HAMPSHIRE COUNTY COUNCIL

Report

Committee:	Culture, Communities and Rural Affairs Select Committee
Date:	21 January 2013
Decision Title:	Revenue budget report for Culture and Recreation for 2013/14
Decision Reference:	4619
Report From:	Director of Culture Communities and Business Services and Director of Corporate Resources – Corporate Services

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1. Executive Summary

1.1. The County Council's decisive action over the last two financial years has meant that it has broadly achieved its goal of responding to four years worth of Government grant reductions in two years. This has enabled the County Council to return to a process of Annual Efficiency Targets (AETs) for at least the last two years of the current Comprehensive Spending Review (CSR) period.

1.2. The grant settlement that was released just before Christmas confirmed further reductions in Government funding for the next two years but these were broadly within the range of forecasts that the County Council had been predicting. Assuming that Council Tax levels are in line with the overall Medium Term Financial Strategy, this means that no further savings will be necessary above the 2% AETs set for each Department in order to balance the budget for the next two years, leaving the County Council in a very strong financial position and providing sufficient time and capacity to plan for more challenging times from 2015/16 onwards.

1.3. This report proposes a budget for the Culture & Recreation portfolio for 2013/14 in accordance with the Council's Medium Term Financial Strategy reported to Cabinet last Summer. The budget includes proposals for the 2% reduction in spending to meet the AET for the year.

1.4. The report also provides an update on the financial position for the current year. At the current time monitoring information for Quarter 3 is not available. The position reported in Quarter 2 was an overspend of £97,000 however management action has been taken since that time and a much

improved outurn position is expected to be forecast at Quarter 3. Further detail is provided in section three of this report.

1.5. The 2% AET for the Culture and Recreation portfolio for 2013/14 is £528,600. The savings proposals to meet this amount are explained in section five of this report and are set out in Appendix 1.

1.6. The report also reviews the level of charges for the provision of services in section six and provides a summary of charges in Appendix 2.

1.7. The proposed budget for 2013/14 analysed by service is shown in Appendix 3 and the workforce implications of the budget proposals are set out in Appendix 4.

1.8. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2012/13 and detailed proposals for the 2013/14 revenue budget for the Culture and Recreation portfolio. The report has been prepared in consultation with the Executive Member and will be reviewed by the Culture Communities and Rural Affairs Select Committee. It will be reported to the Leader and Cabinet on 8 February 2013 to make final recommendations to County Council on 21 February 2013.

1.9. The services' budget and performance strategies are developed in accordance with the Council's Equalities Policy and have regard to the most vulnerable in society. How budgets are used have a significant impact on the most excluded, and this budget report provides information on the spending plans that support the department's priorities. Further information on the Equality Impact Assessments completed in respect of the various savings proposals is provided within Integral Appendix B.

2. Context and Priorities

2.1. Following the CSR announcement in 2010 local government was anticipating an average 28% reduction in Government funding across the Country. The impact of changes to the distribution methodology meant that the County Council's share of this reduction is relatively much greater, with a 25% reduction in the first two years alone.

2.2. The Local Government Provisional Finance Settlement was announced on 19 December 2012 and after allowing for technical adjustments in respect of transfers of functions and changes to the grant system, the County Council has received equivalent grant reductions over the two year period of 8.7% (equivalent to £12.128 million), and 9.6%, which is in line with the reductions contained in the medium term forecast although the cumulative impact is slightly worse than previously predicted.

2.3. Cabinet have already confirmed that for planning purposes it should be assumed that we will accept the Council Tax Freeze Grant for 2013/14, which is equivalent to a 1% increase and will provide one off funding of £5.3 million in each of the years 2013/14 and 2014/15.

2.4. Now that these grant figures have been released and assuming that future Council Tax increases are within the range contained in the previous Medium Term Financial Strategy it is anticipated that as long as

Departments meet their total of 20% savings (two lots of 8% and two lots of 2%) over the four year period then the County Council will achieve a balanced budget by the 2014/15 financial year, albeit that it may be necessary to use a small amount of one off funding to balance the budget in 2014/15.

