

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Policy and Resources
Date:	22 January 2018
Title:	2018/19 Revenue Budget Report for Policy and Resources
Report From:	Chief Executive, Director of Culture, Communities and Business Services, Director of Corporate Resources and Director of Transformation and Governance

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1. Recommendation(s)

To approve for submission to the Leader and the Cabinet:

- 1.1. The revised revenue budget for 2017/18 as set out in Appendix 1.
- 1.2. The summary revenue budget for 2018/19 as set out in Appendix 1.

2. Executive Summary

- 2.1. The purpose of this report is to set out proposals for the 2018/19 budget for Policy and Resources 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 Policy and Resources for 2017/18 is a balanced budget that uses early achievement of savings to fund one-off investment to deliver the transformation programmes.

- 2.5. The proposed budget for 2018/19 analysed by service is shown in Appendix 1.
- 2.6. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2017/18 and detailed service budgets for 2018/19 for Policy and Resources. The report has been prepared in consultation with the Executive Member and will be reviewed by the Policy and Resources 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 £140 million. 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 the 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. Policy and Resources departments have been developing 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 departments are set out below.

4. Departmental Challenges and Priorities

Corporate Services

- 4.1. The financial position for Corporate Services in the current financial year confirms the successful implementation of the transformation to 2017 programme. This provides a good position from which the Department is continuing to build on and further develop business processes and operating models alongside the transformation programme to 2019. In addition, it is important to note that Corporate Services teams will continue to provide critical support to other Departments during the delivery of their own Transformation to 2019 programmes.

Corporate Resources

- 4.2. The department continues to experience both opportunities and some challenges associated with partnership working as the portfolio of partners and the scope of services provided changes and develops over time. However, it is clear that the partnership model continues to bring economies of scale and resilience to ensure the delivery of more efficient and effective support services for all partners.
- 4.3. Investment in the Digital Project has introduced a range of new technology and business capabilities aimed at improving and modernising the way that residents, employees and suppliers interact with the County Council. At the heart of this, was a new Customer Relationship Management system which was initially rolled out to HantsDirect, and subsequently the IBC. This has enabled the County Council to offer improved self-service functions, around the clock, to help encourage more people to move towards the use of more efficient channels such as internet and web chat to access services and interact with the Authority.
- 4.4. Following the implementation of this digital platform, the County Council has been chosen as Gold winner in the Innovation category of the 2017 SAP Quality Awards; this prestigious award is recognition of our innovation, and the high standards by which the digital project has been delivered.
- 4.5. Further service enhancements are being developed including the implementation of a new e-recruitment solution. The department continues to be engaged in the corporate transformation programmes 'enabling productivity' and 'digital 2' ensuring that the whole County Council, its partners and service users maximise the benefit of the latest technology and modern ways of working. All of these developments better enable the delivery of the wider transformation programme.

Transformation and Governance

- 4.6. With the on-going period of austerity and the need for further transformation of services in order to achieve efficiency and effectiveness in the delivery of modern services, the organisation continues to require strong programme leadership and robust project management input. During 2017/18 the County Council has continued to develop its internal capacity in its transformation practice in order to support the organisation through its next transformation programme to 2019.
- 4.7. Robust support around governance of the County Council remains a key priority. Opportunities to streamline processes and modernise systems are being implemented across the various aspects of governance including procurement.
- 4.8. Legal Services has attracted new external customers in 2017 and will continue to look to broaden its offer and seek to support a wider range of external customers. This will enable the net cost of the service to be steadily and sensibly reduced, whilst we retain the highest quality capacity and capability to meet the varied needs of the County Council.

Customer Engagement Service

- 4.9. The Customer Engagement Service (CES) supports: the County Council's website – Hantsweb; Customer Contact Centre – Hantsdirect; insight and engagement activities including public consultations; marketing and advertising of a range of Council services and Corporate Communications.
- 4.10. Demand for support from the CES continues to grow, driven by both internal and external demands. Transformation agendas within the County Council have resulted in the need for additional support, especially in consultations, marketing and communications.
- 4.11. The ongoing delivering of efficient and cost effective ways of engaging with residents, particularly through the improved web pages, is enabling residents to access information more easily themselves and apply for services on-line. This 'channel-shift' is supporting a gradual reduction in the cost of CES services and enabling opportunities to further streamline the operating model for CES.

Non-Departmental Budgets

- 4.12. The Policy and Resources portfolio includes provision for a range of grants to the voluntary and community sector. This includes Members' devolved budgets which for 2017/18 were reduced by £234,000 (£5,000 per Member from £8,000) in line with the approved Transformation to 2017 Programme savings. However, a recommendation presented to the Policy and Resources Select Committee on 20 January 2017 to set the grant at £8,000 per Member was subsequently approved.
- 4.13. In the short term, pressure arising from the increase in the grant will be met from reserves pending a further review of the grants during 2018/19.
- 4.14. Policy and Resources also includes the revenue budget for repair and maintenance of the County Council's estate and is managed by the Director of Culture, Communities and Business Services.

