



Hampshire County Council

Overall Financial Update (December Cabinet Report)

Rob Carr
Head of Finance

Budget Setting Framework

- Savings proposals for 2019/20 and Medium Term Financial Strategy approved last November and subject to Select Committee Scrutiny
- Budget setting framework and provisional cash limits and capital guidelines approved in December (being considered today)
- Formal Budget and Council Tax recommended by Cabinet and subject to full County Council Approval (which includes the potential for alternative budgets to be moved)

Financial Monitoring

	Adults' Health and Care	Children's Services	ETE, CCBS & Corporate Services
	£'000	£'000	£'000
Investment / Cost of Change Used	7,909	6,076	19,708
Pressures	1,716	10,309	269
Tt2017 Late Delivery	8,442	989	2,170
Subtotal	18,067	17,374	22,147
<i>To Be Met From:</i>			
Tt2019 Early Delivery	(716)	(645)	(3,005)
Other Savings	(1,605)	(995)	(8,701)
Other Departmental Reserves	(4,183)		(1,388)
Unallocated Corporate Support		(1,965)	(3,245)
Departmental Cost of Change	(11,563)	(5,356)	(5,808)
Total (Under) / Over Spend	0	8,413	0

Provisional Cash Limits

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	2017/18 Cash Limit	Base Changes	Inflation & Growth	2018/19 Cash Limit
	£'000	£'000	£'000	£'000
Adults' Health and Care	355,587	17,437	22,959	395,983
Children's – Schools	786,892	(5,816)		781,076
Children's – Non Schools	150,067	(809)	17,283	166,541
ETE	108,014	201	4,291	112,506
P&R	87,564	(1,693)	5,650	91,521
Total	1,488,124	9,320	50,183	1,547,627

Transformation to 2019 Programme – Cash Flow

	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Adults' Health & Care	8,269	41,780	52,106	55,756
Children's – Non-Schools	2,655	14,062	20,871	27,686
ETE	3,840	13,510	19,005	19,005
Policy & Resources (P&R)	4,271	14,304	14,929	14,929
Departmental Total	19,035	83,656	106,911	117,376
Early Achievement / (Shortfall)	19,035	(36,344)	(13,089)	(2,624)

Policy and Resources Select
Committee
22 January 2018
Budget Briefing 2018/19

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Presentation Outline

- Local Government Finance Settlement – Key Issues
- Reserves Position
- Update on Transformation to 2019 (Tt2019) Programme
- Key Departmental Challenges and Issues
- Policy and Resources Budget Proposals and Revenue Budget
- Policy and Resources Capital Programme

Local Government Finance Settlement – Key Issues

Local Government Finance Settlement

- Financial position to 2019/20 was heavily impacted by the Local Government Finance Settlement announced on 8 February 2016 which changed the methodology for distributing grant and also reflected a clear shift by the Government in council tax policy.
- Settlement announced in 2016 provided figures for authorities for 2016/17 and the following three financial years to aid financial planning.
- Figures to 2019/20 subject to submission of an Efficiency Plan and the County Council approved its plan as part of the Medium Term Financial Strategy (MTFS) in July 2016.

Budget Forecast 2018/19 – MTFS Position

- In February 2016 it was reported to Cabinet and County Council that savings in the order of £140m would be required and this has been reflected in all financial updates since that date, leading into the Tt2019 Programme.
- Savings proposals agreed in November 2017 to give the time for implementation.
- Significant draw from the Grant Equalisation Reserve (GER) in 2018/19 in order to give the County Council the time and capacity to properly deliver the Tt2019 Programme.
- A 4.99% council tax increase, 3% for social care costs on top of the referendum limit of 2%.

Autumn Budget and Pay Award

- In overall terms, the announcements in the Budget had very little impact on the revenue position reported in the MTFS.
- Since the Budget was announced there has been a two year pay offer for local government workers
 - Includes a 'core' increase of 2% and changes to the lower pay scales to reflect the impact of the National Living Wage.
 - Overall increase in the pay bill could be in the region of 6% over the two years, and is above the allowances made within the MTFS.
 - Depending on the final pay award agreed this could mean additional recurring costs of circa £5m will need to be met

Provisional Local Government Finance Settlement 2018/19

- Expectation was for minimal change to the settlement figures previously published.
- Revenue Support Grant (RSG) for 2018/19 is unchanged compared to the forecast position.
- ‘Core’ council tax referendum limit increased to 3% for all authorities for the next two years (each 1% increase in council tax equates to approximately £5.7m). The arrangements for the social care precept are unchanged.
- Ten new 100% Business Rate Pilots announced, one of which was for Portsmouth, Southampton and Isle of Wight Unitary Councils

Provisional Local Government Finance Settlement 2018/19

- Fair Funding Review consultation was announced as part of the settlement which is expected to be implemented in 2020/21.
- Potential move to at least 75% Business Rate Retention is also planned for 2020/21, but still on the basis of fiscal neutrality.
- No new announcements of funding for social care above those that we are already aware of the but Green Paper for adult social care is due to be published in summer 2018.