2.5. This means that the County Council will have achieved its aim of meeting four years worth of grant cuts in the first two years of the current CSR period and has put itself in a very strong position to deal with the further grant reductions from 2015/16 onwards. Initial indications are that with further funding cuts on the horizon, there will be a significant gap to be closed in 2015/16 and future years, but through the current financial strategy, the County Council has given itself the time and capacity to deliver these savings over the next two years through further transformation workstreams.

2.6. The Chief Executive has already reported to Cabinet plans for a new set of Corporate Efficiency Workstreams to start to address the financial challenges from 2015/16 onwards. This work will begin in earnest in this new calendar year with a view to identifying further efficiencies, cost reduction options and organisational responses that meet the forecast budget gap in 2015/16. The Council will also want to plan how to meet increases in demand, inflation and demographics that will ultimately translate into increased expenditure.

2.7. During the current CSR period, the County Council has been developing its 'Open for Business' priorities, underlining the fact that despite the reductions in Government funding the County Council remains a large influential organisation committed to providing high quality services to the residents of Hampshire.

2.8. The Culture and Recreation services have been developing service plans and budgets for 2013/14 and future years in keeping with the 'Open for Business' priorities and the key issues, challenges and priorities for the portfolio are set out below.

Culture and Recreation Portfolio Challenges and Priorities

2.9 The diverse portfolio of services and reliance on both business to business and business to consumer income creates an equally diverse range of challenges and priorities around the following broad areas:

- Maintaining and enhancing income and, where relevant, visitors to a range of venues
- Establishing a Charitable Trust to deliver arts and heritage services (potentially with Southampton City Council and Winchester City Council)
- Meeting customer/service users' expectations in light of reduced revenue funding and officer capacity
- Business modernisation; creating more self-service channels and innovative customer access methods

- Sustaining and enhancing the successful volunteer model that now sustains many of our cultural and recreational services
- Creating new partnership models and relationships and appraising their value in service delivery
- In conjunction with the above point, review of grant distribution to cultural and community organisations
- The Rural Broadband state aid issues have been resolved and the invitation to tender has been issued. The focus now will be on delivery of this high profile programme within very tight funding constraints.

Income

2.10 A number of our venues are weather dependent and a future focus will be on developing all weather facilities similar to the play barn initiative at Staunton Country Park. All of our pay on entry venues will remain under pressure due to the economic climate thus requiring innovative marketing and the development of new offers using existing resources. The use of volunteers to undertake operational duties is helpful in allowing managers to focus on service development.

Infrastructure and access

2.11 The County Council has nearly 2,900 miles of rights of way (this compares to 5,441 miles of maintained metal highways). This area generates more comment and complaint than any other in the department. Over many years capital funding has declined and more recently the service has borne the same revenue reductions as elsewhere. While the service has done much to deliver better value through contracting and using its funding as leverge for external funding, it is now under considerable pressure to meet its infrastructure liabilities. The public have a great desire to access the countryside and, while this remains a priority for the department, it is becoming increasingly challenging to be able to meet this expectation. The department is responding by exploring external funding opportunities, as in the example of Royal Victoria Country Park, and other partnership approaches to service delivery. This is linked to development of a strategic investment approach identifying priority areas emerging through public consultation.

Fully Integrated Merger (FIM)

2.12 In response to the financial context faced by Arts and Museums more radical approaches to service delivery such as potential trust models are being considered. The loss of Arts Council (formerly MLA) funding for arts and heritage services has formed a backdrop to strong collaborative working between Hampshire County Council and the City Councils of Southampton and Winchester A potential FIM is being developed across the three organisations in order to:

- Achieve savings that can be reinvested into arts and heritage

- Create a bold and exciting programme designed to be more attractive to external funders
- Establish fundraising capacity and a culture of attracting internal investment
- Create operational efficiencies through joint collection, storage and organisational review

2.13 Work to establish the FIM is well advanced including the option of creating a Trust to achieve this. The partners are currently considering the available options within the context of their own financial planning. A decision is expected in early summer and, whatever direction is taken the close and successful collaboration of these services in the future.

Customers and Channel Shift

2.14 It has already been noted that there is no let-up in the expectations of customers. The Library service has demonstrated that the move to self-service has reduced running costs and in the main been accepted by its customers. Online appointments, bookings and borrowings are increasing and faster progress is planned through reprioritising existing funding for greater IT investment and customer engagement.

