention.
45. Whilst latest reporting from the Office for National Statistics shows that nationally the level of vacancies is on a downward trend, it is clear that despite the fall, the County Council continues to experience recruitment difficulties, particularly in professions that are routinely hard to fill, many of which are roles recognised by Central Government as shortage occupations. The County Council has always faced challenges in recruiting and retaining technical and professional roles in the construction industry such as engineers and quantity surveyors, particularly during periods of economic growth where relatively secure and better paid opportunities are available in the private sector. Previously, local authorities were perceived as being more secure when compared to private sector roles during economic slowdowns, however greater coverage of the severe financial pressures faced by councils across the country means that these perceptions have changed, and therefore competing with the private sector is now difficult regardless of the national economic context.
46. Recent wider labour shortages from a number of factors including the departure of many EU citizens and many older workers opting for early retirement post pandemic, together with surging demand in new sectors (e.g., online retail and delivery drivers) have continued to mean there is higher availability of both low and high skill work with higher pay. This has had adverse impacts on service delivery across the Directorate ranging from Facilities Management to catering in Country Parks where non-financial benefits such as hybrid working are less applicable and although the County Council has increased pay in accordance

with the national pay award for local government employees, the private sector is still able to respond far more quickly in offering higher pay.

47. If not carefully managed, the SP25 proposals have the potential to exacerbate these recruitment and retention difficulties and therefore a significant focus of the Directorate will be in managing the messaging to staff and investing in staff wellbeing to ensure that the Directorate maintains staff morale and retains our valuable staff that are so important in delivering our services to Hampshire residents. Actions are being taken at service, Directorate and a corporate level to mitigate the immediate impacts and build greater resilience for the future.

Section F: 2023/24 Revenue Budget

48. Enhanced financial resilience reporting, which looks not only at the regular financial reporting but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.
49. The services making up the Universal Services Directorate have a long-standing approach of minimising non-essential spend, seeking to develop a broader client base for sold services and adopting a prudent approach to vacancy management. This approach is driven both by the ongoing and emerging pressures on the Council's financial position, and the additional delays in delivering the Directorate's Tt2021 and SP23 savings from the Waste and Traffic & Safety budgets will need significant cash flow funding from the Directorate's Cost of Change reserve. This approach has therefore continued to feature strongly in the Directorate's overall financial management.
50. The anticipated business as usual outturn forecast for 2023/24 is a budget pressure of £2.455m, which will be offset by a draw from the Cost of Change reserve to balance the budget. This position includes a pressure of £0.574m arising from energy price inflation, primarily in relation to streetlighting, illuminated traffic signals and the countryside service, which will be covered by corporate funding set aside for this purpose. The underlying business as usual position is therefore a net pressure against the budget of £1.881m, made up as follows:
 - £7.322m pressure relating to one-off planned investment, and cash flow support for the delayed Tt2021 savings in Waste Disposal and delayed SP23 savings in Traffic and Safety, to be funded from the Cost of Change reserve.
 - Staff savings from recruitment and retention difficulties as well as planned vacancy management totalling £2.155m across a range of services.
 - £1.279m saving relating to Concessionary Fares. This will be ringfenced to reinvest in supporting Hampshire's local bus operators whilst patronage

levels recover from the covid pandemic, to help protect the existing bus network from further contraction.

- £0.9m saving from the County Council's share of income from the Energy Recovery Facilities, which under the terms of the Waste Disposal Contract with our provider is payable from 1 January 2024. This additional income stream is based on current energy prices and therefore subject to fluctuations in the energy market.
- Net savings on direct service provision of £1.107m which includes the overachievement of income targets across numerous services.

51. A revised profile for the delivery of the remaining Waste Tt2021 savings of £7.999m was approved by Cabinet on 7 December 2021 with the delay at that time largely due to the Covid pandemic and therefore cash-flow support was given through a combination of drawing down from the one off Covid 19 funding that the Council had set aside and the Directorate's Cost of Change reserve.
52. The waste savings programme is complex and involves changing the financial relationship between the County Council as the Waste Disposal Authority and the district and borough councils as Waste Collection Authorities (with legal responsibility for recycling). The majority of the savings in this area were inextricably linked to changes in Government Policy around waste, recycling and the environment, and therefore the delays in this legislation have further delayed the achievement of these savings, with key areas such as Extended Producer Responsibility not now expected to come into force until 2025, and the allowance of fully co-mingled waste collection under the Simpler Recycling Government announcement resulting in the County Council's plans for the new twin-stream MRF being put on hold.
53. The County Council has notified all collection authorities that from April 2024 all recycling income from the existing MRFs, which had previously been passed through to the waste collection authorities, will be retained to meet a large part of the Tt2021 savings shortfall, but full delivery is not now expected until the 2026/27 financial year.
54. A one-year delay of £1.315m in the moving traffic management enforcement SP23 savings is expected, due to a combination of delays in Government enacting the relevant legal powers; the unexpected inclusion of a six-month initial period for each site where enforcement is proposed with warning letters only, with no fines to be issued; and inflation and supply issues leading to delays in securing the necessary specialist equipment.
55. Lastly a shortfall of £149,000 is expected on the additional income generation SP23 saving within Outdoors Centres. The savings were originally based upon investment being made to improve the facilities at Calshot Activities Centre, however the investment has been paused whilst future maintenance options are considered. Alternatives for additional income generation without the investment are under review.

