



Hampshire
County Council

Economy, Transport and
Environment Select
Committee
14 January 2021
Budget Briefing 2021/22

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Director

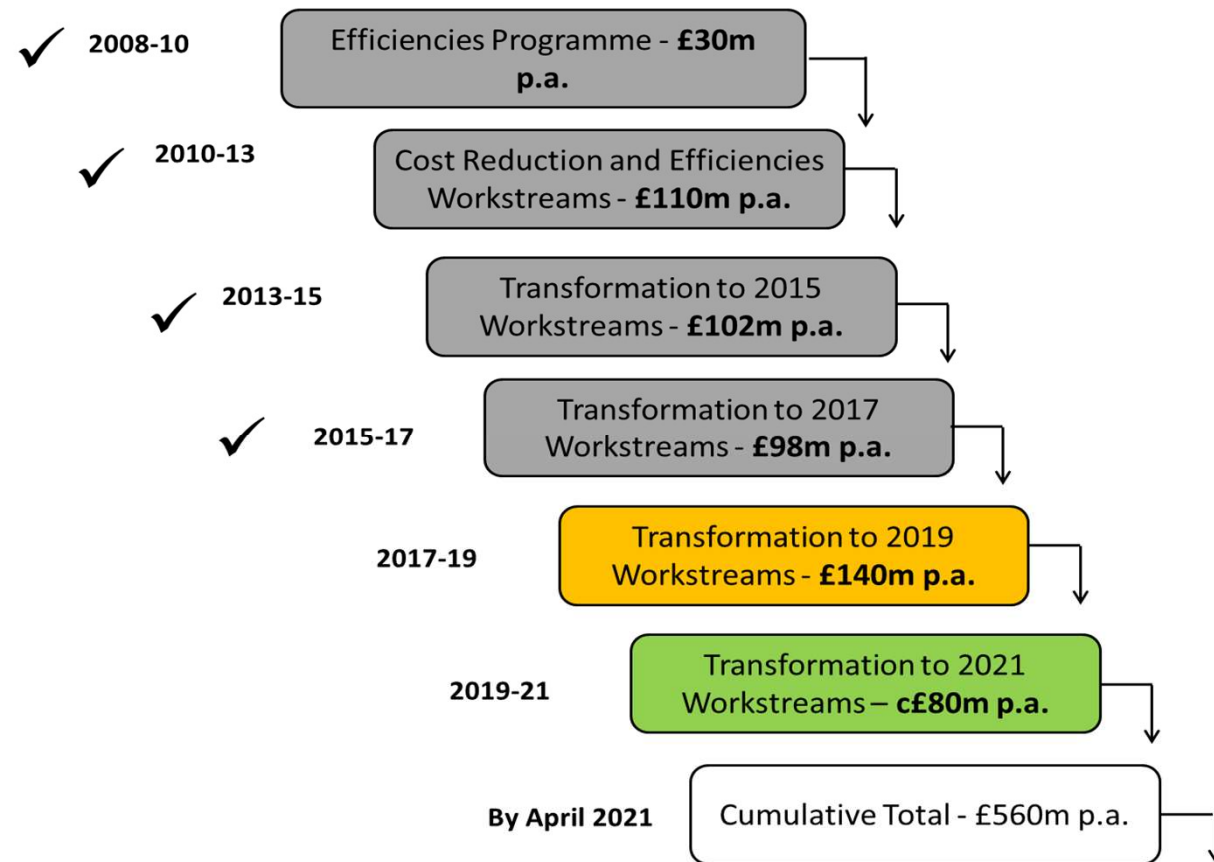
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Presentation Outline

- County Council Context
- Local Government Finance Settlement – Key Issues
- Reserves Position
- Update on Transformation to 2021 (Tt2021) Programme
- Key Departmental Challenges and Issues
- ETE Budget Proposals and Revenue Budget
- ETE Capital Programme

County Council Context

Efficiency and Transformation Programmes



A further £80m Savings Programme has also been put in place to deliver full savings by 1 April 2023

Budget Forecast 2021/22 – MTFS Position

- Savings targets for 2021/22 were approved as part of the MTFS in 2018 to deliver £80m and proposals agreed in November 2019 to give the time for implementation.
- Anticipated delay in some elements of the delivery of cash release for the Tt2021 Programme factored into the MTFS and sufficient one off funding provided to meet any potential gap over the period.
- Proposed to increase council tax by the referendum limit (originally 3.99%, 2% for social care costs on top of the referendum limit of 2% for core council tax).
- This was clearly before the impact of Covid-19!