Volunteers

2.15 All community museums rely on volunteers to remain open. Volunteers are increasingly involved in day-to-day operations from gardening to administration and volunteers themselves come from all walks of life. In addition within Libraries volunteers are being used to increase opening hours (Hedge End and West End libraries). In addition responsibility for running two libraries is being transferred to a volunteer group in North Baddesley and a registered charity in Stanmore, Winchester. The Countryside Service is on target to benefit from 15,000 volunteer days this year. The volunteer model requires volunteers to commit to receiving training and to undertake regular duties. Support has been excellent but the challenge of sustaining the degree of support is not being under-estimated.

3. 2012/13 Budget

3.1. The 2012/13 savings target for Culture and Recreation services is £1.890 million. All Departments are monitoring achievement of savings as part of the normal budget monitoring process for the year. At the end of November £1.818 million of the Culture & Recreation savings had been fully delivered and £72,000 were still on target to be delivered by the end of the year.

3.2. The monitoring position for Quarter 3 is not yet available but will be reported in due course, at Quarter 2, the position for Culture and Recreation services was an overspend of £97,000 however through

management action the position to be reported at Quarter 3 is expected to be much improved.

3.3. The budget for the department has been updated throughout the year and the revised budget is shown in Appendix 3. The most significant changes to the cash limit during the year have been a transfer from reserves to services for 'cost of change' expenditure to support the delivery of future savings, an increase in cash limit from the corporate centre following a business rates revaluation and a transfer to CCBS Business Support reflecting the new arrangements for marketing within the department.

Budget 2013/14

4. Revenue Pressures and Initiatives

4.1. There are no specific pressures for the services that are not covered either by corporate risk contingencies or corporate inflation contingencies that will be factored into the overall budget.

5. Revenue Savings Proposals

5.1. Each Department is required to deliver a 2% saving to contribute towards the Annual Efficiency Target in 2013/14. The target for services within the Culture and Recreation portfolio for 2013/14 is £528,600 and Appendix 1 summarises the savings proposals to meet this sum which also shows the estimated impact on workforce levels.

5.2. These savings proposals mainly focus on achieving efficiencies without the need to impact on service delivery. The main themes of the 2013/14 saving programme build on the principles set out in the current budget which have already delivered £4m savings.

5.3. Within Community branch, the library service is planning an extension of the successful self-service approach to further libraries within the service and further staff reductions will be achieved through vacancy management. Efficiency savings within sport are also planned but not expected to impact on service delivery.

5.4. Within Culture and Heritage, all services are contributing broadly equally to the savings target and these will be delivered through a range of synergies, efficiencies and income generation. The Arts and Museums service has also been examining the business case for a Fully Integrated Merger (FIM) with other local authorities to create a joint Arts, Museums and Heritage trust. The business case is being developed for consideration by the Spring of 2013 and if approved by partner authorities it would deliver a service efficiency saving from 2014/15 with further savings potentially being achievable over the longer term.

5.5. The Countryside service plans to continue the strategy of pursuing efficiency savings alongside introducing innovative approaches to income generation. These have proved successful at meeting increased income targets in the first half of 2012/13 despite the inclement weather conditions.

5.6. In line with the approach taken in 2012/13, a central contingency will be maintained to mitigate risks in achieving savings and will provide for any slippage to programmes in the event that full delivery cannot be achieved until 2014/15.

5.7. The Appendix also provides information on the type of savings proposals categorised over Efficiencies, Income Generation or Service Reductions. The table below summarises the split of savings between these categories:

	£'000
Efficiencies	468.3
Income Generation	60.3
Service Reductions	0.0
Total	**528.6**

5.8. These proposals will result in a further workforce reduction of 13 full-time equivalent (FTE) positions. It is anticipated that the majority of this reduction can be met through the deletion of vacant posts and future staff turnover with a limited need for redundancies within specific services.

