

End of Year Report – 2017/18

Departmental Cash Limits

	(Under) / Over Budget £'000
<u>Departmental Expenditure</u>	
Adults' Services	0
Children's Services - Non schools	0
Economy, Transport and Environment	(4,982)
Policy and Resources	(5,451)
TOTAL	<u>(10,433)</u>



Other Budgets

	(Under) / Over Budget £m
Capital Financing / Interest on Balances	(7.0)
Waste Management	(4.3)
Contingencies	(12.6)
Other Net Variations	(1.2)
TOTAL	(25.1)

Allocation of Budget Savings

- Departmental savings will be added to cost of change reserves in line with current policy
- £6.25m to the insurance reserve
- £0.5m to the Investment Risk Reserve
- £1.4m for pot hole repair (on top of £600k carry forward and £3m Government grant)
- Balance of £17m added to Grant Equalisation Reserve to start to build up for Transformation to 2021 Programme

Reserves

	Balance 31/03/2017 £'000	Balance 31/03/2018 £'000	% of Total %
<u>Summary</u>			
Committed to existing spend programmes	254,717	338,640	52.4%
Departmental / Trading Reserves	98,411	99,660	15.4%
Risk Reserves	22,071	27,571	4.3%
Other Reserves *	80,788	120,096	18.6%
Total Earmarked Reserves	455,987	585,967	90.7%
Schools Reserves	46,679	37,252	5.8%
General Fund Balance	21,498	22,398	3.5%
Total Reserves and Balances	524,164	645,617	100.0%

* GER accounts for virtually all of the increase and stands at £74.9m in preparation for draws for 2018/19 and 2020/21

Total Investments

	31/03/17 Balance £m	Movement £m	31/03/18 Balance £m	31/03/18 Rate %	31/03/18 WAM years
Short term Investments					
- Banks and Building Societies:					
- Unsecured	35.7	(24.0)	11.7	0.53	0.11
- Secured	20.0	35.0	55.0	1.00	0.56
- Money Market Funds	61.7	(36.0)	25.7	0.46	0.00
- Local Authorities	116.8	43.7	160.5	1.33	0.35
- Corporate Bonds	1.3	(1.3)			
- Registered Provider		20.0	20.0	2.03	0.33
	235.6	37.3	272.9	1.20	0.35
Long term Investments					
- Banks and Building Societies:					
- Secured	70.0	8.3	78.3	0.79	2.57
- Local Authorities	97.5	(36.5)	61.0	1.41	1.94
	167.5	(28.2)	139.3	1.06	2.29

Total Investments

	31/03/17 Balance £m	Movement £m	31/03/18 Balance £m	31/03/18 Rate %	31/03/18 WAM* years
Long term Investments – high yielding strategy					
- Local Authorities					
- Fixed deposits	20.0		20.0	3.96	15.97
- Fixed bonds	10.0		10.0	3.78	15.77
- Pooled Funds					
- Pooled property	45.0	10.0	55.0	4.60	N/A
- Pooled equity	20.0	20.0	40.0	4.28	N/A
- Pooled multi-asset	10.0	10.0	20.0	3.99	N/A
- Registered Provider	5.0		5.0	3.40	1.08
	110.0	40.0	150.0	4.25	13.79
Total Investments	513.1	49.1	562.2	1.98	2.00



Medium Term Financial Strategy

MTFS Post 2019/20 – Key Issues

- We are completely blind post 2019/20
- Fair Funding Review and Business Rate Retention could have significant impact but too early to say (CSR due 2019).
- Schools funding is a major issue. Deficits in DSG are predicted for future years (not factored into forecasts).
- Housekeeping savings are still an option – will aim to cover additional pressures up to 2019/20.
- Whilst a further 2 year programme is challenging, we may struggle to cover the interim year from GER so extending is not considered to be an option

MTFS Post 2019/20 - Assumptions

- All T19 savings delivered in line with current assumptions.
- BCF funding continues at 2019/20 levels going forward.
- Grant reductions based on 10% of Start Up Funding assessment (worst case!)
- No BR Growth assumed.
- No Council Tax Base increase assumed.
- Adult Social Care – Assumes ASC Precept or equivalent Government funding will continue (one or other).
- CLA increases rising to £12.6m per annum after base adjustment of £13.5m up to 2019/20.

