HAMPSHIRE COUNTY COUNCIL

Decision Report

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

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Section A: Purpose of this Report

1. The purpose of this report is to update Cabinet on the financial position in respect of the current financial year and set out the process and framework for the setting of the 2020/21 budget.

2. The report also takes advantage of the opportunity to seek approval for additional investment in the Health & Safety function.

Section B: Recommendation(s)

It is recommended that Cabinet:

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

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

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

Section C: Executive Summary

6. The deliberate strategy that the County Council has followed to date for dealing with grant reductions and the removal of funding that was historically provided to cover inflation, coupled with continued demand pressures over the last decade, is well documented. It involves planning ahead of time, through a two yearly cycle, releasing carefully targeted resources in advance of need and using those resources to help fund transformational change.

7. This strategy has served the County Council, and more particularly its services and community well, as it has delivered transformation programmes on time and on budget with maximum planning and minimum disruption. Put simply, it is an approach that has ensured Hampshire County Council has continued to avoid the worst effects of funding reductions that have started to adversely affect other local authorities and enabled us to sustain some of the strongest public services in the country.

8. In line with this strategy there will be no new savings proposals presented as part of the 2020/21 budget setting process. Savings targets for 2021/22 were approved as part of the Medium Term Financial Strategy (MTFS) in July 2018 and detailed savings proposals have been developed through the Transformation to 2021 (Tt2021) Programme which were agreed by Cabinet and County Council during October and November this year.

9. The Tt2021 Programme will look to deliver further savings of £80m, bringing the cumulative total of savings to £560m since the first reductions to government grants were applied in 2010/11. An update on the progress being made by departments is provided in the transformation report presented elsewhere on this Agenda

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

11. The cost pressures we face, particularly in adults' and children's social care services are significantly outstripping the forecasts that were included in the original Tt2021 planning figures. The County Council is not alone in facing these pressures which are a national issue and are driven by increasing costs and demand. Without the additional injection of funding, the County Council would have faced a revised deficit position well in excess of £100m by 2021/22. The net impact of the settlement after taking account of loss of council tax income and increased pressures in social care services is broadly neutral and therefore still requires the County Council to meet a budget deficit of £80m.

12. The updated MTFS referenced clearly the challenges associated with the Tt2021 Programme, including the complexity added through the dual running of this work alongside the Transformation to 2019 (Tt2019) Programme. Delivery of the Tt2021 Programme will also extend beyond two years to ensure safe delivery and the cash flow requirement is estimated to be £32m. This amount has been built into our planning. In addition, enabling investment identified by departments can be met from the anticipated early delivery of Tt2021 savings.

13. The County Council's ability to continue to provide resources to allow time to safely implement change is a testament to the strong financial management

and rigorous approach to planning and delivering savings that has been applied; and to the benefits that can be achieved from working at scale.

14. The County Council's approach to making savings has always been to minimise the impact on services, by making efficiencies wherever possible and maximising opportunities for investment alongside the generation of income and expansion of its traded services with other organisations. This remains the case for the new savings programme.

15. The updated MTFS approved by the County Council in November 2019 included the working assumption that council tax will increase by the maximum permissible without a referendum in line with government policy. In addition, it set out that a significant draw from the Budget Bridging Reserve (BBR) is anticipated to balance the budget, recognising the scale of the transformation and the lead in times for achieving the savings themselves, in order to give the time and capacity to achieve the savings targets set for 2021/22.

16. The report includes further approvals in respect of investment in additional capacity within the Health & Safety function. It also sets the framework for developing the detailed revenue budgets and the Capital Programme that will be presented to Executive Members, Cabinet and County Council during January and February.

Section D: Contextual Information

17. Historically, financial updates around this time of the year have been heavily influenced by the timetable of release of information from the Government, either around Comprehensive Spending Review (CSR) figures or specific grant figures for the next financial year.

18. Members will be aware that 2019/20 represented the final year of the current CSR period and although a further multi-year CSR had originally been planned for the summer of this year, this was impacted by Brexit and the national political situation.