5.9. During 2011/12 the Culture Community and Business Services department achieved significant planned savings in advance of 2012/13 totalling approximately £1.6 million. In accordance with the revised financial management policy, the underspends have been held in an earmarked reserve and are available to offset any costs associated with implementation of the savings in the current and future financial years. Of this £519,000 relates to Culture and Recreation portfolio services. This includes the cost of redundancy payments to be met by the services, and the cost of this further workforce reduction is expected to be contained within the remaining funding available.

6. Review of Charges

6.1. For Culture and Recreation, the 2013/14 revenue budget includes income of £9.1 million from fees and charges for services to the public.

6.2. Discretionary charges are reviewed annually except when they are subject to agreements which cover longer periods when the review takes place at the end of the period of the agreement.

6.3. Details of current and proposed fees and charges (where these are specifically defined) for 2013/14 are outlined in Appendix 2. Charges are set with regard to the full cost of providing the services and all proposed charges included in the appendix take in to account a central inflation allocation which for 2013/14 was set at 1.5%.

7. Budget Summary 2013/14

7.1 The MTFS update report presented to Cabinet in December included provisional cash limit guidelines for each Department. The cash limit for Culture and Recreation was reported as part of the Policy and Resources budget in that report. There have been no further changes therefore the final cash limit figure for the Culture and Recreation services is £22.356 million.

7.2 Appendix 3 sets out a summary of the proposed budgets for the service activities provided by the portfolio for 2013/14 and show that these are within the amended cash limit set out above.

7.3 This net position excludes central items such as repairs and maintenance, support service charges and capital charges which will be added as part of the overall budget reported to Cabinet and County Council in February.

8. Workforce Implications

8.1. The workforce implications of the proposed budget for 2013/14 are set out in Appendix 4. At the end of 2013/14 the planned workforce for Culture and Recreation is 724 full time equivalent (FTE) staff. This compares with the estimate at the end of 2012/13 of 748 FTEs which is a reduction of 24 FTEs as summarised below:

	FTEs
FTE staff as at 31 March 2013[1]	748
Revised changes as at 31 March 2013	(8)
Transfers and other changes	(3)
Changes relating to savings targets	(13)
FTE staff as at 31 March 2014	**724**

8.2. The revised changes are the net effect of a number of different changes relating to service restructuring in 2012/13. The transfers and other changes relate to temporary posts coming to an end which are funded from external income.

[1] Full-time equivalent staff as at the 31 March 2013 includes full-year effect reductions relating to 2011/12 savings targets.

9. Conclusion

9.1. This report outlines the key issues and proposals for Culture and Recreation services budget for 2013/14, including savings proposals to meet the 2% AET.

9.2. Risks associated with achieving these proposals, as set out within this report, include:

- Maintaining and enhancing income at visitor facilities due to the economic climate
- Partners ability to commit to innovative partnership working eg the Fully Integrated Merger of Arts and Museums
- Meeting the public's service expectations in respect of Countryside access against backdrop of decline in capital funding

10. Recommendations

That the Culture, Communities and Rural Affairs Select Committee note:

10.1. The proposals for savings totalling £528,600, which meet the 2% target set for Culture and Recreation services in 2013/14 (as set out in Appendix 1)

10.2. The annual review of income and charges (as set out in Appendix 2).

10.3. The revised budget for 2012/13 totalling £23.586 million (as set out in Appendix 3).

10.4. The proposed budget for 2013/14 totalling £22.356 million (as set out in Appendix 3).

10.5. The workforce implications of the proposed budget for 2013/14 (as set out in Appendix 4).

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	Yes
Corporate Business plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Business plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
Title Medium Term Financial Strategy Update	Reference 4412	Date 17 December 2012
Direct links to specific legislation or Government Directives		
Title None		Date

Section 100 D - Local Government Act 1972 - background documents	
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.)	
Document	Location
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. The proposals in this report have been developed with due regard to the requirements of the Equality Act 2010, including the Public Sector Equality Duty and the Council's equality objectives. A high level equalities impact screening assessment has been carried out on the proposed savings outlined in this report. Many of the savings proposals have low or no impact identified, and relate to efficiency savings which will have minimal effect on service users or staff or the level of service. Fuller assessments of the impacts for the protected characteristic groups for customers and staff will be made where appropriate prior to the implementation of actual changes necessary to deliver these savings.