56. The budget for Universal Services has been updated throughout the year and the revised budget is shown in Appendix 1. The revised budget shows an increase of £3.2m made up of:
- £5.274m one-off funding from corporate contingencies to offset further delays in the T21 savings as set out above.
 - A one-off increase to Highways Maintenance of £2.0m funded from the use of corporate contingencies as agreed by Cabinet in February 2020. From 2024/25 this will be a permanent base budget uplift.
 - A reduction of £1.452m to Street Lighting budgets for revised profiling of PFI payments between capital repayments and interest to reflect the contingent rental element (a technical accounting adjustment with the overall cost remaining the same).
 - A reduction of £3.306m to support capital programmes including structural maintenance within Highways and supporting climate change initiatives at River Hamble Country Park and tree planting.
 - £702,000 total one-off increases for grants including LEVI Capability Fund Grant to support the transition to electric vehicles, and various Trading Standards grants in relation to product safety and standards.
 - An increase of £209,000 to address Ash Dieback (part of the allocations agreed by Cabinet in February 2020, December 2020, and July 2022).
 - A net reduction of £270,000 from transfers between directorates including IT growth charges.

Section G: 2024/25 Revenue Budget Pressures and Initiatives

57. In addition to the issues covered in Section E, which cover the ongoing issues and challenges affecting Universal Services, there are a number of pressures specifically relating to the 2024/25 financial year.
58. Universal Services are continuing to face inflationary pressures and shortages of labour and materials, in particular for construction related activity. Although inflation is on a downward trend, there is a delay in this filtering through to the construction industry and therefore inflated prices are expected to continue for at least the coming year. This affects the cost of works and is increasingly causing delays to contractors being able to start work on site with resultant slippage. As a result of the increased costs, capital schemes may need to be reduced in scope to ensure they remain within budget, due to the County Council usually having to bear any increase in costs of grant funded schemes, and in some cases, it may be necessary to pause or even stop completely approved schemes if alternative sources of funding to address inflationary cost pressures cannot be found.
59. Energy price inflation is a risk for the Directorate given the nature of the services provided. The inflation pressures and volatility in some markets have been unprecedented in recent years resulting from a combination of factors

including the pandemic, Brexit, the war in Ukraine and global supply chain issues, but are expected to start to reduce. However, with high value, long term contracts such as the Waste Disposal and Highways Maintenance contracts being uplifted using inflation rates set in Autumn 2023, the impact of these will continue to be seen in to 2024/25.

60. Universal Services is still a relatively new directorate, having only been in existence for one year and staffing resource is still being invested in embedding the new, more efficient ways of working that the corporate restructure entailed. The development and implementation of SP25 proposals will bring a further period of significant change and uncertainty, all the while, whilst the directorate continues to keep the huge range of day-to-day public services running. The nature of services provided means that programmes led by other directorates may also impact on Universal Services, such as the rationalisation of the corporate office accommodation being led by the Hampshire 2050 directorate, that will inevitably have a major impact on the Property Services and Facilities Management teams within Universal Services.
61. Finally, the directorate needs to remain agile enough to respond to one-off work programmes be they expected, such as the need to expand Archives storage capacity or ensuring economy of scale efficiencies are achieved from on-street parking enforcement recently taken back from the District and Borough Councils, or unexpected work programmes such as Property Services' immediate response to the recent elevation in prominence of the Reinforced Autoclaved Aerated Concrete (RAAC) risks.

