

Economy, Transport & Environment Select Committee 27 January 2022 Budget Briefing 2022/23

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Agenda Item 6



Hampshire
County Council

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Local Government Finance Settlement – Key Issues and ETE Budget 2022/23

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Sue Lapham – Finance Business Partner

Provisional Local Government Finance Settlement 2022/23

- A one year provisional Finance Settlement for 2022/23 was announced on 16 December but final figures will not be confirmed by the Government until late January or early February
- Future year's funding allocations will be determined following the outcome of a consultation on the existing local government funding formula to be carried out in Spring 2022
- Key items include:
 - **£11.0m** additional social care grant distributed based on the existing adult's funding formula
 - **£8.3m** 2022/23 Services Grant. The £822m national pot will be redistributed based on the new funding formula from 2023/24.
 - A **£3.6m** uplift in business rates compensation grants

Provisional Local Government Finance Settlement 2022/23

- An initial allocation of **£3.2m** from the **Market Sustainability and Fair Cost of Care Fund**. This is part of the government's package to support the recently announced social care reforms, providing funding for local authorities to:
 - Work with care providers to prepare local care markets for reform
 - Move towards paying providers a fair cost of care
- A **£0.9m** inflationary uplift for the Improved Better Care Fund
- Continuation of the New Homes Bonus for a further year, worth **£3.5m** to the Council in 2022/23
- **Total additional funding of £26.5m**
- **2.99% increase in Council tax, 1% lower than the assumption held within the MTFS. Estimated increase of £29.7m rather than previously assumed £36.7m.**
- **Total increase in core spending power of 6.3%**

County Council context

Increasing financial pressure:

- **Seven** successive two-year **change programmes** implemented since 2010 to deliver cumulative savings of **£640m**
- As at December 2021 the Council is working to achieve **savings of £127m** including **£47m** of slipped Tt2019 and Tt2021 savings and a further **£80m** SP2023 savings required by 2023/24.
- **Inflation** has risen to the highest level since 2011, with CPI reaching **5.1%** in November 2021
- Additional National Insurance costs of **£2.3m** for internal staff and associated increases to contractual costs
- Significant pressures are building in adult social care with **market prices** now around **16-18% higher** than the Council's existing provision, which will create an **additional budget pressure in 2022/23**
- 2022/23 is an interim year within the context of the MTFs with the budget being balanced using **£40.2m from the budget bridging reserve**. It is now forecast that a significantly bigger draw from the reserve will be required.

