

## Financial Management Policies 2010/11 to 2012/13

Policy	Related targets/outcomes
<b>Overall financial planning and budget strategy</b>	
1. Budget strategy related to corporate priorities, as reflected in corporate improvement plan with links to the Local Area Agreement.	Linkage to Corporate Strategy made explicit in budget proposals and in preparation of business cases requiring approval prior to the release of increased sums in the budget, or in developing savings plans.
2. Consult on a cyclic basis with interested stakeholders (e.g. the public, private sector and staff) on budgetary priorities.	Consultation on spending priorities in the Medium Term Financial Strategy undertaken in 2009/10 budget cycle. Further consultation will be undertaken following the Government's spending review.
3. Growth and saving plans to be submitted to the appropriate Executive Member or to the Cabinet, identifying planned outcomes and performance improvements for budget growth and mechanisms for achieving any significant savings.	Savings plans monitored by the Cabinet on a quarterly basis.
4. Ensure that the long-term level of revenue commitments does not exceed long-term funding likely to be available including forecast levels of future grant settlement and council tax.	Revenue commitments assessed based on the three year grant settlement and Council tax assumptions built into the three year budget plan
5. Ensure integration of medium term financial and service planning.	Framework developed by Corporate Performance and Efficiency group, focussing on the Corporate improvement Plan and Local Area Agreement priorities and development of aligned processes in departments.

Policy	Related targets/outcomes
6. Incorporate in the medium term financial strategy the impact of joint plans agreed with partners.	Medium term financial strategy sets out how the County Council incorporates partnership arrangements within the budget process.
7. Maintain three year budget projections in order to support medium term financial planning, subject to fine tuning of resource allocation decisions on an annual basis.	A budget for 2010/11 and provisional budgets for 2011/12 and 2012/13 have been presented to the Cabinet and County Council for approval. The Schools Budget only extends to 2010/11 for which Government grant allocations are available.
8. Minimise levels of non-earmarked reserves, at a level determined by risk assessment, in order to maximise use of available funds on service provision.	Risk assessment incorporated in 2010/11 budget, with a target for the underlying level of non-earmarked reserves of 2.3% of the net budget requirement in 2010/11 as a result of the assessment.
9. Review the rationale and adequacy of earmarked reserves on at least an annual basis.	Protocol reviewed twice yearly, in conjunction with approval of the budget and final accounts by the Cabinet.
10. Build up an earmarked reserve in recognition of the equal pay compensation risks associated with Pay and Benefits implementation.	Reserve estimated at £41.6m at 31 March 2010.
11. Seek to minimise the degree of instability in the employers' contribution to the Hampshire Pension Fund, subject to objective of securing 100% funding in the long-term.	Stepped increase of 0.5% per annum over the period 2008/09 to 2010/11 has resulted from the March 2007 actuarial review. Further increases are not expected in 2011/12 from the March 2010 actuarial valuation
12. Continue policy of increasing budgets for Children's Social Care in recognition of increased service demand.	Increases in real terms of £1.3m in 2010/11, £0.8m in 2011/12 and 2012/ 13 incorporated in budget guidelines.

Policy	Related targets/outcomes
13. Budget guidelines provide an annual increase in the Adult Services budget to recognise increased service demand.	Inclusive of specific and area grants spending on Adult Services is budgeted to increase by 3.9% in 2010/11.
14. Set a Schools Budget in consultation with the Schools Forum based on specific grants allocated by the Government.	2010/11 budget set at a level equal to estimated specific grants after allowing for carry forwards to 2011/12, plus a County Council contribution of £128,000 to reflect further delegation of functions to schools since 2006/07.
15. Manage the application of the grant equalisation reserve in order to protect services from future grant loss from the 2006/07 and 2008/09 revised formulae.	2010/11 to 2012/13 budgets allow for use of the grant equalisation reserve over an 8 year period to 2015/16 to phase in the impact of loss of grant.
16. In order to allow services to operate within firm cash limits, allocate provision for inflation to services at the start of the financial year and require excess inflation to be absorbed.	Inflation allocations for 2010/11 to 2012/13 agreed in setting a three year budget plan.
17. Services expected to contain spending within the approved cash limit, with no supplementary allocations being available other than in exceptional circumstances unless a specific contingency provision made within the budget.	Policy applied in 2009/10, subject to consideration of the exceptional circumstances affecting spending by Children's Services on looked after children.
18. Services expected to carry forward 100% of any overspending against the overall service cash limit, but are allowed to retain up to 100% of any planned underspendings identified prior to the approval of the following year's budget. 50% of any unplanned underspendings can automatically be carried forward. The policy applies to spending financed by Area Based Grant, subject to specific consideration of the Supporting	Policy applied in dealing with under and overspendings in 2008/09's final accounts, allowing the remaining 50% of unplanned underspendings to be retained by services for use in 2011/12. Planned underspendings of £4.6m in 2009/10 are recommended to be carried forward either to 2010/11 or 2011/12.

