

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economic Development
Date:	22 January 2018
Title:	2018/19 Revenue Budget Report for Economic Development
Report From:	Director of Economy, Transport and Environment and Director of Corporate Resources – Corporate Services

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1. Recommendations

To approve for submission to the Leader and the Cabinet:

- 1.1. The revised revenue budget for 2017/18 as set out in section 5.
- 1.2. The summary revenue budget for 2018/19 as set out in section 7.

2. Executive Summary

- 2.1. The purpose of this report is to set out proposals for the 2018/19 budget for Economic Development in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in November 2017.
- 2.2. The deliberate strategy that the County Council has followed to date for dealing with grant reductions during the prolonged period of austerity is well documented. It involves planning ahead of time, making savings in anticipation of need and using those savings to help fund transformational change to generate the next round of savings.
- 2.3. In line with the financial strategy that the County Council operates, which works on the basis of a two year cycle of delivering departmental savings to close the anticipated budget gap, there is no savings target set for departments in 2018/19. Any early achievement of resources from proposals during 2018/19 as part of the Transformation to 2019 (Tt2019) Programme will be retained by departments to use for cost of change purposes.
- 2.4. The report also provides an update on the financial position for the current year. Overall the outturn forecast for the Economic Development service for 2017/18 is a saving against the budget of £65,000.
- 2.5. The proposed budget for 2018/19 is shown in section 7.

- 2.6. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2017/18 and service budget for 2018/19 for Economic Development. The report has been prepared in consultation with the Executive Member and will be reviewed by the Economy, Transport and Environment Select Committee. It will be reported to the Leader and Cabinet on 5 February 2018 to make final recommendations to County Council on 22 February 2018.

3. Context and Priorities

- 3.1. The current financial strategy which the County Council operates works on the basis of a two year cycle of delivering departmental savings targets to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Grant Equalisation Reserve (GER) with any early achievement of savings proposals retained by departments to use for cost of change purposes, cashflow the delivery of savings or offset service pressures.
- 3.2. The County Council's early action in tackling its forecast budget deficit over the prolonged period of austerity and providing funding in anticipation of further reductions, has placed it in a very strong position to produce a 'steady state' budget for 2018/19, giving itself the time and capacity to develop and implement the Tt2019 Programme to deliver the next phase of savings totalling £140m. This also avoids the worst effects of sudden and unplanned decisions on service delivery and the most vulnerable members of the community. Consequently there are no departmental savings targets built into the 2018/19 budget. However, other factors will still affect the budget, such as council tax decisions and inflation.
- 3.3. In 2016 the Local Government Finance Settlement provided definitive figures for 2016/17 and provisional figures for local authorities for the following three years to aid financial planning for those authorities who could 'demonstrate efficiency savings'. Following acceptance by the Department for Communities and Local Government (DCLG) of the County Council's Efficiency Plan for the period to 2019/20 the expectation was for minimal change for 2018/19 and 2019/20. No figures have been published beyond this date and there remains uncertainty around the Fair Funding Review and the future of 100% Business Rate Retention.
- 3.4. The Medium Term Financial Strategy (MTFS) approved by the County Council in November 2017 flagged that the Budget in November might contain some additional information that could impact our planning assumptions, for example around public sector pay and council tax referendum limits.
- 3.5. In overall terms, the announcements in the Budget had very little impact on the revenue position reported in the MTFS, although there were some welcome announcements in respect of the Community Infrastructure Levy and Section 106 Developer Contributions.
- 3.6. Since the Budget was announced there has been a two year pay offer for local government workers, which includes a 'core' increase of 2% and changes to the lower pay scales to reflect the impact of the National Living

Wage. The 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 that is agreed this could mean additional recurring costs of circa £5m will need to be met.

- 3.7. The offer of a four year settlement provided greater but not absolute funding certainty and the provisional Local Government Settlement announced on 19 December confirmed the grant figures for 2018/19 in line with the four year settlement. The other key elements of the provisional settlement were:
- The 'core' council tax referendum limit was increased from 2% 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 remain unchanged.
 - Ten new 100% Business Rate Pilots were announced, one of which was for Portsmouth, Southampton and Isle of Wight Unitary Councils.
 - A Fair Funding Review consultation was announced as part of the settlement which is expected to be implemented in 2020/21.
 - A 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 but the Green Paper for adult social care is due to be published in summer 2018.
- 3.8. The key announcement related to the new referendum limit for council tax and this will be considered by Cabinet as part of the budget setting process in February.
- 3.9. The Economy, Transport and Environment Department has been developing its service plans and budgets for 2018/19 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the Department relating to Economic Development are set out below.