19. The Spending Round 2019 (SR2019) announcement took place on 4 September and the content of the proposed settlement and the issues it addressed were pleasing to see as they mirrored the key issues that we have been consistently raising for some time directly with the Government and through our local MPs.

20. In overall terms, there is a net resource gain to the County Council, albeit that is only for one year at this stage. However, the cost pressures we face, particularly in adults' and children's social care services are significantly outstripping the forecasts that were included in the original Transformation to 2021 (Tt2021) planning figures.

21. Without the additional injection of funding, the County Council would have faced a revised deficit position of nearly £106m by 2021/22, but the additional resources bring us back to a broadly neutral position. It is worth highlighting

that the additional grant from the £1bn plus the 2% adult social care precept generates additional resources of around £29m for the County Council, but this must be measured against growth pressures and inflation across adults' and children's social care services which total nearly £57m for 2020/21 alone.

22. Based on a technical consultation released by the Government in October, the County Council would only receive £16.8m of additional grant from the £1bn announced nationally. This is £3m less than we would normally receive if the funding was distributed based on the Adults Relative Needs Formula (as with previous social care grant funding). At this stage however, this is not an immediate issue for the setting of the budget in 2020/21 and once further details are available about the potential settlement for 2021/22 and beyond the overall impact on the Tt2021 Programme can be better assessed.

23. The Autumn Budget which was planned for 6 November was cancelled and it now looks unlikely that there will be a Budget before Spring 2020. However, any changes contained in the provisional Local Government Settlement, which at the time of writing this report is expected to be announced in the second half of December at the earliest, will be taken into account when setting the budget in February and will be reported to Cabinet and County Council.

24. The Tt2021 savings targets set for departments were based on forecasts produced early in 2018 and included a wide range of variable assumptions to arrive at the total predicted gap of £80m. The impact of the SR2019 does not materially change the predicted gap and so these targets remain appropriate. However, it must be emphasised that this forecast continues to represent a realistic view as opposed to the worst case scenario. It includes assumptions that are marginally less prudent than previous forecasts in order to try to mitigate the impact on services, but this must be balanced against the greater risk that these assumptions build into our medium term financial planning.

25. Savings proposals for 2021/22 have already been agreed and an update on the progress being made is provided in the transformation report presented elsewhere on this Agenda. Given this position, the main focus in setting the budget for 2020/21 is the production of the detailed revenue and capital budgets and this report sets out the framework for the detailed budget preparation process for next year

Section E: 2019/20 Financial Monitoring

26. The forecast revenue monitoring position for 2019/20 as at the end of August (Month 5) was presented to Cabinet in October.

27. The financial landscape in the year is complicated by a range of one-off impacts arising from transformation activity, planned late delivery of savings, use of cost of change and corporate cash flow support. However, the forecast indicated that overall in year there was good delivery of savings and management within the budget and that where there were issues, these could be accommodated on a one-off basis from a combination of departmental cost

of change reserves, corporate contingencies and an additional £4.6m of corporate funding for Children's Services as recommended in the Medium Term Financial Strategy (MTFS) and subsequently approved.

28. The position has not changed fundamentally, and at the end of October (Month 7) it is anticipated that all departments will be able to manage the large scale investment required to deliver their planned transformation activity and meet service pressures through the use of cost of change (and other) reserves, along with agreed corporate funding.

29. The overall position across the social care departments will continue to be reviewed throughout the remainder of the year and will remain a focus of the ongoing monthly meetings between the Deputy Chief Executive and Director of Corporate Resources and the Directors of both Adults' Health & Care and Children's Services. As the year progresses action plans in place to address any remaining pressure will be reviewed and closely monitored at these meetings.

30. The financial pressures facing schools have been highlighted for some time, driven in large part by an increasing requirement for pupils with Special Educational Needs (SEN), which exceeds the available funding and is mirrored nationally. Pressures have mainly arisen due to significant increases in the number of pupils with additional needs and as a result of the extension of support to young people with high needs up to the age of 25. There are also increases in the amount of funding required due to increasing complexity of need resulting in a pressure on the top-up budgets for mainstream schools, resourced provisions and Post 16 colleges. There is also significant pressure due to more pupils requiring placements in independent and non-maintained schools.