Covid 19 – As Reported to Cabinet in November

- Covid-19 has created a range of impacts from response costs and losses, increased demand and impacts on council tax and business rate income, some of which extend into future years.
- County Council's strategy is to try to deal with this as a one off medium term impact so that it does not require additional departmental savings to be made and protects the resources available to support future savings programmes.
- After allowing for Government support (prior to the Spending Review and provisional settlement) we faced unfunded costs and losses of £210m over the medium term.
- A response package of reserves and other funding was put in place totalling £160m, leaving a requirement for further Government funding of at least £50m to close the gap.

Local Government Finance Settlement – Key Issues

Provisional Local Government Finance Settlement 2021/22

- The Spending Review announcement in November whilst positive brought no longer term certainty as it was again only for one year.
- The provisional Local Government Finance Settlement for 2021/22 was announced on 17 December but final figures will not be confirmed by the Government until late January or early February.
- Key items include:
 - ✓ Council tax increase of 4.99% permitted, 3% for social care costs on top of the referendum limit of 2% for core council tax – additional 1% will generate £7m.

Provisional Local Government Finance Settlement 2021/22

- ✓ Additional social care funding for 2021/22. However, HCC will only receive £1.2m from this (compared to estimate of £5m), as most of the funding has been given to areas with low council tax bases.
- ✓ Extra funding to help councils Covid-19 cost pressures in 2021/22 – HCC allocation £24m.
- ✓ Funding to meet increased demand for council tax support – HCC allocation £8.1m.
- ✓ New Homes Bonus continues with no new legacy payments – HCC allocation £3.9m. Consultation to be launched into the future of the scheme.

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 more than £643.1m as at 31 March 2020, more than half of which (£351.2m) is committed to existing revenue programmes and capital spend.
- £92.2m in departments cost of change and trading account reserves to be used for investment and future transformation / savings delivery and to cash flow delivery of Tt2019 and Tt2021.
- £45.9 set aside to mitigate risks (mainly the insurance reserve as we self insure).
- £15.4m in schools reserves (net of DSG deficit), £5.1m for the EM3 LEP and £22.3m in GF balance (broadly in line with minimum reserves policy).
- The strength of our reserves has been critical in developing the Covid-19 financial response package.

Reserves Strategy

Only £111.1m (17.3%) is truly 'available' to support one off spending and is made up as follows :

	Balance 31/03/19 £'000	Balance 31/03/20 £'000	% of Total
<u>'Available' Reserves</u>			
Budget Bridging Reserve *	65,001	78,509	12.2
Invest to Save	29,201	22,290	3.5
Corporate Policy Reserve	6,397	6,852	1.1
Organisational Change Reserve	3,626	3,442	0.5
	104,225	111,093	17.3

* The use of the BBR to support the revenue budget and cash flow Tt2019 and Tt2021 is already planned in the period to 2023/24 and beyond, and the uncommitted balance of the other reserves currently forms part of the Covid-19 financial response package

Update on Transforming the Council to 2021 Programme

Transforming the Council to 2021

- Savings target of £80m agreed as part of the MTFs in 2018.
- Savings proposals to meet this were agreed in November 2019.
- **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 2020/21, alongside Covid-19 response and recovery activity, with periodic reports to CMT and Cabinet.
- Progress will continue to be closely monitored over the extended time period of the Tt2021 Programme.

Transforming the Council to 2021

- Scale of the transformation, notably in Adults' Health & Care and lead in times for achieving savings will cause delay in some of the delivery of cash savings for the Tt2021 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, boosted by some early delivery in 2020/21.
- Further contingency held corporately to cover any remaining shortfall, including the impact of Covid-19.
- High degree of confidence this can be covered but we will be managing this alongside the development of the 2023 Savings Programme (SP2023).

Summary of Approved Tt2021 Savings Proposals TARGET - £11.748m

	£'000
Waste – recycling	8,200
Waste wood	1,000
Street lighting	500
Highways	500
Departmental cross-cutting	1,548
Total ETE	<u>11,748</u>

Key Departmental Issues and Challenges

Key Issues from Savings Implementation

Parking (T19) – benefit realisation delayed due to Covid Waste

- Govt's Resources & Waste Strategy – further delays in confirming future requirements
- Need to agree overall approach with District & Borough Councils as Waste Collection Authorities
- Potential need for capital investment

Street lighting (investment in LED)

- Complex process to agree variation to PFI contract
- Timescales for delivery agreed with contractor

All other savings on time

Key Departmental Issues / Challenges

- Covid-19
 - Reports to Cabinet have covered the financial impact on HCC
 - Services have worked hard to maintain safe service provision
 - Significant role in market underwriting (passenger transport)
- Economic Recovery
 - Unprecedented economic contraction nationally and locally
 - Paradigm shifts in established economic patterns (e.g. commuting)
 - Challenge of delivering on skills and employment recovery
 - Challenge to deliver a 'green' economic recovery
- Climate Emergency
 - Strategic Plan for Hampshire the place – HCC is 1% of emissions
 - Meaningful actions now as well as societal changes in future
 - A radical new approach to Transport - LTP4