MTFS – Pressures to 2019/20

	2019/20
	£'000
Children Looked After and Care Leavers	13,500
Recurring Cost of Digital programme	5,000
Remove Procurement Rebate	1,200
Gross Pressure	19,700

- These costs were not included in the Transformation to 2019 Programme targets
- We therefore aim to meet them from further corporate savings rather than add to savings targets

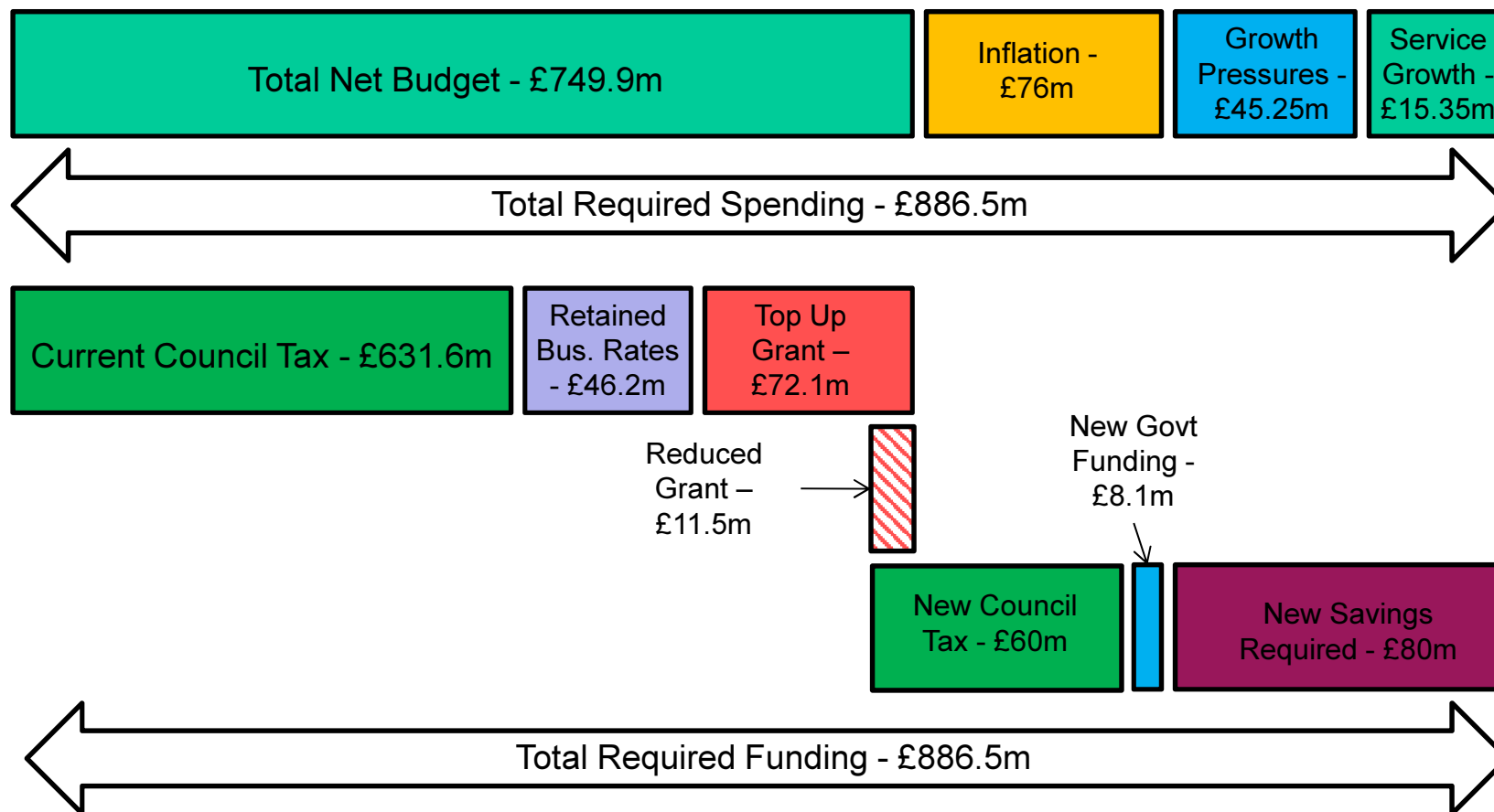
MTFS Post 2019/20 - Forecasts

	2020/21	2021/22
	£'000	£'000
Pay, Pension, Price and NLW Inflation	38,000	76,000
Children Looked After and Care Leavers	8,600	18,900
Adult Social Care Growth	10,000	20,000
Grant Reductions (10% of SFA)	11,500	23,000
Legal Services Growth (Social Care Activity)	350	350
Operation Resilience		10,000
Minimum Revenue Provision - Reinstatement		6,000
Transformation Practice (Tt2021 + 1 Year)	1,200	1,200
Gross Pressure (Cumulative)	69,650	155,450

MTFS Post 2019/20 - Forecasts

	2020/21	2021/22
	£'000	£'000
Gross Pressure (Cumulative)	69,650	155,450
Council Tax - Core Level @ 2%	(12,000)	(24,000)
Council Tax - ASC Precept / Govt Funding @ 2%	(12,000)	(24,000)
'Worst Case' Scenario?	45,650	107,450
Funding for Children's Social Care Growth (at 25%)	(5,525)	(8,100)
Grant Reductions at 5%	(5,750)	(11,500)
Council Tax - 1% Extra Core Increase	(6,000)	(12,000)
'Mid Case' Scenario	28,375	75,850

MTFS – Inflation, Growth and Savings



Savings Programme

Based on 2018/19 cash limits less T19 savings:

Department	Target £'000
Adults' Health & Care (*)	43,100
Children's Services	17,202
ETE	11,748
CCBS	3,382
Corporate Services	4,568
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	80,000

(* Public Health included as ring-fence ends in 2019/20)

- Equates to 13% of adjusted cash limits.

Savings Programme – ‘Standard’ Timescales