31. In 2019/20 the current forecast is for a further over spend of approaching £14.7m which will bring the cumulative deficit to more than £28.4m. Whilst this sum sits as 'negative reserve' on the County Council's balance sheet it in effect represents an overdraft for schools which they (and the Government) need to address over the longer term.

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

33. As we move further through the financial year we will have a clearer picture of the likely outturn position for 2019/20 across all areas and each year we prepare a revised budget that is presented to Cabinet in January which reflects the latest monitoring information available. In addition, corporately a more detailed review of non-departmental budgets (including contingencies) and

reserves will be undertaken and considered in the 2019/20 revised budget position.

Section F: Pension Fund – Triennial Valuation

34. At the time of publishing the MTFS, the initial results of the triennial valuation of the Pension Fund had not been released to individual scheduled bodies in the Fund (Hampshire, Southampton, Portsmouth and the 11 Hampshire districts). Whilst no specific figures were available for Hampshire at that time, we had sight of the initial overall results which were reported as positive. The results of the valuation have now been released.

35. In 2016 the fund was around 80% funded, meaning that we had a deficit that needed to be recovered from employers over an extended period. The results for the 2019 are that the Pension Fund is now fully funded following the improvement in investment returns over the period. This means that all of the scheduled bodies detailed above will make significant savings on their past deficit contributions from 2020/21 onwards.

36. The favourable change to the funding position also provided the opportunity to review the 'grouping mechanism' that was a unique feature of the Hampshire Pension Fund. All scheduled body employers paid the same group rate irrespective of their past liabilities and employee age profile. Whilst this was an effective mechanism during times of relative stability, complications around outsourcing and changing employee and risk profiles meant that it was no longer fit for purpose going forward.

37. Following consultation, the Pension Fund Panel and Board agreed to de-group the Fund and as a result all employers now get their own future service rate based on their own specific employee and risk profile.

38. In terms of the financial impact of this, the future service rate for the County Council has been set at 18.4% which is higher than the allowances made within the current MTFS. However, the eradication of the deficit has removed the need for the past service payments that we are currently making and assumed would be needed in the future. Allowing for these changes there is a net saving for the County Council of £15m per annum which is at the top end of the range set out in the MTFS presented to Cabinet in October and County Council in November.

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

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

41. The MTFS set out that the anticipated balance in the BBR at the end of the Tt2021 Programme, prior to further additions, was £0.4m. It was highlighted that if the County Council continued the approach of delivering savings on a two year cycle, the extension of the planning horizon to 2022/23 resulted in an overall shortfall in the BBR of approaching £39.8m to bridge the gap in what will be an interim year.

42. The following table summarises the updated forecast position for the BBR taking into account the approved additions arising from the savings resulting from the favourable outcome of the valuation:

	£'000
Forecast Unallocated Balance (*)	**412**
Additions from valuation saving:	
2020/21	15,000
2021/22	15,000
2022/23	15,000
Planned Use:	
Interim Year 2022/23	(40,200)
Updated Unallocated Balance	**5,212**

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

43. There will be sufficient funding in the BBR to cover the anticipated gap in the interim year. However, looking at the wider MTFS, whilst we have greater certainty for the coming financial year, following the announcement of the SR2019, there remains a lack of detail around the Government's intentions beyond 2020/21. In view of this where possible, the County Council must continue to direct spare one-off funding into the reserve as part of its overall longer term risk mitigation strategy.

Section G: 2020/21 Budget Setting

44. The deliberate strategy that the County Council has followed to date for dealing with grant reductions and unfunded demand and inflationary pressures is well documented. It involves planning ahead of time, in order to give departments the maximum time and capacity for implementation, making savings in advance of need and then using those savings to help fund transformational change to generate the next round of savings.

45. In line with this strategy, the Tt2021 Programme has been in place for some time to develop the £80m of savings required to balance the budget for 2021/22. Detailed savings proposals for each department were approved by the County Council in November 2019, in order to allow more time for delivery of the savings; including the requirement to undertake a second stage of service specific consultations where necessary. Subject to further consultation where required, the programme has now moved to formal implementation.

