

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Policy and Resources
Date:	17 January 2020
Title:	2020/21 Revenue Budget Report for Policy and Resources
Report From:	The Chief Executive, Deputy Chief Executive and Director of Corporate Resources, Director of Transformation and Governance, and Director of Culture, Communities and Business Services

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Section A: Purpose of this Report

1. The purpose of this report is to set out proposals for the 2020/21 budget for Policy and Resources in accordance with the Councils Medium Term Financial Strategy (MTFS) approved by the County Council in November 2019.

Section B: Recommendation(s)

To approve for submission to the Leader and the Cabinet:

2. The revised revenue budget for 2019/20 as set out in Appendix 1.
3. The summary revenue budget for 2020/21 as set out in Appendix 1, subject to approval by Cabinet of the provisional cash limits.

Section C: Executive Summary

4. The deliberate strategy that the County Council has followed to date for dealing with grant reductions and the removal of funding that was historically provided to cover inflation, coupled with continued demand pressures over the last decade is well documented. It involves planning ahead of time, through a two-yearly cycle, releasing resources in advance of need and using those resources to help fund transformational change.
5. This strategy has served the County Council, and more particularly its services and community well, as it has delivered transformation programmes on time and on budget with maximum planning and minimum disruption. Put simply, it is an approach that has ensured Hampshire County Council has continued to

avoid the worst effects of funding reductions that have started to adversely affect other local authorities and enabled us to sustain some of the strongest public services in the country.

6. In line with this strategy there will be no new savings proposals presented as part of the 2020/21 budget setting process. Savings targets for 2021/22 were approved as part of the Medium Term Financial Strategy (MTFS) in July 2018 and detailed savings proposals have been developed through the Transformation to 2021 (Tt2021) Programme which were agreed by Cabinet and County Council during October and November last year. Any early achievement of resources from proposals during 2020/21 as part of the Tt2021 Programme will be retained by departments to use for cost of change purposes.
7. Alongside this, delivery of the Transformation to 2019 (Tt2019) Programme continues. The anticipated delay to delivery of some elements of the programme has been factored into our financial planning and whilst sufficient one-off funding exists both corporately and within departments to meet any potential gap over the period, the need to commence the successor programme does mean that there will be overlapping change programmes.
8. The report also provides an update on the financial position for the current year. Overall the outturn forecast for Policy and Resources cash limited budgets for 2019/20 is a balanced position that uses early achievement of savings to fund one-off investment to deliver the transformation programmes. For HC3S trading unit, the combination of cost rises and a reduction in demand for school meals will cause a deficit for the 2019/20 financial year. Actions are being put in place to mitigate the level of the eventual deficit, which can be covered by trading unit reserves and a more extensive plan is being put in place to ensure that the service returns to a break even position.
9. The proposed budget for 2020/21 analysed by service is shown in Appendix 1.
10. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2019/20 and detailed service budgets for 2020/21 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 3 February 2020 to make final recommendations to County Council on 13 February 2020.

Section D: Contextual Information

11. The current financial strategy, which the County Council operates, works on the basis of a two year cycle of delivering change to release resources and close the anticipated budget gap. This provides the time and capacity to properly deliver major transformation programmes every two years, with deficits in the intervening years being met from the Budget Bridging Reserve (BBR) and with any early delivery of resources retained by departments to use for cost of

change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.