Key Departmental Issues / Challenges

- Waste
 - Securing savings and improved performance while awaiting confirmation of Government Policy and approach;
 - Challenges of delivering a new waste approach in the two tier structure;
 - Challenges around the economics of HWRC service;
- Highways
 - Managing the accelerating decline of the Highways asset and public expectations
 - Changing ownership and management of Highways contractor
 - Ash die-back: a significant Highways and environmental issue
- Planning
 - Responding to the impacts of the Government's system reforms
 - Potential for further flooding events as ground water levels rise

ETE Budget 2021/22

ETE Proposed Budget

Revenue Budget: £'000

Revised Budget for 2020/21	125,032
Proposed Budget for 2021/22	103,667

Capital Programme:

Proposed programme for 2021/22	69,368
Proposed programme for 2022/23	94,970
Proposed programme for 2023/24	45,021
Total three-year programme	209,359

JS2
LS1

Slide 23

JS2

Will need a note to explain the £22M difference, when T21 saving is only £11M

Jarvis, Stuart, 06/01/2021

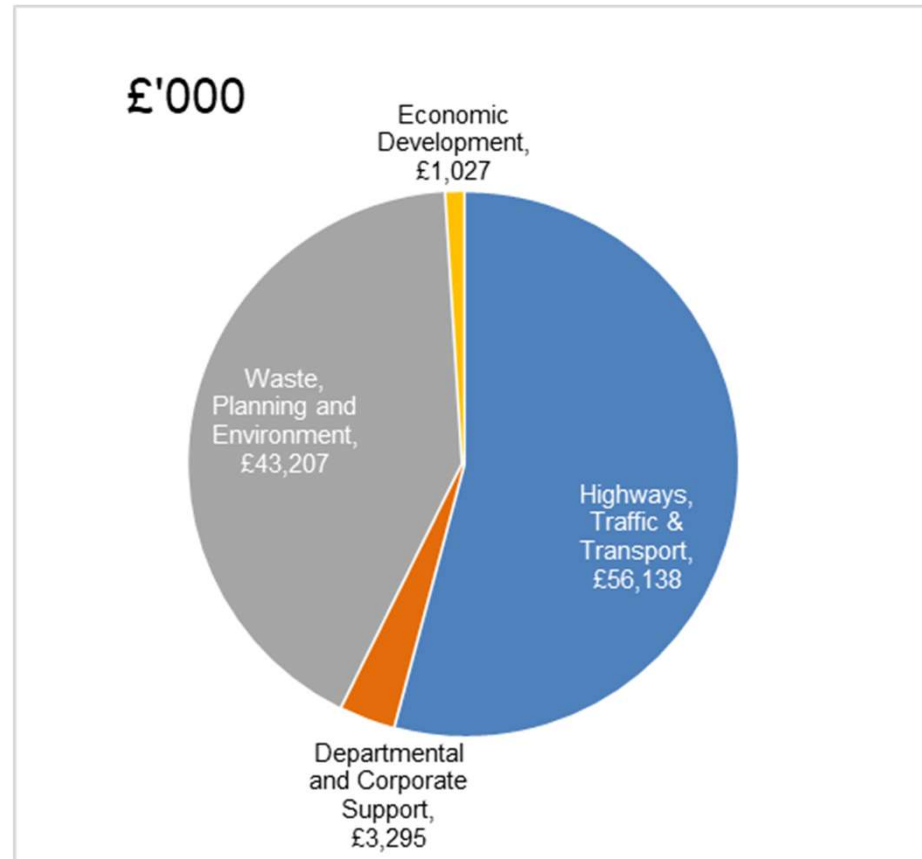
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I'll have the full breakdown to hand at the meeting but the difference is mainly to do with one-off temporary provision dropping out (e.g. Cost of Change but also the Major Schemes Development budget and the £2m Highways Maintenance uplift funded from Winter savings topped up from corporate contingencies).

Lapham, Sue, 08/01/2021

ETE Revenue Budget 2021/22 (by activity)

Activity	£'000
Highway maintenance	28,745
Winter maintenance	5,820
Public transport	17,520
Road Safety	2,573
Strategic Transport	1,480
Waste disposal	41,656
Planning & Environment	1,551
Economic Development	1,027
Dept. & corp. support	3,295
Total ETE cash limit	103,667