4. Departmental Challenges and Priorities

- 4.1. On 27 November 2017, the UK Government launched the latest iteration of its industrial strategy, setting out, at a national level, the specific areas of priority to ensure that the UK economy is resilient beyond Brexit. The five 'foundations' set as in the strategy are ideas (innovation), people (jobs), infrastructure, business environment and places.
- 4.2. Hampshire is well placed to play its role in a positive future for the UK economy, characteristics of our county including:
- Key strengths in productive, innovative and export intensive sectors including marine/maritime and aerospace/defence;
 - Strong connectivity to London and internationally via our ports and airports;
 - Outstanding lifestyle offer and world class natural environment;
 - Excellent education offer through schools, FE colleges and universities;

- Leading research institutions including both universities and the private sector.
- 4.3. In recognition of the criticality of ensuring that Hampshire remains a prosperous place for the benefit of its residents, and in response to consultation with the business community, we have now established a Cabinet Advisory Sub-Committee for Economic Development (to advise the Leader on all matters related to supporting the economy and businesses) and a Hampshire Business Engagement Forum, which brings together the Sub-Committee, the Board of the Hampshire & Isle of Wight Business Alliance (HIBA) and senior representatives of the two Hampshire LEPs.
- 4.4. The Economic Development function continues to develop its role in proactively attracting inward investment into Hampshire, especially in the key sectors for which we have a strong competitive proposition, and in driving forward major development projects, such as the new Conference and Exhibition Centre in Farnborough (due to open in 2018).
- 4.5. To achieve the continued delivery of services and at the same time reduce the net cost of Economic Development to the County Council, we have pursued a policy of closer partnership working with the likes of Enterprise M3 (shared internationalisation post and CRM system) and HIBA (business engagement officer post now hosted by Economic Development).

5. 2017/18 Revenue Budget

- 5.1. Enhanced financial resilience reporting, which looks not only at the regular financial reporting carried out in previous years but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued through regular reports to the Corporate Management Team (CMT) and periodic reports to Cabinet.
- 5.2. The budget for Economic Development has been updated throughout the year resulting in a revised budget of £741,000. The movement between the original and revised 2017/18 budget encompasses net adjustments relating to the County Council's contribution to the two Local Enterprise Partnerships (+£20,000), the reporting of all Economy, Transport and Environment Department early achievement of savings in one place (-£29,000, now included within the figures reported to the Executive Member for Environment and Transport) and a modest increase relating to changes in employer's pension contributions (+£5,000).
- 5.3. The expected Economic Development outturn forecast for 2017/18 is a saving of £65,000 against the revised budget of £741,000 as the result of planned vacancy management savings.

6. Revenue Savings Proposals

- 6.1. In line with the current financial strategy, there are no new savings proposals presented as part of the 2018/19 budget setting process. Savings targets for 2019/20 were approved as part of the MTFs to 2020 by the County Council in July 2016. Savings proposals to meet these targets have been developed through the Tt2019 Programme and were approved by Executive Members, Cabinet and County Council in October and November this year.

6.2. Some savings will be implemented prior to April 2019 and any early achievement of savings in 2018/19 can be retained by departments to meet cost of change priorities. Any early savings from Economic Development services will be retained by the Economy, Transport and Environment Department and will therefore be included within the figures reported to the Executive Member for Environment and Transport.

7. Budget Summary 2018/19

- 7.1. The budget update report presented to Cabinet in December included provisional cash limit guidelines for each department. The cash limit of £757,000 for Economic Development was included as part of the total for the Economy, Transport and Environment Department and incorporates a £16,000 inflation increase compared to the 2017/18 revised budget.
- 7.2. Table 1 summarises the proposed budgets for Economic Development for 2017/18 and 2018/19 and shows that these are within the cash limit set out.

Table 1

Service activity	Original budget 2017/18 £'000	Revised budget 2017/18 £'000	Proposed budget 2018/19 £'000
Economic Development	745	741	757

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

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

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Transformation to 2019 – Revenue Savings Proposals (Executive Member for Economic Development) http://democracy.hants.gov.uk/ieListDocuments.aspx?CId=172&MId=312	19 September 2017
Medium Term Financial Strategy Update and Transformation to 2019 Savings Proposals (Cabinet) http://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MId=737	16 October 2017
Budget Setting and Provisional Cash Limits 2018/19 (Cabinet) http://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MId=738	11 December 2017
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

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.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1 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 under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

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

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

1.2 Equalities Impact Assessment:

The budget setting process for 2018/19 does not contain any proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2019 Programme were considered in detail as part of the approval process carried out in October and November 2017 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 4 to 7 in the October Cabinet report linked below:

<http://democracy.hants.gov.uk/mqAi.aspx?ID=3194#mqDocuments>

2. Impact on Crime and Disorder:

2.1 The report does not contain any proposals which impact on crime and disorder.

Climate Change:

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

The report does not contain any proposals which impact on our carbon footprint or energy consumption.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The report contains no proposals that will impact on climate change.