12. The County Council's action in tackling its forecast budget deficit and providing funding in anticipation of further reductions, has placed it in a very strong position to produce a 'steady state' budget for 2020/21, giving itself the time and capacity to develop and implement the Transformation to 2021 (Tt2021) Programme to deliver the next phase of savings totalling £80m. 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 2020/21 budget. However, other factors will still affect the budget, such as council tax decisions and inflation.
13. The Spending Round 2019 (SR2019) announcement took place on 4 September and the content of the proposed settlement and the issues it addressed were pleasing to see as they mirrored the key issues that we have been consistently raising for some time directly with the Government and through our local MPs.
14. In overall terms, there was a net resource gain to the County Council, albeit that is only for one year at this stage. However, the cost pressures we face, particularly in adults' and children's social care services are significantly outstripping the forecasts that were included in the original Tt2021 planning figures.
15. Without the additional injection of funding, the County Council would have faced a revised deficit position of nearly £106m by 2021/22, but the additional resources bring us back to a broadly neutral position. It is worth highlighting that the additional grant from the £1bn plus the 2% adult social care precept generates additional resources of around £29m for the County Council, but this must be measured against growth pressures and inflation across adults' and children's social care services which total nearly £57m for 2020/21 alone.
16. The Autumn Budget which was planned for 6 November was cancelled and it is now anticipated that there will be a Budget in Spring 2020. The provisional Local Government Finance Settlement was announced on 20 December 2019 and confirmed the grant figures and council tax thresholds for 2020/21 in line with the SR2019 and the clarification provided in the subsequent technical consultation. The final grant settlement for 2020/21 is not due out until this report has been dispatched, however it is not anticipated that there will be any major changes to the figures that were released in December 2019.
17. Policy and Resources departments have been developing service plans and budgets for 2020/21 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the Department are set out below

Section E: Departmental Challenges and Priorities

Corporate Resources

18. Corporate Resources includes the following services:
 - Finance and Pensions;
 - HR and Workforce Development;
 - Integrated Business Centre (IBC) - providing transactional services such as payroll, payments to suppliers, and resourcing services;
 - Hantsdirect – providing telephone, web and email contact services on behalf of the County Council;
 - Information Technology;
 - Internal Audit.
19. The forecast outturn for 2019/20 for Corporate Resources confirms the successful delivery of its Transformation to 2019 (Tt2019) Programme and the achievement of on-going savings of £6.534m. This places the Department in a strong position for next financial year to deliver good quality services to other departments within the County Council and to the many partner organisations who receive services from the County Council's Corporate Resources Department.
20. The Department is also in a good position to progress its Tt2021 programme. The target saving of £3.817m will be delivered through a range of proposals including changes to service operating models, expanded partnership working and further modernisation and rationalisation within IT. In addition, Corporate Resources teams will continue to provide critical support to other departments during the delivery of their own transformation programmes, the potential timeframes for which are expected to extend beyond April 2021 in places. It will be important for the Department to manage this further pressure to service delivery.

Transformation and Governance

21. Transformation and Governance comprises Law and Governance, Transformation Practice and Strategic Procurement. The Tt2019 target of £950,000 has been realised through operational improvements and income generation.
22. Legal Services 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. Positively, the Strategic Procurement function is also beginning to attract and secure external business opportunities meaning it too will steadily reduce its net service cost whilst maintaining and adding to the quality of professional capacity available to perform for the County Council.

23. A centralised structure of Corporate and Department Teams, under a single Head of Profession has worked well for Strategic Procurement and was also developed for Health & Safety during 2019/20. Following a review to consider permanent structure proposals which will further strengthen the Health & Safety function going forward, Cabinet agreed additional resources at a cost of £210,000 per annum, and this has been incorporated into the budget for 2020/21.
24. With the continuing need for the Council to further transform to achieve efficiency and effectiveness in the delivery of modern services, the organisation continues to require strong programme leadership and robust project management input. In order to support the organisation through its Tt2021 Programme, the County Council has previously agreed to develop its internal capacity in its Transformation Practice by supplementing the base budget with up to £1.2m per annum for the next three years.

Customer Engagement Service

25. The Customer Engagement Service comprises Marketing and Advertising, Corporate Communications and Insight and Engagement (including public consultation and engagement, behaviour change research, corporate performance, and a range of strategic partnerships and policy agendas - such as the Armed Forces, the Voluntary Sector, community safety and equalities). These support services sit alongside the Chief Executive's and Leader's offices and together provide a range of core support functions to departments and Councillors, as well as several external public facing services.
26. A departmental restructuring has secured savings of £333,000 as required by Tt2019. The Department is now progressing its Tt2021 Programme to achieve further savings of £121,000 through further operating model changes and generating additional income by charging for services and increasing external trading in the areas of consultation, engagement, insight and social marketing.