46. Since the transformation programme is already in place and the financial strategy that the County Council operates is on the basis of a two year cycle of delivering departmental savings, there are no new savings proposals to be considered as part of the 2020/21 budget setting process. However, it is still necessary for the County Council to go through the normal ‘technical’ process of setting provisional cash limits for departments, asking them to prepare detailed budgets within those cash limits and then securing approval through Executive Members, Cabinet and finally County Council.

47. The next section of this report sets out the details of provisional cash limits for departments for 2020/21, which take into account any base budget changes and the impact of inflation.

48. The MTFS approved by the County Council in November 2019 including the working assumption that council tax will increase by the maximum permissible without a referendum in line with government policy. This will mean a council tax increase of 3.99%, of which 2% will contribute towards the increased costs of adults’ social care, in line with the government’s amended approach which is built into their settlement calculations.

49. In addition, the financial strategy assumes a significant draw from the BBR in 2020/21 to balance the budget, recognising the scale of the transformation and the lead in times for achieving the savings themselves, in order to give the time and capacity to achieve the savings targets set for 2021/22.

50. Final details of the settlement for next year, plus information from district councils on collection fund surpluses and estimates of retained business rates is not available at the time of writing this report and will therefore be taken into account in setting the final budget in February.

Section H: Provisional Cash Limits 2020/21

51. Provisional cash limits are set to enable departments to prepare their detailed budgets for the next financial year. These take account of changes in the base budget, for example as a result of grant changes or transfers between departments, approved growth and inflation for the year.

52. Inflation allowances are given each year for pay and price increases and the provisional cash limits detailed in this report include allowances for price inflation. At this stage they do not include an allowance for a pay award as this

is in the early stages of negotiation and the outcome is uncertain. An amount will be retained centrally in contingencies until any awards are agreed.

53. Historically no allowance was given for step progression and departments have been expected to manage this within their bottom line, securing efficiencies if necessary. In view of the ongoing requirement to find savings to meet targets set to balance the budget, finding further efficiencies to absorb step progression is becoming increasingly challenging.

54. As a consequence, in recent years a contribution has been made towards meeting the cost of step progression as part of the allocation of corporate inflation to cash limited budgets. This has continued in 2020/21 with a general allowance of 1.5% applied to relevant employee budgets (directly employed staff) – the difference between most steps is 3% but some staff will be at the top of the grade and so progression will not apply.

55. The calculation of the provisional cash limits is shown in detail in Appendix 1. The figure for Schools will be updated once the provisional settlement is known, but for now, the 2019/20 position has been updated taking into account forecast changes, such as increases in respect of the pupil premium and other grant related changes.

56. The MTFS approved by County Council in November 2019 also highlighted a number of additional pressures in social care departments totalling nearly £57m that would impact on the budget for 2020/21. These items have been allocated and are reflected in the provisional cash limits, with the exception of a sum of up to £1m for external legal costs associated with the increase in the number of CLA which has been retained in contingencies and will be allocated in year once further analysis has been completed.

57. Chief Officers, with Executive Members have been developing their detailed budgets within these provisional guidelines, subject to their approval, so that the Leader and Cabinet can make the final budget recommendations for 2020/21 at the meeting in February 2020.

Section I: Transformation to 2021

58. One of the key features of the County Council's well documented financial strategy and previous savings programmes has been the ability to plan well in advance, take decisions early and provide the time and capacity to properly implement savings so that the full year impact is derived in the financial year it is needed.

59. This approach has also meant that savings have often been implemented in advance of need and this has provided resources, both corporately and to individual departments, to fund investment in capital assets and to fund further change and transformation programmes to deliver the next wave of savings.

60. Whilst this has been a key feature of previous cost reduction programmes it was recognised without doubt that the Tt2021 Programme, the fifth major cost

reduction exercise for the County Council since 2010, will be even more challenging than any previous transformation and efficiency programme as it will run alongside Transformation to 2019 (Tt2019) and against the backdrop of a generally more challenging financial environment and burgeoning service demands.