Section H: Revenue Savings Proposals

62. The County Council's financial strategy is continuing with a two year approach to planning for savings. Consequently, no new savings are proposed for 2024/25 and savings proposals for 2025/26 have been developed through the Savings Programme to 2025 and were approved by Executive Members in September 2023, and by Cabinet and County Council in October and November 2023. In recognition of the size of the financial challenge which the Council faces, directorates were not issued with savings targets as per previous savings programmes but were instead instructed to review what savings might be achievable if we were to move towards a 'legal minimum' provision of services.
63. The total Savings Programme to 2025 is insufficient to meet the forecast budget gap for 2025/26 and taking account of the planned timing of savings delivery, a significant budget gap of £56.9m remains for 2025/26. Given the shortfall within the Budget Bridging Reserve beyond 2024/25, SP2025 savings delivered in 2024/25 will be transferred to the BBR at the end of the financial year.
64. Since transfers to the BBR will reflect actual savings delivered, the 2024/25 cash limits have not been adjusted in line with planned savings. For Universal

Services total savings for 2025/26 are £19.279m of which £1.160m are currently anticipated to be delivered during 2024/25.

65. Delivery of these savings presents a significant challenge for the directorate, particularly against a backdrop of continued high inflation. Rigorous monitoring of the implementation of the programme will begin during 2024/25, to ensure that the Directorate is able to deliver its SP2025 savings in line with planned timescales.
66. This early action in developing and implementing the Savings Programme to 2025 means that the County Council is in the best possible position for setting a balanced budget in 2024/25 and that no new savings proposals will be considered as part of the budget setting process for the forthcoming financial year.
67. Additionally, it is anticipated that £3.069m of Tt2021 Waste savings and £1.349m of SP2023 savings will remain to be achieved in 2024/25.
68. As discussed in sections E and F above, the Tt2021 Waste savings are highly complex, involving changing the relationship with the Waste Collection Authorities and being inextricably linked to changes in Government waste policy. The main reasons for the delay in savings delivery are expected income from the Government's Extended Producer Responsibility scheme, whereby producers will be required to contribute towards the costs of disposing of the packaging they produce, being delayed and now not expected until the 2025/26 financial year; and uncertainty caused by the Government's consultation and resulting impact on the wood market meaning efficiencies in the disposal of wood waste will only be implemented part way through the 2024/25 financial year.
69. Again as set out in section F, the main reasons for the late delivery of the SP23 savings are a combination of delays in Government enacting the relevant legal powers and supply issues of specialist equipment in relation to the moving traffic enforcement cost recovery saving; and the County Council's decision to pause investment in the Calshot Activities Centre affecting the targeted additional income.
70. The shortfall against target in 2024/25 will be met from a combination of corporate cash flow support and the cost of change reserve.
71. Rigorous monitoring of the delivery of the programme will continue during 2024/25, to ensure that the Directorate is able to stay within its cash limited budget as set out in this report.

Section I: 2024/25 Review of Charges

72. For Universal Services, the 2024/25 revenue budget includes income of £52.1m from fees and charges to service users. This is an increase of £2.7m (5.4%) on the revised budget for 2023/24.

73. Universal Services consists of a wide range of services with a variety of different fees and charges, which range from charges to other public sector or private sector organisations such as hourly charge out rates for Property staff, Scientific Services sample testing, materials testing at the Highways laboratory; or charges to private individuals such as admission prices for events at the Country Parks, statutory fees such as charging for death certificates, skip licences, car parking charges, or the price of food and drink at one of the cafes. Therefore, each individual charge has not been listed in this report.
74. However, all fees and charges are regularly reviewed and uplifted annually for inflation and with consideration of the prevailing market conditions as appropriate, and many are published separately on the Council's web pages, in some cases as required by legislation. The annual review of individual charges also includes, where relevant, benchmarking against other Local Authorities to ensure any inflationary uplifts are reasonable.
75. Any new fees and charges, significant above-inflation increases, or any other significant changes to individual fees and charges, will be brought to the Executive Lead Member for Universal Services for decision via a separate report, which will include the required equality impacts assessment.

Section J: 2024/25 Revenue Budget Other Expenditure

76. The budget includes some items which are not counted against the cash limit. For Universal Services these are the Coroners Service, the Hampshire Transport Management business unit and the River Hamble Harbour Authority as shown in Appendices 1 and 2. The directorate also provides management support to the Sir Harold Hillier Gardens, which is a charity funded from visitor income, grants and donations, and therefore reports its budget separately under the Charities Act legislation.
77. As reported within the Provisional Cash Limits report presented to Cabinet on 12 December 2023, the Coroners Service continues to face ongoing pressure arising from an increase in both case numbers and complexity. Significant investment has been made over the last year to improve accommodation; to introduce new, more efficient ways of working; and an increase in staffing levels to address the pressures being faced. Nonetheless, further pressures are anticipated of £1.0m which have been included within the 2024/25 budget.
78. The Hampshire Transport Management business unit is funded entirely by income - both internal recharge income from County Council schools and directorates, and external income from customers including School Academies and our Hampshire Highways partner Milestones. The business unit is targeted with achieving a net surplus for the 2024/25 financial year of £24,000, which will be added to a ringfenced reserve to fund future one-off investment spend required by the business unit.
79. The River Hamble Harbour Authority is funded entirely by external income, primarily Harbour Dues from mooring holders. The 2024/25 budget was

recommended for approval by the River Hamble Harbour Committee at its meeting of 8 December 2023 and is being put before the River Hamble Harbour Board for approval on the 12 January 2024.