Reserves Position

Reserves Strategy

- Deliberate policy to make savings ahead of need and then use these funds to meet costs of the next phase of transformation.
- Total reserves of £524.2m as at 31 March 2017.
- Approaching half of this (£254.7m) committed to existing revenue programmes and capital spend.
- £98.4m in Departments cost of change and trading account reserves to be used for investment and future transformation and to cash flow delivery of Tt2019.
- £22.1m set aside to mitigate risks (mainly the insurance reserve as we self insure).
- £46.7m in schools reserves, £1.4m for the EM3 LEP and £21.5m in balances (in line with minimum reserves policy).

Reserves Strategy

- Only £79.4m (15.1%) is truly 'available' to support one off spending and is made up as follows :

	Balance 31/03/16 £'000	Balance 31/03/17 £'000	% of Total
<u>'Available' Reserves</u>			
Grant Equalisation Reserve	75,206	40,755	7.8
Invest to Save	9,077	31,100	5.9
Corporate Efficiency Reserve	7,902	0	0.0
Corporate Policy Reserve	5,109	4,632	0.9
Organisational Change Reserve	3,593	2,905	0.5
	<u>100,887</u>	<u>79,392</u>	<u>15.1</u>

* £35m of the GER will be used to support the revenue budget in 2018/19 with the remainder to be utilised in the period to 2020.

Update on Transforming the Council to 2019 Programme

Transforming the Council to 2019

- Savings target of £140m (£20m of which will be from corporate “housekeeping”).
- Savings proposals to meet this were agreed in November 2017.
- The focus for the programme is now very much on implementation and delivery. Where appropriate, this will include further service specific public consultations where proposals and options for service change will be debated with service users and key stakeholders.
- However, any modification to any proposal must be consistent with the financial and time imperatives of the overall programme.

Transforming the Council to 2019

- Scale of the transformation and lead in times for achieving savings will cause delay in some of the delivery of cash savings for the Tt2019 Programme.
- Cash flow support required on a one-off basis to manage the extended delivery timetable will in the most part be met from departmental cost of change reserves, which will be boosted by some early delivery in 2018/19.
- Further contingency will be held corporately to cover any remaining shortfall (estimated to be up to £40m).
- High degree of confidence this can be covered but this change in the savings delivery profile indicates we are now 'behind the curve' rather than in front of it.

Key Departmental Issues and Challenges

Key Departmental Issues / Challenges

Corporate Services

- Pressure from increasing demand to help support other Departments to make their T19 savings while also delivering more streamlined and focused support in order to deliver own savings.
- Focus on strengthening resilience through increased partnership working and external customers
- Additional pressure on the IT department to support extensive Council wide T19 programmes as well as corporate cross cutting themes such as Digital 2 and the Enabling Productivity Programme.

Key Departmental Issues / Challenges

Culture Communities and Business Services

- Focus on cost reduction supported by income generation and use of volunteers.
- Relatively small cash limit of £33m with £56m of spending supported by income and £60m of Business Unit Trading activity.
- Property Services generate a significant proportion of this income, with £9.8m external income. Work to deliver a new, lower cost, more efficient operational model is nearing completion.
- Business units targeting an in year surplus, to reinvest and generate additional income or cost efficiencies longer term.
- Additional pressure on HC3s (Catering) Business Unit due to the increase in food and labour costs, which is being met through efficiencies and an agreed increase to the price of a school meal.

Key Departmental Issues / Challenges

Policy and Resources non-departmental budgets

- Includes provision for a range of grants to the voluntary and community sector.
- Members' devolved budgets which for 2017/18 were reduced to £5,000 per Member from £8,000 in line with the approved Transformation to 2017 Programme savings.
- For 2017/18 and 2018/19 £8,000 per Member was funded by use of reserves
- A review of the Members devolved budgets is planned to take place during 2018

Policy and Resources Budget 2018/19

Policy and Resources Proposed Budget

Revenue Budget:	£'000
Revised Budget for 2017/18	92,924
Proposed Budget for 2018/19	91,919
Early Savings Delivery Forecast in 2018/19	4,300
 Capital Programme:	
Revised programme for 2017/18	75,478
Proposed programme for 2018/19	22,828

Policy and Resources Revenue Budget 2018/19

	£'000
Cash Limited Expenditure	207,932
Less Income (Other than Government Grants)	(116,411)
Total Cash Limited Expenditure	91,521
Trading Units Net (Surplus)	(584)
Coroners	1,747
Less Government Grants	(765)
Total Net Budget	91,919

Policy and Resources Capital Programme 2018/19

	£'000
Office Accommodation Schemes	408
Vehicles for Hampshire Transport Management	3,000
Hampshire Transport Management Vehicle Workshop	600
Community Buildings and Village Halls	125
CCBS Minor Works	328
Contingency	185
Alderwood School, Aldershot	932
Applemore School, Dibden Purlieu	1,048
Westgate School, Winchester	1,048
Schools Condition Allocation (projects costing less than £250,000)	14,508
Advance and Advantageous Land purchases	646
Total	22,828