



Hampshire
County Council

Economy, Transport and
Environment Select
Committee
15 January 2019
Budget Briefing 2019/20

Stuart Jarvis
Director, ETE
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



Hampshire
County Council

Budget Forecast 2019/20 – MTFS Position

- Tt2019 Programme to deliver £140m of savings, bringing the total to £480m since grant reductions began.
- Savings proposals agreed in November 2017 to give the time to safely deliver service changes .
- Anticipated delay in some elements of the delivery of cash release for the Tt2019 Programme factored into the MTFS and sufficient one off funding exists to meet any potential gap over the period.
- Emphasises the value of our reserves strategy
- A 2.99% council tax increase in line with the referendum limit.

Chancellor's Budget

- Announcements in the Budget had very little impact on the revenue position reported in the MTFS.
- However, some additional one-off funding for adults' and children's social care and for highways.
- Additional funding for social care in 2019/20 welcome and will help offset pressures, but falls far short of the amount required and is only one off.
 - ✓ Adults' social care £240m – HCC share £4.8m.
 - ✓ £410m for adults' or children's social care – HCC share £8.1m to be allocated to Children's Services and held in contingencies.
- Signals some of the pressures on local government are being recognised by the Treasury. Hopefully this will feed through to further changes within next years CSR.

Provisional Local Government Finance Settlement 2019/20

- Expectation was for minimal change to the settlement figures previously published and grant figures for the fourth and final year of the current CSR broadly in line with predictions.
- Removal of negative RSG in 2019/20 – HCC benefit £1.6m
- Surplus on the business rate levy account to be distributed to local authorities – HCC allocation £1.8m
- No change to the council tax thresholds ('core' council tax referendum limit 3%) with the exception of the police precept (doubled from £12 to £24).

Provisional Local Government Finance Settlement 2019/20

- Continuation of 100% pilots in Devolution Deal Areas and fifteen 75% business rates retention pilots. Hampshire County Council's bid was not successful but existing Portsmouth, Southampton and the Isle of Wight pilot extended, albeit at a lower retention level (2018/19 was 100% retention).
- NHB baseline maintained at 0.4% – HCC allocation £4.9m which is built into the MTFS
- Budget allocations of funding for social care confirmed but the Green Paper for adult social care originally due to be published in summer 2018 further delayed.

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 £645.6m as at 31 March 2018.
- More than half of this (£338.6m) committed to existing revenue programmes and capital spend.
- £99.7m in departmental cost of change and trading account reserves to be used for investment and future transformation and to cash flow delivery of Tt2019.
- £27.6m set aside to mitigate risks (mainly the insurance reserve as we self insure).
- £37.3m in schools reserves, £4.4m for the EM3 LEP and £22.4m in balances (in line with minimum reserves policy).

Reserves Strategy

- Only £115.7m (17.9%) is truly 'available' to support one off spending and is made up as follows :

	Balance 31/03/17 £'000	Balance 31/03/18 £'000	% of Total
<u>'Available' Reserves</u>			
Grant Equalisation Reserve (*)	40,755	74,870	11.6
Invest to Save	31,100	32,109	5.0
Corporate Policy Reserve	4,632	5,889	0.9
Organisational Change Reserve	2,905	2,785	0.4
	79,392	115,653	17.9

* A significant draw in 2018/19 as part of the County Council's strategy of delivering changes over a two year cycle and funding required to cash flow Tt2019 will leave an unallocated balance of £29.4m in preparation for future draws beyond 2020.

Update on Transforming the Council to 2019 Programme

Transforming the Council to 2019

- Savings target of £140m (£23.2m of which will be from corporate “housekeeping”).
- Savings proposals to meet this were agreed in November 2017 and are reflected in detailed service budgets in reports.
- **There are therefore no new savings proposals to consider as part of this budget setting process.**
- Consultation (where required) and implementation has been progressing throughout 2018/19 with regular reports to CMT and Cabinet.
- Progress will continue to be closely monitored over the extended time period of the Tt2019 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 have been boosted by some early delivery in 2018/19.
- Further contingency 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.

Summary of ETE Tt2019 Approved Savings Proposals

TARGET £15.805m

	£'000
Charging	1,800
Trading	1,500
New Highways contract (HHSC)	200
Winter Maintenance	500
Street Lighting	1,625
Parking	900
Agency Agreements with District Councils	500
Revenue works charging review	455
Concessionary Fares	1,000
Local Bus subsidies	2,100
Waste Disposal	3,675
Total ETE	15,805

Key Issues from Implementation

Consultation

- Large response to consultation on street lighting and supported public transport

Delayed Delivery - Waste

- Key role of proposed Materials Recovery Facility (MRF)
- Impact of recent Govt initiatives (e.g. Resources & Waste Strategy)

Delayed Delivery - Parking

- Revised agency agreements with District Councils
- Move towards a more consistent approach across Hampshire
- Move towards a full cost recovery approach

Key Departmental Issues and Challenges

Key Departmental Issues / Challenges

- Focus on core service delivery
- Highways maintenance
 - Smaller % of a reduced overall total available for routine maintenance & safety defects
 - Exploit the benefits of the Hampshire Highway Service Contract
- Waste disposal
 - Volume growth & recycling rates remain key challenges
 - Decision making against an uncertain national backdrop (e.g. MRF)
 - Impact of external factors e.g. market prices, statutory changes
- User charges
 - Continuing discussions with Govt but needs change in law (e.g. charging for access to HWRCs)

ETE Budgets 2019/20

ETE Revenue Budget

	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Highways, Traffic & Transport	59,657	52,443
Waste, Planning & Environment	48,449	46,103
Departmental & Corporate Support	3,704	3,494
Early achievement of savings	2,280	50
Environment & Transport Cash Limited Services	114,090	102,090
Economic Development	912	766
Total ETE Cash Limited Services	115,002	102,856

ETE Capital Programme 2019/20 to 2021/22

	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
Structural Maintenance	41,811	40,061	40,061	121,933
Integrated Transport	55,676	11,598	4,750	72,024
Flood & Coastal Defence	106	106	106	318
Total Programme	97,593	51,765	44,917	194,275

Sources of Capital Funding

	2019/20	2020/21	2021/22	Total
	£'000	£'000	£'000	£'000
Local Resources	20,206	11,929	11,929	44,064
Local Transport Plan grant (DfT)	24,794	23,734	23,734	72,262
Pothole Fund grant (DfT)	2,123	2,123	2,123	6,369
Highways Maintenance Incentive Fund (DfT)	4,531	4,531	4,531	13,593
Safer Roads Fund grant (DfT)	2,361	0	0	2,361
Joint Air Quality Unit grant (DEFRA & DfT)	2,129	0	0	2,129
Local Growth Fund (LEPs)	25,118	1,500	0	26,618
Developer Contributions	15,846	7,948	2,600	26,394
Other	485	0	0	485
Total Programme	97,593	51,765	44,917	194,275