80. HCC Property Services offers a Service Level Agreement (SLA) to Community, Controlled, Foundation and Aided schools in Hampshire which 95% of schools sign up to. This SLA includes statutory testing, inspection and servicing as well as regular surveys of the school estate. Schools make a contribution into a pooled fund based on a formula taking into account the number of pupils, the floor area of the building and whether there is a pool on site. A % uplift will be applied to the rates charged in 2023/24 based on Local Authority maintenance indices (BCIS), construction price inflation information and the contractually allowable cost increases confirmed by the Term Maintenance Contractors. The Schools SLA budget for 2023/24 was £14.868m and in 2024/25 will be determined by potential academy conversions and the number of schools that choose to renew their participation but is expected to total in the region of £15m. All revenue work funded by the schools SLA budget will be called off within Chief Officer Delegations.

Section K: Budget Summary 2024/25

81. The budget update report presented to Cabinet on 12 December 2023 included provisional cash limit guidelines for each Directorate. The cash limit for Universal Services in that report was £155.753m, a £9.134m increase on the previous year. The increase comprised of:
- £7.570m increase for inflationary and growth pressures, including a combined total of just over £5.5m inflation on the Highways Maintenance and Waste Disposal contracts, both of which are index-linked; growth recognising the increase in highways assets to be maintained; and demographic growth in Waste.
 - £2.0m permanent increase to the Highways Maintenance budget as agreed by Cabinet in February 2020, but previously this had been enacted as a temporary increase each year funded from any underspend in the prior year on Winter Maintenance, topped up to £2m from corporate contingencies.
 - £0.935m increase to the Waste budget for the impact of Government legislation prohibiting charges for DIY waste at Household Waste Recycling Centres from 1 January 2024. As referenced in paragraph 35 above, a further increase to the budget is anticipated in-year to reflect the actual increased costs, which are expected to total c£2m.
 - A reduction of £1.592m to Street Lighting budgets for revised profiling of PFI payments between capital repayments and interest to reflect the contingent rental element (a technical accounting adjustment with the overall cost remaining the same).

- £293,000 increase funded by grants (primarily LEVI Capability Fund Grant to support the transition to Electric Vehicles for Traffic Management and Road Safety).
 - A net decrease of £72,000 from transfers between directorates, mostly relating to internal restructures and ongoing IT charges.
82. Appendix 2 sets out a summary of the proposed budgets for the service activities provided by Universal Services for 2024/25 and show that these are within the cash limit set out above.
83. In addition to these cash limited items there are further budgets which fall under the responsibility of Universal Services, which are shown in the table below:

	2024/25	
	£'000	£'000
Cash Limited Expenditure	280,746	
Less Income (Other than Government Grants)	(124,993)	
Net Cash Limited Expenditure		155,753
Trading Units Net (Surplus) / Deficit		(80)
Flood Protection Levy		739
Coroners		4,186
Less Government Grants:		
• Bus Service Operators Grant	(1,068)	
• Product Safety and Standards	(175)	
• England Coastal Path	(50)	
• Local Electric Vehicle Infrastructure (LEVI) Capability Fund	(294)	
Total Government Grants		(1,588)
Total Net Expenditure		159,010

Section L: Climate Change Impact

84. 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.

85. This report deals with the revenue budget preparation for 2024/25 for the Universal Services 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 2024/25 for the Universal Services 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:	
<p><u>Title</u> Savings Programme to 2025 – Revenue Savings Proposals (Executive Lead Member for Universal Services) Report.pdf (hants.gov.uk)</p>	<p><u>Date</u> 18 September 2023</p>
<p>Medium Term Financial Strategy Update and Savings Programme to 2025 Savings Proposals https://democracy.hants.gov.uk/mgAi.aspx?ID=63758#mgDocuments</p>	<p>Cabinet – 10 October 2023 / County Council – 9 November 2023</p>
<p>Budget Setting and Provisional Cash Limits 2024/25 Financial Update and Budget Setting and Provisional Cash Limits 2024/25 (hants.gov.uk)</p>	<p>Cabinet – 12 December 2023</p>
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:

The budget setting process for 2024/25 does not contain any proposals for major service changes which may have an equalities impact. Proposals for budget and services changes which are part of the Savings Programme to 2025 Programme were considered in detail as part of the approval process undertaken in September, October and November 2023 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 3 to 7 of the October Cabinet report linked below:

<https://democracy.hants.gov.uk/mgAi.aspx?ID=62985#mgDocuments>

For proposals where a Stage 2 consultation is required, the EIAs are preliminary and will be updated and developed following this further consultation when the impact of the proposals can be better understood. The results of these consultations and any changes to equality impacts will be reported to the relevant Executive Member as the savings proposals are further developed and implemented.