Non-Departmental Budgets

27. 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 (Tt2017) Programme savings. However, given the importance of the grants and the wider services that they support across many communities, it was subsequently agreed that they be retained at the £8,000 level until the end of 2020/21, which also means that any future change to the level of the budget will coincide with the new Council term from 2021/22 onwards. The additional annual cost of £234,000 is funded from Policy and Resources reserves.
28. 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)

29. The Culture Communities and Business Services (CCBS) Department delivers a wide range of services with gross expenditure in the region of £88.7m a year and income streams of around £55.1m, leaving a cash limit of £33.6m. In addition, the Department is responsible for:
 - Business units with a combined turnover of £60m.
 - Managing the repairs and maintenance of the corporate estate (£8.6m).
 - Service level agreements with 469 schools and Academies (£14m).
 - HM Coroner Service in Hampshire (£2m).
 - The relationship with various Trusts including Hilliers, Energise Me and the Hampshire Cultural Trust (HCT); only HCT receives a significant grant (£2.4m).
30. CCBS already relies on income and recharges to fund 62% of the cost of service delivery and maintaining and developing new external sources of funding remains a high but challenging priority for the department.
31. A significant contribution was made to Tt2019 savings from growing income to replace cash limit funding across a range of services including Countryside, Outdoor Centres and the Great Hall and the Tt2021 savings programme includes further targets for growth in this area. It therefore remains important for many CCBS services that current income levels are both sustained and grown.
32. Achieving significant additional net income continues to be challenging:
 - Key public sector markets are experiencing ongoing financial pressures.
 - 'Choose to use' services such as the Outdoor Centres and Country Parks are effectively competing with a wide range of alternative visitor attractions in Hampshire and need to ensure their offer continues to meet public expectations.
 - The potential economic impacts of Brexit could lead to reduced consumer confidence and reduced capacity for spending. The latter may impact on income to attractions such as the Country Parks and it is anticipated that further capital investment, building on the success of investment to date, may be required to sustain and grow income in future.
33. There is a potential risk to future European Union grant funding streams of up to £350,000 currently received by the Countryside Service and used for the management of Countryside land in a good environmental and agricultural condition.

Section F: 2019/20 Revenue Budget

34. Enhanced financial resilience reporting, which looks not only at the regular financial reporting but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.
35. Overall, for Policy and Resources cash limited budgets, the expected financial position at the end of 2019/20 is a balanced budget.
36. This net position results from a combination of factors including:
 - Early achievement of Tt2021 savings.
 - One-off savings in 2019/20 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.
37. CCBS also includes a range of Trading Units which rely on income to fully recover the costs that they incur. HC3S is one of these trading units, providing catering services to HCC establishments, in particular the provision of school meals. Since June 2019 there has been a significant downturn in the take up of school meals, coupled with increasing food and staffing costs. Current predictions are that a deficit of around £1 million could be expected by the end of the financial year. Actions are being put in place to mitigate the level of the eventual deficit, which can be covered by trading unit reserves and a more extensive plan is being put in place to ensure that the service returns to a break even position.
38. The budget for Policy and Resources has been updated throughout the year and the revised budget is shown in Appendix 1.
39. The increase of £11.7m from the original approved budget comprises:
 - Inflation.
 - Budget transfers between departments reflecting changes in management responsibility.
 - Corporately funded allocations previously agreed by Cabinet.
 - Use of departmental cost of change reserves.

Section G: 2020/21 Revenue Budget Pressures and Initiatives

40. 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.

41. Whilst in relative terms, Policy and Resources departments are in quite a strong financial position it is clear that pressure is increasing 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 longer timeframes for delivering the County Council's Tt2019 Programme together with planning for the next Tt2021 Programme, will also mean that these teams will be in place for longer, placing further pressure on available resources.