- | | |
|--|--------------------------------------|
| • MTFS to Cabinet and County Council | June / July 2018 |
| • Budget Peer Review Process | June / July 2018 |
| • Update on Tt2021 to be included in regular Tt2019 report to Cabinet | October 2018 |
| • Initial pre-consultation opportunities identified | Spring 2019 |
| • First stage Public Consultation | Summer 2019 |
| • Executive Member decision making | September 2019 |
| • Cabinet and County Council decisions | October 2019 |
| • Service Specific consultations as required | Winter 2019 /
Spring 2020 |

Financial Sustainability

- Beyond 2021/22 we have an annual gap in the budget of around £30m assuming no grant cuts and council tax at 5%
- Without additional government funding, particularly for Children's social care it is difficult to see how we will be financially sustainable in the longer term
- We are lobbying the Government to make this point (to anyone that will listen!)
- With the Northamptonshire position and focus on other County Council's, no better time to do it.
- However, HCC probably in better financial position than any other County Council (we fair well against the CIPFA criteria)

Capital Investment

- Limited opportunity to add new things to the capital programme
- Investment mainly driven towards maintaining existing assets or pursuing Invest to Save Schemes
- Where opportunities exist for major match funding we will continue to pursue these
- Some spend is unavoidable, for example the need to replace the current social care system

Capital Investment

- Adult Services Bed Based Programme (£200m)
- Phase 2 of Country Parks Transformation (£2.3m)
- Social Care Replacement IT system (£4m)
- Fareham to Gosport Bus Rapid Transit (£9.53m – underwriting of £2.5m requested)