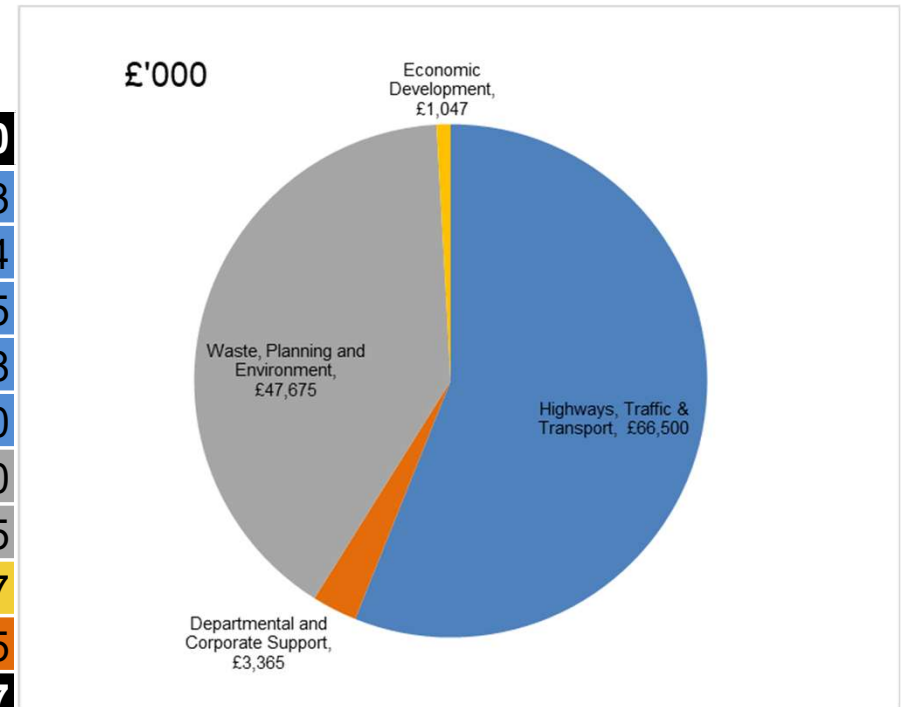
ETE Proposed Budget

Revenue Budget	£'000
Revised Budget for 2021/22	111,790
Proposed Budget for 2022/23	118,587
Capital Programme	
Revised programme for 2021/22	112,885
Proposed programme for 2022/23	109,734
Proposed programme for 2023/24	102,953
Proposed programme for 2024/25	62,212

ETE 2022/23 revenue budget by service area

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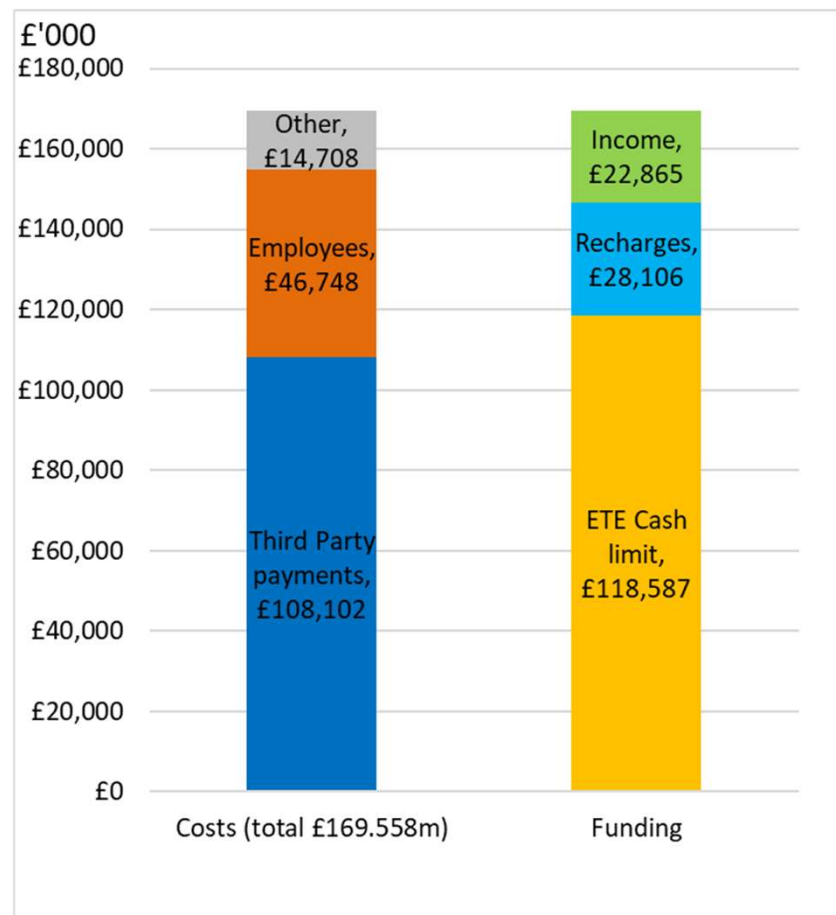
Activity	£'000
Highway maintenance	38,293
Winter maintenance	5,964
Public transport	18,235
Road Safety	2,218
Strategic Transport	1,790
Waste disposal	46,090
Planning & Environment	1,585
Economic Development	1,047
Dept. & corp. support	3,365
Total ETE cash limit	118,587