Culture Communities and Business Services (CCBS)

- 4.15. The department delivers a wide range of services with gross expenditure in the region of £89 million a year and income streams of around £56 million, leaving a net cash limit of £33 million. In addition the department is responsible for managing the repairs and maintenance of the corporate estate (£7.8 million) and has Service level agreements with 524 schools, including 28 Academies (£16 million), the Coroners service (£1.7 million) and the relationship with various major Trusts including the Hampshire cultural Trust, together with responsibility for the delivery of the Broadband programme of £30 million and capital projects of £21 million.
- 4.16. The department is also responsible for 5 Business Units with a turnover of over £60 million. Hampshire Transport Management was successful in winning the contract with Skanska to maintain the highways fleet, a contract which has a value of £14 million.
- 4.17. HC3s (Catering) has agreed an increase to the price of a school meal from September next year which will help to cover the increase in food and labour costs. The combined surpluses of the business units amounts to £0.6 million and are held primarily for reinvestment in new technology, asset replacement

and contracts with new customers, which will generate a longer term return on investment through increased competitiveness, additional income or cost efficiencies. The accumulated surpluses have also provided contributions of £1.5m a year in both 2015/16 and 2016/17 to the County Council's T2017 programme.

- 4.18. Property Services continue to generate external income of £9.8 million through the provision of services to a number of external organisations and schools. A key piece of work known as Property Futures is nearing completion and will deliver a new, lower cost and more efficient operating model from April next year. A new strategy for the council's office estate is also nearing completion with the aims of achieving higher levels of utilisation and revenues.

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. Overall, for Policy and Resources, the expected financial position at the end of 2017/18 is a balanced budget.
- 5.3. This net position results from a combination of factors including:
- early achievement of Tt2019 savings
 - one-off savings in 2017/18 including staff vacancies
 - off set by one off expenditure relating to the transformation programmes which will be funded from cost of change or other reserves at the end of the year.
- 5.4. The budget for Policy and Resources has been updated throughout the year and the revised budget is shown in Appendix 1.

6. 2018/19 Revenue Budget Pressures and Initiatives

- 6.1. Over this prolonged period of austerity, all departments have been required to deal with increasing work pressures at a time that staffing resources and other budgets are reducing significantly. Furthermore, as savings become harder and more complex to deliver (linked for example to changes in digital technologies) the cost and timeframes to deliver savings get higher and longer, placing additional strain on the resources available to deliver business as usual activity.
- 6.2. Whilst in relative terms, Policy and Resources Departments are in quite a strong financial position it is clear that pressure is building in these areas. Policy and Resources Departments have also been using their cost of change reserves to fund additional capacity in their transformation teams and the corporate Transformation Practice. The potential longer timeframes for delivering the County Council's Transformation to 2019 Programme will also

mean that these teams will be in place for longer, placing further pressure on available resources.

7. Revenue Savings Proposals

- 7.1. 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.
- 7.2. 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. It is anticipated that £4.3 million of savings will be achieved in 2018/19. These savings are retained within the overall cash limit and adjusted within individual budget lines in Appendix 1.

8. 2018/19 Revenue Budget Other Expenditure

- 8.1. The budget includes some items which are not counted against the cash limit. This includes business units whose costs are covered by customer income and also the Coroner's service which is budgeted for outside of the Policy and Resources cash limit, as the County Council has no direct control over service levels provided and costs incurred.

9. Budget Summary 2018/19

- 9.1. The budget update report presented to Cabinet in December included provisional cash limit guidelines for each department. The cash limit for Policy and Resources in that report was £91.521 million which was a £3.957 million increase on the previous year, largely reflecting inflation.
- 9.2. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by Policy and Resources for 2018/19 and show that these are within the cash limit set out above.
- 9.3. In addition to these cash limited items there are further budgets within the responsibility of Policy and Resources, as shown in the table below:

	2018/19	
	£'000	£'000
Cash Limited Expenditure	207,932	
Less Income (Other than Government Grants)	(116,411)	
Net Cash Limited Expenditure		91,521
Trading Units Net (Surplus)		(584)
Coroners		1,747
Less Government Grants:		
• Local reform and community voice	(561)	
• Inshore fisheries and conservation	(204)	
Total Government Grants		(765)
Total Net Expenditure		91,919

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

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes
People in Hampshire live safe, healthy and independent lives:	Yes
People in Hampshire enjoy a rich and diverse environment:	Yes
People in Hampshire enjoy being part of strong, inclusive communities:	Yes

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Transformation to 2019 – Revenue Savings Proposals (Executive Member for Policy and Resources) P&R Transformation to 2019	22 September 2017
Medium Term Financial Strategy Update and Transformation to 2019 Savings Proposals (Cabinet) Medium term financial strategy	16 October 2017
Budget Setting and Provisional Cash Limits 2018/19 (Cabinet) Budget setting - provisional cash limits	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.)