61. Cabinet has previously noted that each successive transformation programme over the past decade has been harder than the previous one as the scope for early and easier savings is further diminished. In addition, it has always been acknowledged that the implementation of some proposals will be more challenging than others and may be subject to separate consultation exercises to fully understand the impacts of the proposals. Taking the time to get this right is very important for service users and the County Council

62. The MTFS referenced clearly the challenges associated with the Tt2021 Programme and made clear that delivery would extend beyond two years. In the most part the cash flow support required to manage the extended delivery timetable will be met from departmental cost of change reserves, which will be boosted by some early delivery in 2020/21. However, as we progress through and beyond 2020/21, the pressure on departmental Cost of Change reserves is predicted to increase.

63. Given this fact, cash flow support of £32m has been provided for in the MTFS and will be held corporately to cover any remaining shortfall to ensure that where savings take more time to implement safely this has been allowed for in our longer term planning to enable this managed approach to be taken.

64. The latest forecast cash flow position of savings is shown in the table overleaf, with full delivery anticipated by the start of 2023/24:

	2019/20 £'000	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**
Adults' Health & Care	119	10,083	24,035	36,921
Children's – Non-Schools	8,403	9,763	17,202	17,202
Economy, Transport & Environment (ETE)		850	11,748	11,748
Policy & Resources (P&R)	1,763	3,452	7,950	7,950
Departmental Total	**10,285**	**24,148**	**60,935**	**73,821**
Early Achievement / (Shortfall)	**10,285**	**24,148**	**(19,065)**	**(6,179)**

65. The later delivery of certain projects is consistent with previous updates on Tt2021, with Adults' Health and Care requiring more than £25m of cash flow support – which is perhaps not surprising given the fact that the savings they need to deliver account for more than half of the total and also the complex nature of different savings areas.

66. In line with previous major cost reduction exercises Tt2021 progress will continue to be closely monitored and will be subject to monthly review by CMT and regular reporting to Cabinet throughout 2020 and beyond. This will ensure that issues, concerns and risks are dynamically responded to and dealt with. It will also mean that benefits realisation and the timely delivery of savings is consistently in focus, which for this programme is even more important since it will run alongside delivery of the remainder of the Tt2019 Programme.

67. A separate report updating the Cabinet on the progress of the Tt2019 and Tt2021 Programmes is presented elsewhere on this Agenda and highlights positive progress on the achievement of savings against the targets set.

68. Whilst Tt2021 represents an immense challenge, the County Council does have significant capacity, capability and experience to tackle the task, highlighted by its track record to date. As tough as the forward agenda is, we know that the County Council is as well placed as any other local authority to deliver on the continuing financial challenges that apply in the sector and crucially to make the necessary investment required, some of which is discussed further below.

Section J: Accommodation Strategy

69. As part of the Tt2019 Programme savings of £1.3m were planned from the corporate office accommodation budget managed by Culture, Communities and Business Services (CCBS).

70. The strategy and approach to achieve this proposed that costs reduction could be achieved by:

- Consolidating HCC employed staff within a smaller footprint with the resulting increased utilisation further facilitated through the roll out of the Enabling Productivity Programme (EPP).
- Releasing surplus space either through disposal of whole buildings or by leasing surplus space to partners or third-party tenants.

71. The approach recognised office accommodation as a corporate facility that required collective ownership and management. Consequently, a new Corporate Office Accommodation Board was formed in March 2019 to give cross departmental focus on driving the strategy and importantly bringing rigour and challenge to the varying demands on the corporate estate. Since its implementation the Board has established processes that provide a structured approach to accommodation requests, balancing the need to move quickly with specific projects whilst requiring proper consideration and business cases for more complex requests.

72. Through the Board, departments now have visibility of the demand and requests across Hampshire County Council, allowing dependencies to be identified and managed appropriately. This has led to Property Services working much more closely with each department to help them shape their

asset strategies to meet the developing service needs, as well as responding to emerging new ways of working with technology.