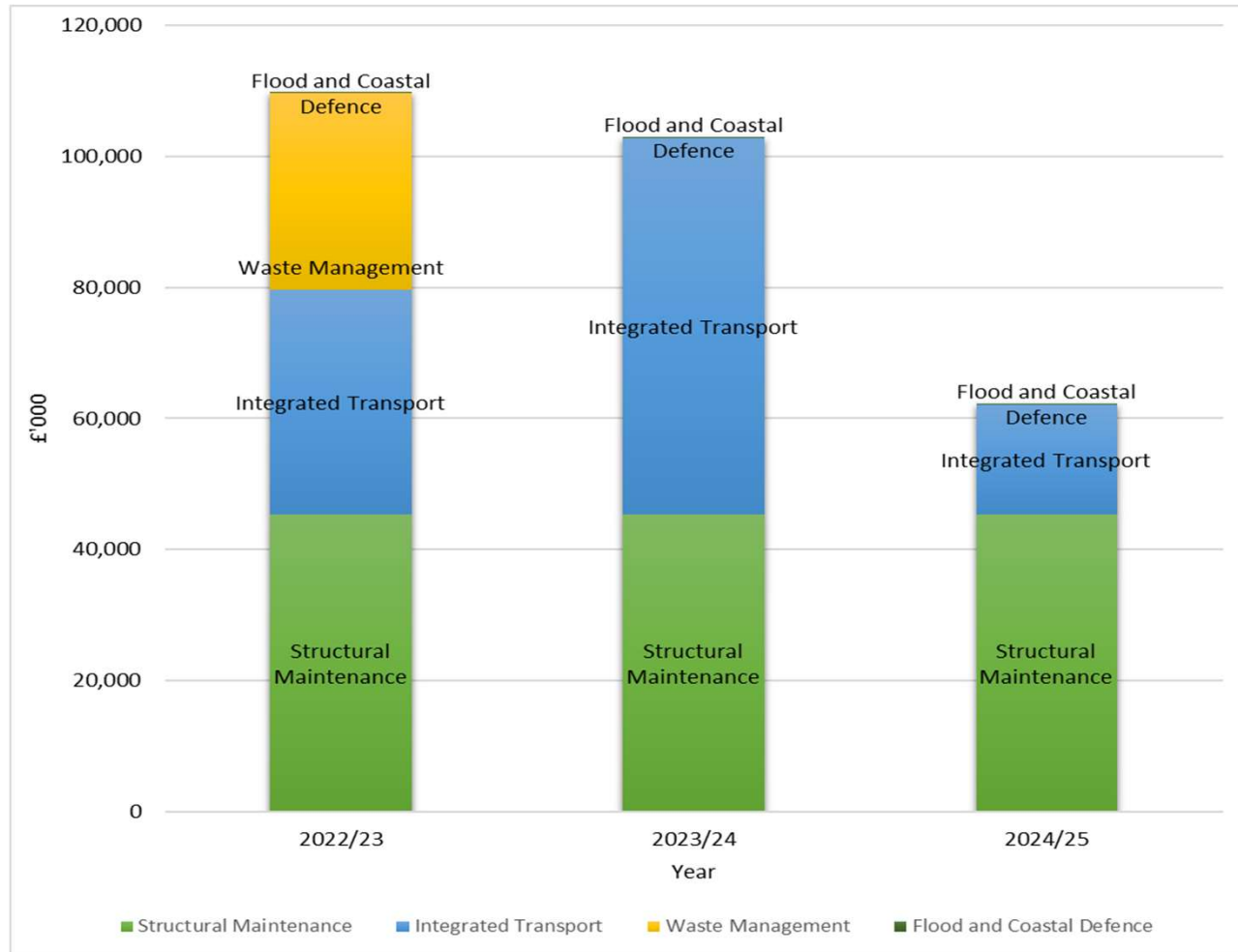
ETE 2022/23 revenue budget by cost type and funding source

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Cost type / funding source	£'000
Third party payments	108,102
Employees	46,748
Premises	5,988
Supplies & Services	4,843
Other costs	3,877
Recharges	28,106
Fees and charges	12,223
Other income	10,642
ETE net cash limit	118,587