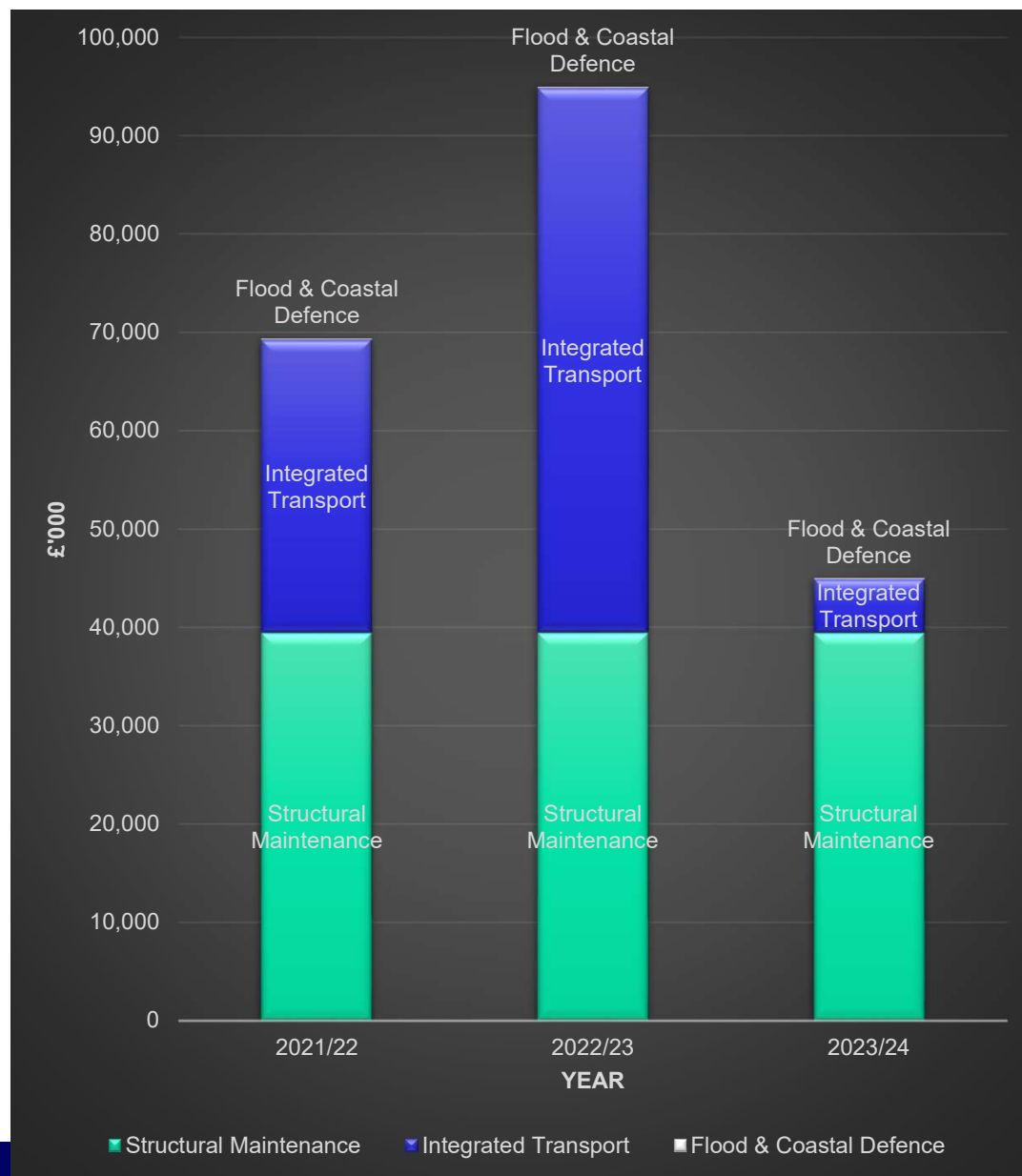
ETE Revenue Budget 2021/22

Cost type / funding source	£'000
Third party payments	96,075
Employees	42,515
Premises	4,477
Supplies & Services	4,976
Other costs	3,679
Recharges	24,242
Fees and charges	14,495
Other income	9,318
ETE net cash limit	103,667



ETE Capital Programme 2021/22 to 2023/24

2021/22	£'000
Structural Maintenance	39,445
Integrated Transport	29,817
Flood & Coastal Defence	106
Total	69,368
2022/23	
Structural Maintenance	39,445
Integrated Transport	55,419
Flood & Coastal Defence	106
Total	94,970
2023/24	
Structural Maintenance	39,445
Integrated Transport	5,470
Flood & Coastal Defence	106
Total	45,021
 Total Programme	 209,359



ETE Capital Programme funding sources £'000

Local (HCC) resources	11,929
DfT (all)	30,472
Local Growth Fund	70
Transforming Cities Fund	18,274
Developer Conts./CIL	7,418
Other Local Authority	1,205
2021/22	69,368
Local (HCC) resources	11,929
DfT (all)	53,872
Transforming Cities Fund	16,354
Developer Conts./CIL	12,815
2022/23	94,970
Local (HCC) resources	12,343
DfT (all)	29,772
Developer Conts./CIL	2,906
2023/24	45,021
Total	209,359