73. Even with the current drive it is clear that growth (much of which is positive for example as a result of the expansion of Shared Services) and the need for flexibility is running counter to the ability to reduce and let surplus space. As a result, the delivery of the Tt2019 saving has been impacted.

74. For the time being, cash flow funding is being provided to help support the Tt2019 Programme as further options for accommodation savings are being explored alongside the need to respond to demand pressures for accommodation across the estate, but particularly within Winchester. There are still a range of opportunities that can be pursued, and we also await the results of a further utilisation survey to inform the future potential for achieving the savings, which will be reported to Cabinet in due course.

75. Whilst the work of the Board is undoubtedly bringing challenge to requests, it is becoming increasingly difficult to realise the space and cost savings where there is a clear business imperative for the growth. Therefore, moving forward the office accommodation costs associated with future growth proposals will be identified in the relevant business case for growth and considered corporately and / or topped up by departments. In addition, principles have been agreed regarding funding of moves or changes within the corporate office portfolio to provide clarity.

76. As part of the recognition of office accommodation as a corporate facility it is proposed that the budgets will be moved from CCBS to P&R Other in order to realign the financial drivers with corporate objectives rather than the delivery of any financial savings target for Property Services. This change has been reflected in the cash limits set out in Appendix 1 for approval.

77. The changes to the budget also take into account the movement of an annual allocation of £408,000 that is currently contained in the Capital Programme that is used for minor works and office moves that would sit better as a revenue allocation.

Section K: Revenue Investment Priorities

78. In past years it has been possible to add significant schemes to the Capital Programme using surplus revenue funding generated by the early achievement of savings. As the financial strategy has evolved and savings have been required to meet successive budget deficits, there is less ability to do this above and beyond the use of specific capital resources that come from government or developers. However, the County Council's continues to provide resources to invest in specific priorities in line with the County Council's focus on continuous service improvement and to generate revenue or capital benefits in future financial years,

79. The council must also continually review the key risks that it faces and put mitigating actions in place where appropriate. A number of items were included in the latest MTFS approved by the County Council in November to enable the County Council to continue to effectively manage risk, and further investment is proposed below.

Health & Safety

80. It is fundamental that the Health & Safety culture comes ‘top down’ in the organisation and as part of ongoing improvement activity work has been undertaken to centralise the Health & Safety function under a single Head of Profession model.

81. Since the centralisation of the Health & Safety team, improved working is taking place between the different arms of the now centralised team, all service departments have pro-active improvement plans, and monitoring arrangements are in place to review and ensure delivery of these. These developments will further ensure that the organisation has additional capacity to assist collective application of learning from the Lymington case of 2015 which has recently concluded.

82. The centralised structure of Corporate and Department Health & Safety Teams, under a single Head of Profession – Health & Safety, was initially completed on a ‘lift and shift’ basis with the intention of subsequently undertaking a review to consider permanent structure proposals. This review has now been completed and proposals have been developed for a revised centralised structure which will further strengthen the Health & Safety function going forward.

83. The proposed new structure will provide additional resources at a cost of £210,000 per annum, which subject to approval will be incorporated into the budget for 2020/21. Any part year impact in 2019/20 will be met from within existing contingencies.

84. The investment will deliver a range of benefits providing even greater assurance and enabling the central team to provide additional Health & Safety functions such as core training across the organisation which was not originally catered for thus presenting unnecessary risks for the County Council.

Section L: Capital Investment

85. The County Council’s Capital Programme continues to be maintained and expanded, ensuring that we invest wisely in sustaining our existing assets and delivering a programme of new ones.