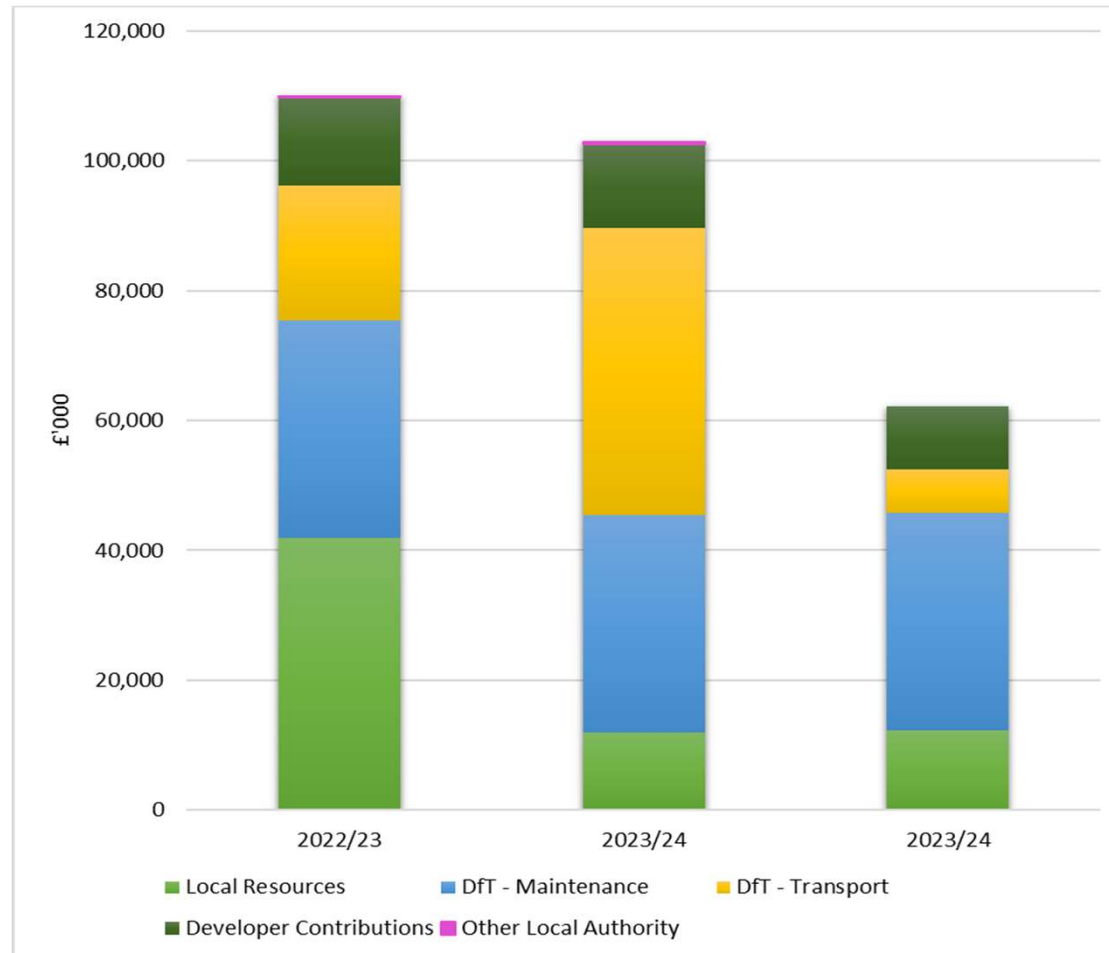


ETE Capital Programme 2022/23 to 2024/25



Capital programme funding sources 2022/23 to 2024/25

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Key Departmental Challenges and Priorities

Stuart Jarvis – Director of ETE

Highways

- Challenge of managing a decline in network condition;
- £7m new funding (locally resourced from Council Tax growth)
- Growing inflationary pressures;
- Growing public expectations on local Highway condition and use;

Waste Management

- Environment Act Requirements
- Secondary legislation and consultations on details still awaited
- New collection systems and need for supporting infrastructure investment and delivery;
- Complications of aligning 14 authorities
- Tt2021 savings delays

Climate Change

- ETE hosts corporate team
- Focus on wider Hampshire beyond HCC
- Financial Challenge to net zero is massive
- HCC Role enabling and advocacy:
 - Policy Leadership – e.g. transport
 - Building Community capacity and supporting community level responses
 - Partnership and multi agency working
 - Proof of concept and demonstration projects

Transport

- Changing travel and transport patterns
- Local Transport Plan 4 (LTP4) – new transport direction
- Greater complexity of transport funding and arrangements
- Transport priorities
 - Bus Service Improvement Plan (BSIP)
 - Govt promotion of active travel modes
 - Growth in electric vehicle ownership;
- High Expectations – Challenges over Capacity

Capital funding

- Changing Government priorities
- Potential impact of 'Levelling Up'
- Importance of a pipeline of priority projects as Government Policy changes;
- Construction inflation and labour shortages

Looking Ahead - challenges

- ETE will need to explore alternative service delivery models for some areas;
- Issues around recruitment and retention of staff;
- Expanding commercial activity to generate income and retain capacity for benefit of Hampshire;

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