Section H: Revenue Savings Proposals

42. In line with the current financial strategy, there are no new savings proposals presented as part of the 2020/21 budget setting process. Savings targets for 2021/22 were approved as part of the MTFs by the County Council in July 2018. Savings proposals to meet these targets have been developed through the Tt2021 Programme and were approved by Executive Members, Cabinet and County Council in October and November last year.
43. The 2021/22 savings target for Policy and Resources is £7.950m (£4.568m for Corporate Services, and £3.382m for CCBS). Some savings will be implemented prior to April 2021 and any early achievement of savings in 2020/21 can be retained by departments to meet cost of change priorities. It is anticipated that £3.2m of savings will be achieved in 2020/21 and this is reflected within the detailed estimates contained in Appendix 1.
44. The work already completed to develop the savings proposals has demonstrated that they are complex in nature and challenging to deliver - in some areas, more than two years will be required to fully develop plans and implement the necessary service changes. In addition, it is recognised that many of the support services will be required to continue to provide support to other departments across the County Council (for example by Corporate Services to support the delivery of broader Tt2021 savings) whilst progressing the delivery of their own savings. This consideration is expected to further influence the timing for when some of these proposals will be fully implemented. However, Corporate Services and CCBS Departments expect to be able to support the cash flow and cost of their transformation through cost of change reserves generated from early planning and delivery of savings, including over achievement of Tt2019 savings. As such, the risk of not delivering is considered to be relatively low.

Section I: 2020/21 Revenue Budget Other Expenditure

45. 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 required and costs incurred.

Section J: Budget Summary 2020/21

46. The budget update report presented to Cabinet in early January included provisional cash limit guidelines for each department. The cash limit for Policy and Resources in that report was £97.714m which was a £9.55m increase on the previous year. This increase includes an allocation for inflation on non-pay budgets and an allowance for step progression within pay grades. At this stage the cash limit does not include an allowance for a pay award as this is in the early stages of negotiation and the outcome is uncertain. An amount will be retained centrally in contingencies until any awards are agreed.
47. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by Policy and Resources for 2020/21 and show that these are within the cash limit set out above.
48. In addition to these cash limited items there are further budgets which fall under the responsibility of Policy and Resources, which are shown in the table below:

	2020/21	
	£'000	£'000
Cash Limited Expenditure	214,598	
Less Income (Other than Government Grants)	(116,884)	
Net Cash Limited Expenditure		97,714
Trading Units Net (Surplus)		(107)
Coroners		1,998
Less Government Grants:		
• Local reform and community Voice	(569)	
• Vulnerable Persons Relocation Scheme	(378)	
Total Government Grants		(947)
Total Net Expenditure		98,658

REQUIRED CORPORATE AND 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 2021 – Revenue Savings Proposals (Executive Member for Policy and Resources) Transformation to 2021 savings proposals	24 September 2019
Medium Term Financial Strategy Update and Transformation to 2021 Savings Proposals MTFS	Cabinet – 15 October 2019 County Council – 7 November 2019
Budget Setting and Provisional Cash Limits 2020/21 (Cabinet) http://democracy.hants.gov.uk/documents/s42775/Dec%20Report%20-%20Cabinet%20-%20FINAL.pdf	6 January 2020
Direct links to specific legislation or Government Directives	
<u>Title</u>	<u>Date</u>

Section 100 D - Local Government Act 1972 - background documents	
<p>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.)</p>	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

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 by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

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

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

2. Equalities Impact Assessment:

The budget setting process for 2020/21 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 2021 Programme were considered in detail as part of the approval process carried out in October and November 2019 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 5 to 8 in the October Cabinet report linked below:

[Policy and Resources Equality Impact Assessments for Tt2021](#)

