

Financial Management Policy

Overall financial planning and budget strategy

Budget strategy related to corporate priorities, as reflected in corporate Business Plan with links to local area agreement.

Consult on a cyclical basis with interested stakeholders (eg the public, private sector and staff) on budget priorities.

Growth and savings plans to be submitted to the appropriate executive member or to Cabinet, identifying planned outcomes and performance improvements for budget growth and mechanisms for achieving any significant savings.

Ensure that the long-term level of revenue commitments does not exceed long-term funding likely to be available including reasonable expected levels of future grant settlement and council tax.

Ensure integration of medium term financial and service planning.

Incorporate in the medium term financial strategy the impact of joint plans agreed with partners.

Maintain three-year budget projections to support medium term financial planning subject to fine tuning of likely resource allocation decisions on an annual basis.

Minimise levels of non-earmarked reserves, at a level determined by risk assessment, in order to maximise use of available funds on service provision.

Commentary

Linkage to Corporate Strategy and Corporate Improvement Plan made explicit in budget.

Stakeholder meetings held in Autumn 2008 during development of the 2009/10 budget.

Progress on successful achievement of planned savings reported to Cabinet on a quarterly basis.

Revenue commitments assessed based on three year grant settlement and council tax assumptions built into the three year budget plan.

Consideration of budget options integrated with departmental service planning processes.

Updated medium term financial strategy linked to the role of partnerships.

Budget for 2009/10 and provisional budgets for 2010/11 and 2011/12 approved by the County Council in February 2009.

Target level of balances of 2.4% incorporated in the 2009/10 budget based on a risk assessment.

Overall financial planning and budget strategy

Commentary

Review the rationale and adequacy of earmarked reserves on at least an annual basis.

Update of protocol included in Appendix 2.

Build up an earmarked reserve in recognition of the equal pay compensation risks associated with Pay and Benefits implementation.

Further contributions to the reserve in the 2009/10 Final Accounts to increase reserve to £41.0m at 31 March 2010.

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.

Annual increases of 0.5% over the period 2008/09 to 2010/11 following 2007 actuarial review.

Continue policy of increasing budgets for Children's social care in real terms in recognition of national and local priorities

Increase in spending plans no longer transparent, but increase in 2009/10 at similar level to previous spending review assumption.

Set service budget guidelines to provide an increase of at least 4.3% in the Adult Services guideline in 2009/10 and 2010/11. and continue to recognize increased service demand in 2011/12.

Increases for 2009/10 and 2010/11 set at above 4.3% inclusive of specific and area grants.

Set a schools budget in consultation with the Schools Forum based on specific grants allocated by the Government.

2009/10 budget set at a level equivalent to estimated specific grant, after allowing for planned carry forward to 2010/11.

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 formula.

Further contribution of £2.5m from the reserve made in 2009/10.

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.

2009/10 allocations agreed in February 2009.

Overall financial planning and budget strategy

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.

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. This policy applies to spending financed by Area Based grant, subject to special consideration of the Supporting People programme.

Commentary

All services have contained spending within or very close to cash limits in 2009/10, with a supplementary allocation of £478,000 being made to Children's Services in view of the unavoidable impact of increased numbers of looked after children.

Policy applied in 2009/10.

Value for Money

Require the continuing absorption of cost increases by expecting services to absorb any net cost arising from the annual cost of salary step increases.

Seek to delivery efficiency gains in line with the Government target of 3% annually, with a view to enabling cuts in services to be avoided.

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.

Commentary

Increments of £2.6m absorbed in the 2009/10 budget.

Appendix 4 identifies cumulative cash releasing efficiencies of approximately 7.0% achieved in 2008/09 and 2009/10, including a carry forward of surplus efficiencies from the previous three year period.

Applied in setting 2009/10 cash limits.

Value for Money

Assist in developing the third sector's capacity by setting financial assistance within clear frameworks and on a 3 year basis where possible.

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.

Seek best value 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.

Seek to retain relatively low council taxes in Hampshire.

Commentary

Policy of applying common inflation allocation criteria in setting cash limits maintained.

Reflected in 2009/10 budget strategy.

Reflected in Level 3 Use of Resources assessment for 2009.

2009/10 council tax in lower quartile of County Councils.

Capital programming

Review capital strategy on an annual basis and prepare three year capital programme (consistent with CSR periods) in accordance with the strategy.

Seek to maintain the level of the locally-resourced capital programme by continued recycling of surplus assets to generate capital receipts.

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%.

Adopt a Public Private Partnership (PPP) approach, including the use of

Commentary

Revised strategy approved by Cabinet in September 2009.

Locally resourced capital guidelines reduced by 1/3 in 2009/10, in view of the decline in the market for commercial and residential land.

Services authorised to retain £5.8m (100%) of 2009/10's capital receipts.

Contract let for street lighting column replacement project in partnership

Capital programming

the Private Finance Initiative (PFI), where this provides best value for the Council.

Make full use of Government supported borrowing, subject to the affordability of the additional capital financing costs generated.

Seek to maximise capital resources by developing capital schemes in conjunction with external partners where appropriate.

Approve the use of unsupported borrowing within the framework of the County Council's prudential code

- business unit investment where the financing costs will be funded by charges made to customers
- 'invest to save' projects generating savings which will enable the financing costs to be funded, capital receipts which will enable borrowing to be repaid, or alternative costs to be avoided.
- temporary borrowing to cover short-term shortfalls in capital funding resources.

Commentary

with West Sussex County Council and Southampton City Council.

Supported borrowing not taken up in full in 2009/10 on grounds of affordability.

Funding of £9.2m from external partners included in financing of 2009/10's capital expenditure.

Net repayment of unsupported borrowing of £0.9m made in 2009/10 in accordance with the County Council's policy.