



Hampshire
County Council

Economy, Transport and
Environment Select
Committee
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Budget Briefing 2018/19

Sue Lapham
Finance Business Partner

Presentation Outline

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

Local Government Finance Settlement – Key Issues



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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.
- 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
	100,887	79,392	15.1

* £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

- Secure Government agreement on **ability to charge for services** such as accessing Household Waste Recycling Centres, or issuing older persons bus passes
- Ability to influence positively **waste volumes and recycling rates** e.g. through behaviour change programme and service changes
- Maintain **good working relationships** with District Councils and Government Agencies (against backdrop of funding cuts and devolution) e.g. waste, traffic management and flood risk management

Key Departmental Issues / Challenges

- **Highways** – ongoing impact of “fixed” costs (e.g. PFI payments) taking higher % of a lower overall budget leaving less for routine maintenance & safety defects
- Demand pressures as households increase (waste and transport) and road travel rises (Highway Maintenance)
- **Universal services** – responding to volume of contacts and expectations relating to service changes with fewer staff
- **Staff recruitment and retention** issues in areas such as engineering, planning and specialist environmental services

ETE Budget 2018/19

ETE Revenue Budget 2018/19

	£'000
Highways, Traffic and Transport	56,569
Waste, Planning and Environment	47,794
Economic Development	757
Departmental and Corporate Support	3,546
Early achievement of Tt2019 savings	3,840
Total Cash Limited Services	112,506

ETE Capital Programme 2018/19 to 2020/21

	2018/19	2019/20	2020/21	Total 3 Year
	£'000	£'000	£'000	£'000
Structural Maintenance	40,025	40,025	40,025	120,075
Integrated Transport	88,414	40,193	4,427	133,034
Flood and Coastal Defence	10,866	106	106	11,078
Community Transport	365	0	0	365
Total	139,670	80,324	44,558	264,552

Sources of Capital Funding (£'000)

	2018/19	2019/20	2020/21	Total 3 Year
Local Resources	25,243	17,929	11,929	55,101
Local Transport Plan grant (LTP)	24,480	25,104	23,384	72,968
Other Dept. for Transport	13,548	6,618	6,618	26,784
Local Growth Fund	34,768	20,550	0	55,318
Highways England	13,056	0	0	13,056
Developer Contributions	20,363	10,123	2,627	33,113
Other Local Authority	1,250	0	0	1,250
Environment Agency	6,860	0	0	6,860
Other	102	0	0	102
Total	139,670	80,324	44,558	264,552