DocumentLocation

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:

[equality impact assessments](#)

2. Impact on Crime and Disorder:

2.1 The proposals in this report are not considered to have a direct impact on the prevention of crime, but the delivery of some services may have an indirect impact on crime and disorder and where this is the case it will be taken into account as part of the service delivery.

Climate Change:

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

The proposed budget contains measure that will assist in reducing the County Council's carbon footprint and changes to services are designed in such a way to also achieve this objective.

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

The delivery and transformation of services will ensure that climate change issues are taken into account where relevant.

Budget Summary 2018/19 – Policy and Resources

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Legal Services	2,267	2,390	2,495
Transformation	893	1,771	1,012
Governance	2,449	2,458	2,463
Total Transformation and Governance	5,609	6,619	5,970
Finance	3,645	3,514	3,717
HR	4,106	4,310	4,366
IT	18,777	20,663	21,341
Audit	660	644	661
Customer Business Services	3,512	2,307	2,404
Corporate Resources Transformation	37	806	854
Corporate Resources Management	867	170	183
Total Corporate Resources	31,604	32,414	33,526
Communication, Marketing & Advertising	535	555	565
Corporate Customer Services	2,125	2,813	2,824
Web Team	641	593	563
Insight & Engagement	651	568	722
Chief Executive's Office & Leadership Support	792	801	764
Total Customer Engagement Service	4,744	5,330	5,438
Total Corporate Services	41,957	44,363	44,934
Corporate & Democratic Representation	66	66	66
Grants to Vol	222	222	227
Grants & Contributions to Voluntary Bodies	787	787	806
Southern Sea Fisheries	307	348	307
Members Devolved Budgets	390	624	390
Rural Affairs	200	110	200
Other Miscellaneous	221	221	221
P&R Non Departmental Budgets (Direct)	2,193	2,378	2,217
Members Support Costs	1,721	1,721	1,749
Corporate Contribution to Trading Units	105	0	0
Repairs & Maintenance	7,565	7,621	7,812
Strategic Asset Management	1,501	5,051	1,254
Other Miscellaneous	323	323	331
P&R Non Departmental Budgets (Central)	11,215	14,716	11,146
Total Other Policy and Resources	13,408	17,094	13,363
Transformation	57	507	210
Rural Broadband	243	244	250
CCBS IT Budget and Rural Funding	0	214	76
Transformation and Business Management	300	965	536

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Regulatory Services	1,432	1,343	1,076
Business Support	774	766	833
Scientific Services	8	18	49
Asbestos	(1)	7	(21)
Total Community and Regulatory Services	2,213	2,134	1,937
Risk, Health & Safety	193	195	199
Sir Harold Hillier Gardens	312	220	87
Total Culture & Heritage	505	415	286
Corporate Estate	(189)	(196)	(194)
County Farms	(501)	(500)	(497)
Development Account	(417)	(417)	(415)
Sites for Gypsies and Travellers	54	54	55
Property Services	1,691	1,326	1,687
Office Accommodation/Workstyle	5,139	5,003	4,591
Facilities Management	3,037	3,065	3,337
Hampshire Printing Services	0	(139)	(136)
Caretaking & Cleaning Services	0	(11)	(11)
Segensworth Unit Factories	0	(12)	(12)
Print Sign Workshop	9	9	9
Total Property Services and Facilities	8,823	8,182	8,414
CCBS Planned contribution to Cost of Change	(168)	(261)	1,093
Total CCBS P&R Services	11,673	11,435	12,266
Total CCBS CRC Services	20,526	20,697	20,958
Total CCBS	32,199	32,132	33,224
Total Policy and Resources Cash Limited Budget	87,564	93,589	91,521
Coroners	1,650	1,817	1,747
Trading Units:			
School Library Service	0	0	0
River Hamble	(25)	(25)	(25)
Infrastructure & Partnership Procurement	(235)	0	0
Segensworth Unit Factories	(12)	0	0
County Supplies	(295)	(295)	(328)
HC3S	(9)	(258)	(115)
Hampshire Transport Management	(9)	(9)	(116)
Total Trading Units	(585)	(587)	(584)

Service Activity	Original Budget 2017/18 £'000	Revised Budget 2017/18 £'000	Proposed Budget 2018/19 £'000
Government grants:			
Local reform and Community Voice	(552)	(561)	(561)
Inshore Fisheries and Conservation	(204)	(245)	(204)
Library DOTS project	0	(178)	0
Corporate Digital Project	0	(911)	0
Total Government Grants	(756)	(1,895)	(765)
Total Net Expenditure Policy and Resources	87,873	92,924	91,919