Budget Summary 2023/24 – Universal Services

Service Activity	Adjusted Original Budget 2023/24 £'000	Revised Budget 2023/24 £'000
Highways Maintenance	27,125	27,608
Street Lighting	10,551	9,099
Winter Maintenance	6,489	6,489
Traffic Management and Road Safety	2,034	2,902
Capital Works Implementation	449	494
Concessionary Fares	11,718	11,718
Passenger Transport	4,223	4,223
Highways, Engineering & Transport	62,589	62,533
Waste Disposal	53,430	62,218
Environment	538	490
Development Management, Minerals and Waste Policy	160	193
Asbestos	75	68
Scientific Services	204	559
Trading Standards	1,746	1,783
Waste & Environmental Services	56,153	65,311
Countryside Services	3,262	3,506
Outdoor Centres	291	404
Rural Estates (County Farms)	(316)	(316)
Sir Harold Hillier Gardens (room hire)	64	64
Registration	(1,026)	(1,028)
Archives	728	843
Recreation, Information & Business Services	3,003	3,473
Business Support	1,164	1,459
Business Development Team	754	909
Business Strategy & Improvement and Transition	1,311	1,311

Contact Centre Team	278	366
Departmental and Corporate Support	2,161	2,351
Facilities Management	4,474	4,464
The Great Hall	13	13
PrintSmart	(57)	(57)
Hampshire Printing Services	(24)	(25)
Property Services	4,296	4,307
Repairs & Maintenance	9,980	9,960
Feasibility	1,035	1,035
Corporate Estate	(177)	(177)
Sites for Gypsies and Travellers	44	44
Development Account and Other Miscellaneous	(378)	(378)
Property, Business Development & Transformation	24,874	25,582
Net Contribution To / (From) Cost of Change	-	(7,123)
Net Cash Limited Expenditure	146,619	149,776
Hampshire Transport Management	(42)	(42)
River Hamble	(52)	(52)
Universal Services Trading Units	(94)	(94)
Coroners	2,968	3,143

Budget Summary 2024/25 – Universal Services

Service Activity	Adjusted Original Budget 2023/24 £'000	Proposed Budget 2024/25 £'000
Highways Maintenance	27,125	31,150
Street Lighting	10,551	9,252
Winter Maintenance	6,489	6,877
Traffic Management and Road Safety	2,034	2,291
Capital Works Implementation	449	431
Concessionary Fares	11,718	12,288
Passenger Transport	4,223	4,634
Highways, Engineering & Transport	62,589	66,923
Waste Disposal	53,430	58,304
Environment	538	441
Development Management, Minerals and Waste Policy	160	235
Asbestos	75	74
Scientific Services	204	178
Trading Standards	1,746	1,735
Waste & Environmental Services	56,153	60,967
Countryside Services	3,262	3,119
Outdoor Centres	291	173
Rural Estates (County Farms)	(316)	(313)
Sir Harold Hillier Gardens (room hire)	64	64
Registration	(1,026)	(1,125)
Archives	728	728
Recreation, Information & Business Services	3,003	2,647
Business Support	1,164	1,129
Business Development Team	754	759

Business Strategy & Improvement and Transition	1,311	1,315
Contact Centre Team	278	278
Departmental and Corporate Support	2,161	2,051
Facilities Management	4,474	4,511
The Great Hall	13	5
PrintSmart	(57)	(57)
Hampshire Printing Services	(24)	(27)
Property Services	4,296	4,233
Repairs & Maintenance	9,980	10,291
Feasibility	1,035	1,035
Corporate Estate	(177)	(174)
Sites for Gypsies and Travellers	44	42
Development Account and Other Miscellaneous	(378)	(376)
Property, Business Development & Transformation	24,874	25,015
Net Contribution To / (From) Cost of Change	-	201
Net Cash Limited Expenditure	146,619	155,753
Hampshire Transport Management	(42)	(24)
River Hamble	(52)	(56)
Universal Services Trading Units	(94)	(80)
Coroners	2,968	4,099