Budget Summary 2020/21 – Policy and Resources

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Transformation and Governance			
Legal Services	2,683	2,781	3,019
Transformation Practice	557	2,811	1,788
Strategic Procurement	607	1,478	1,742
Governance	2,760	2,872	3,097
Total Transformation and Governance	6,607	9,942	9,646
Corporate Resources			
Finance	3,448	3,360	3,694
HR	2,589	3,056	2,905
IT	20,460	23,495	24,316
Audit	633	633	713
Customer Business Services	6,948	5,878	6,044
Corporate Resources Transformation	1,022	1,024	1,157
Corporate Resources Other	21	(361)	(13)
Total Corporate Resources	35,121	37,085	38,816
Customer Engagement Services			
Communication, Marketing & Advertising	634	871	648
Insight & Engagement	640	700	746
Chief Executive's Office & Leadership Support	575	573	569
Total Customer Engagement Services	1,849	2,144	1,963
Total Corporate Services	43,577	49,171	50,425

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Policy and Resources Non-Departmental Budgets (Direct)			
Corporate & Democratic Representation	66	66	66
Grants to Voluntary Organisations	232	232	237
Grants & Contributions to Voluntary Bodies	823	749	765
Southern Sea Fisheries ¹	307	-	-
Members Devolved Budgets	390	624	390
Rural Affairs ²	200	-	-
Other Miscellaneous	441	476	378
	2,459	2,147	1,836
Policy & Resources Non- Departmental Budgets (Central)			
Members Support Costs	1,584	1,587	1,621
Repairs & Maintenance	8,375	8,355	8,635
Strategic Asset Management	1,259	4,637	1,264
Other Miscellaneous	311	311	318
	11,529	14,890	11,838
Total Other Policy and Resources	13,988	17,037	13,674

¹ Moved to Central Corporate Levies budget

² Moved to CCBS Countryside & Rural Affairs Services

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Culture Communities and Business Services (CCBS)			
Transformation & Business Management			
Transformation	558	753	577
Business Development Team	532	749	610
Rural Broadband	262	262	307
CCBS IT Budget	78	78	80
Total Transformation and Business Management	1,430	1,842	1,574
Community and Regulatory Services			
Regulatory Services	1,163	897	924
Business Support	553	430	454
Scientific Services	25	75	123
Asbestos	(8)	(11)	25
Total Community & Regulatory Services	1,733	1,391	1,526
Culture and Heritage			
Risk, Health & Safety	27	27	27
Sir Harold Hillier Gardens	64	64	64
Total Culture & Heritage	91	91	91
Property Services and Facilities			
Corporate Estate	(206)	(206)	(205)
County Farms	(497)	(497)	(495)
Development Account	(348)	(348)	(346)
Sites for Gypsies and Travellers	11	41	29
Property Services	2,787	3,027	3,579
Office Accommodation/Workstyle	3,439	4,672	3,990
Facilities Management	3,318	3,032	3,312
Hampshire Printing Services	(80)	(92)	(50)

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Segensworth Unit Factories	(12)	-	-
Print Sign Workshop	10	-	-
Total Property Services and Facilities	8,422	9,629	9,814
CCBS Planned Contribution to Cost of Change	296	(9)	617
Total CCBS P&R Services	11,972	12,944	13,622
CCBS Recreation and Heritage Sites	17,480	19,244	18,623
CCBS Countryside & Rural Affairs Services	1,146	1,368	1,370
Total CCBS	30,598	33,556	33,615
Total Policy and Resources	88,163	99,764	97,714
Coroners	1,821	1,860	1,998
Trading Units			
River Hamble	55	58	8
County Supplies	(439)	(320)	(460)
HC3S	(114)	1,292	374
Hampshire Transport Management	(51)	(51)	(29)
Total Trading Units	(549)	979	(107)

Service Activity	Original Budget 2019/20 £'000	Revised Budget 2019/20 £'000	Proposed Budget 2020/21 £'000
Government Grants			
Local reform and Community Voice	(569)	(569)	(569)
Inshore Fisheries and Conservation ³	(204)	-	-
Vulnerable Persons Relocation Scheme	(350)	(479)	(378)
Total Government Grants	(1,123)	(1,048)	(947)
Total Net Expenditure Policy and Resources	88,312	101,555	98,658

³ Moved to Central Corporate Levies budget