86. The timeframe for capital planning moves on each year and for the 2020/21 budget process, the programme will be extended into 2022/23. The table below shows the provisional capital guidelines that are being allocated to each department:

	2020/21	2021/22	2022/23
	£'000	**£'000**	**£'000**
Adults' Health & Care	481	481	481
Children's Services	100	100	100
ETE	11,929	11,929	11,929
P&R	4,159	4,159	4,159
Total	**16,669**	**16,669**	**16,669**

87. The capital guideline for ETE reflects the additional funding of £10m per annum for Operation Resilience (from 2017/18 for four years) that was added to the programme as part of the MTFS approved by the County Council in July 2016. The forecasts prepared for the latest MTFS also assumed that a recurring amount of £10m would be added to the budget as a revenue contribution to capital to ensure the continuation of Operation Resilience which was due to end in 2020/21. It should be noted that this is not additional funding, rather it ensures the continuation of the £10m that has been part of the programme for many years and provides a sustainable funding source going forward. This has been added to the capital guideline for ETE for planning purposes at this stage but is subject to the amount being agreed as part of future revenue budget and council tax setting.

88. The guideline for P&R reflects the decision made earlier in 2019 by the Executive Member for Recreation and Heritage to amalgamate the Community Buildings Capital Fund (£125,000 per annum) into the new Recreation and Heritage Community Fund within the revenue budget. As outlined in paragraph 77, the guidelines for P&R also take account of the transfer of accommodation funding of £408,000 to revenue, to better reflect the actual spend pattern of the funding. The revised Capital Programme for 2019/20 includes the carry forward from previous years (£408,000 and £278,000 from 2018/19 and 2017/18 respectively) and this will also be transferred to the revenue budget for office accommodation.

89. Cabinet is requested to approve these provisional guidelines to allow departments to prepare their detailed capital programmes for approval as part of the budget setting process in January and February.

90. The figures in the table above represent the 'locally resourced' allocations to the Capital Programme, which supplement other capital resources that fund the overall programme, such as developers' contributions, capital receipts, Government grant and borrowing. The total programme approved last February is shown in the table overleaf and this will be updated as part of the budget setting process for 2020/21:

	Revised 2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	Total £000
Adult's Health & Care	43,241	13,422	481	481	57,625
Children's Services	48,633	105,385	29,251	81,980	265,249
ETE	197,285	129,034	51,765	44,917	423,001
P&R	40,414	22,656	21,956	21,956	106,982
Total	**329,573**	**270,497**	**103,453**	**149,334**	**852,857**

523,284

91. Whilst the Programme looks front loaded and there can sometimes be slippage in the phasing of schemes and the County Council has, in recent years, consistently spent cash of around £200m per annum on capital investment projects.

92. Given the link with revenue, as part of the Tt2019 Programme a review of the Capital Programme (and associated funding) explored any avenues that would result in a positive impact on the revenue position and where any net benefit could be applied as a justified and logical way to reduce the remaining savings required from departments. It was considered important that there was a good corporate understanding of the key capital investment priorities to aid future planning in this area and departments were asked to identify their potential requirements over the medium term.

93. As set out in the updated MTFS this exercise will be repeated over the next six months and information will be gathered on potential areas for capital investment that will be reported in the next iteration of the MTFS later in 2020.

94. The County Council's ability to continue to provide significant resources to invest wisely in specific priorities (such as the significant Secondary School Places programme and investment in Older Persons and Younger Adults Extra Care) in line with the County Council's focus on service improvement and to generate revenue benefits in future financial years, even in financial challenging circumstances, is a testament to the strong financial management and rigorous approach to planning and delivering savings that has been applied; and to the benefits that can be achieved from working at scale.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

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

Other Significant Links

Links to previous Member decisions:	
Title	Date
Medium Term Financial Strategy Update and Transformation to 2021 Savings Proposals http://democracy.hants.gov.uk/ieIssueDetails.aspx?IId=22267&PlanId=0&Opt=3#AI22852	Cabinet – 15 October 2019 County Council – 7 November 2019
Direct links to specific legislation or Government Directives	
Title	Date

Section 100 D - Local Government Act 1972 - background documents

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

Document	Location
None	

EQUALITIES IMPACT ASSESSMENT:

1. **Equality Duty**

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

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

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

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

2. **Equalities Impact Assessment:**

Equality objectives are not considered to be adversely impacted by the proposals in this report but the County Council's budget and the services that it provides are delivered in a way that ensures that any impact on equalities issues are fully taken into account.