Policy	Related targets/outcomes
People programme.	
19. Require the continuing absorption of cost increases by expecting services to absorb any net cost arising from the annual cost of salary step increases.	Step increases of £3.0m to be absorbed in 2010/11 budget.
20. Seek to deliver efficiency gains in line with the Government target of 4% annually , with a view to enabling cuts in service to be avoided.	Summary of planned efficiencies from 2009/10 to 2012/13 included in 2010/11 budget report. Initial estimate for 2010/11 achieves the cumulative target for 2008/09 to 2010/11.
21. In addition to any efficiency gains redeployed within service budgets, seek to identify £15m per annum of corporate efficiency savings to enable anticipated loss of government grant from 2011/12 onwards to be absorbed within a 1.9% council tax increase without cutting services and jobs.	Proposed advance savings of £8.6m identified in 2010/11.
22. Encourage service chief officers to submit applications for specific grants/partnership funding designed to maximise the resources available to the County Council, by allowing capital and revenue cash limits to be adjusted to reflect changes in grant levels.	Applied in 2010/11 to 2012/13 budget process.
23. Assist in developing the third sector's capacity by setting financial assistance within clear frameworks and on a three year basis where possible.	Revised policy for allocating and monitoring Policy and Resources grants to community based organisations has been agreed and implemented.
24. Require services to review the level of fees and charges at least annually and set budget limits on the assumption that the level of charges will be increased in line with assumed inflation on gross expenditure.	Reflected in 2010/11 budget strategy.

Policy	Related targets/outcomes
25. Seek to achieve maximum value for money in spending, bearing in mind that considerations of quality, risk, sustainability, environmental impact, local economic development and equalities may all be relevant in addition to price.	Reflected in Local PSA and LAA outcomes and Use of Resources assessment for value for money.
26. Seek to retain relatively low council taxes in Hampshire.	Objective is to set a council tax within the lower quartile of County Council's without fire funding responsibilities – this was achieved in 2009/10.
<b>Capital programming</b>	
27. Review capital strategy on an annual basis and prepare three year capital programme (consistent with CSR periods) in accordance with the strategy.	Revised strategy approved by the Cabinet in September 2009.
28. Seek to maintain the level of the locally-resourced capital programme by continued recycling of surplus assets to generate capital receipts.	Slow down in property market has necessitated a lower locally resourced capital programme from 2008/09, as capital receipts also being recycled to repay prudential borrowing.
29. Allow services to retain at least 25% of the value of their capital receipts and where necessary to finance investment in replacement assets, up to 100%.	Services authorised to retain £1.5m of 2008/09's capital receipts.
30. Adopt a Public Private Partnership (PPP) approach, including the use of the Private Finance Initiative (PFI), where this provides best value for the Council.	Contract let in December 2009 for a street lighting column replacement project in partnership with West Sussex County Council and Southampton City Council. The Government's Building Schools for the Future programme for investment in secondary schools envisages new schools being procured by means of PFI.

Policy	Related targets/outcomes
<p>31. Make full use of Government-supported borrowing, subject to the affordability of the additional capital financing costs generated.</p>	<p>2010/11 to 2012/13 capital programme guidelines based on limiting the take up of supported borrowing to a level consistent with a 2.5% annual increase in the capital financing requirement from supported borrowing, in view of the implications of being an authority well below the grant floor. In finalising the 2008/09 budget additional borrowing above this level was agreed for 2008/09 and 2009/10.</p>
<p>32. Seek to maximise capital resources by developing capital schemes in conjunction with external partners where appropriate.</p>	<p>Funding of £52.0m by external partners, incorporated in 2010/11 to 2012/13's estimated capital payments.</p>
<p>33. Approve the use of unsupported borrowing within the framework of the County Council's prudential code</p> <ul style="list-style-type: none"> <li>- business unit investment where the financing costs will be funded by charges made to customers</li> <li>- 'invest to save' projects generating savings which will enable the financing costs to be funded, capital receipts or developer contributions which will enable borrowing to be repaid, or alternative costs to be avoided.</li> <li>- Temporary borrowing to cover short-term shortfalls in capital financing resources.</li> </ul>	<p>Proposals have either been approved or are being submitted in the 2010/11 to 2012/13 capital programme which involve in aggregate potential unsupported borrowing of £96m by the end of 2009/10 in accordance with County Council's code. A revision to the policy was introduced in 2006/07 to require services to absorb the revenue cost of temporary unsupported borrowing rather than recovering these costs in arrear when the capital receipt / external contribution is received.</p>