1.2. There are two significant proposals requiring a full equality impact assessment. The proposals for achieving the saving in the Library budget and the proposals for the Arts & Museums budget relating to the establishment of a charitable trust. Appropriate actions have been identified in the equality impact assessment to mitigate any disproportionate impact and the impact assessment actions will be monitored and reviewed during the year.

2. Impact on Crime and Disorder:

2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime.

2.2. The proposals in this report are not considered to adversely affect the prevention of crime.

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

As this is a general report covering the whole of the budget for Culture & Recreation it cannot set out detailed climate change implications. However climate change implications of specific issues raised in the budget would be reflected in individual service plans and project reports where appropriate.

Appendix 1

Culture and Recreation

Expenditure Reduction Options – New Savings Proposals to Meet 2% Target for 2013/14

Ref.	Savings Type	Risk To Delivery	Service Activity	Description	Impact / Issues	2013/14		Full year	
						£'000	FTE	£'000	FTE
Culture and Recreation Services									
C&R1	E	L	Community - Libraries	**Libraries –** staff reductions via vacancy management and introduction of self-service in more libraries	None	(307.4)	(11.0)	(307.4)	(11.0)
C&R2	E	L	Community – Sport and Community	**Sport and Community-** Service efficiencies and consolidation	None	(29.1)		(29.1)	
C&R3	E	L	Culture & Heritage	**Countryside and Outdoor Centres** service rationalisation **Arts & Museums** – savings delivered through a range of measures including phase 2 integration of Arts and Museums	None	(131.8)	(2.0)	(131.8)	(2.0)
C&R4	I	L	Culture & Heritage	**Countryside, Outdoors Centres and Archives & Records** – Increased Income.	None	(60.3)		(60.3)	
				Total Savings		**(528.6)**	**(13.0)**	**(528.6)**	**(13.0)**

Culture & Recreation

Review of income 2013/14

	Current charge £	Total income (Budget 2013/14) £000	Date of last review	Planned date for next review	Proposed increase (if proposed now)	Is charge subject to an assessment scale determined locally? Yes/No	Is charge set to recover full cost?
Mandatory/National Charges - None							
Discretionary Charges							
Community							
Library service							
- Fines	Various	208,200	Oct-12	Oct-13	None	No	n/a
- Other income (rental, sales, room hire, etc)	Various	1,139,100	Oct-12	Oct-13	Various	No	Yes
Culture and Heritage							
Countryside Service							
- Admission	Various	292,000	Dec-12	Jul-13	Dependent on site, local demographics and market conditions	Yes	Yes
- Car parking	Various	458,500	Dec-12	Jul-13	Various - £1.50 increase per visit to Manor Farm; and £10 for season ticketholders at RVCP	No	Yes

	Current charge £	Total income (Budget 2013/14) £000	Date of last review	Planned date for next review	Proposed increase (if proposed now)	Is charge subject to an assessment scale determined locally? Yes/No	Is charge set to recover full cost?
- Other income (retail, catering, lettings etc)	Various	574,000	Nov-12	Nov-13	Various	No	Yes
Outdoor Centres							
- Outdoor Activities	Various	472,200	Oct-12	Oct-13	None	No	Yes
- Shop	Various	1,100	Oct-12	Oct-13	None	No	Yes
Arts							
- Admissions	Various	206,000	Ongoing	Ongoing	None	Yes	Yes
- Other income (retail, catering, lettings, etc)	Various	304,600	Apr-12	Apr-13	Various	Yes	Yes
Museums							
- Admissions	Various	35,700	2012/13 site dependent	2013/14 site dependent	Various	Yes	Yes
- Other income (retail, lettings, etc)	Various	141,100	2012/13 site dependent	2013/14 site dependent	Dependent on Museum	No	Yes
Hampshire Wardrobe							
- Costume Rental	Various	37,000	2012/13	2013/14	3%	No	Yes
Calshot Activities Centre	Various	2,243,400	Sept-11	Sept-13	None	No	Yes
Archives							
- Sales, Services & Events	Various	33,100	Apr-12	Apr-13	Not yet due	No	Yes

	Current charge £	Total income (Budget 2013/14) £000	Date of last review	Planned date for next review	Proposed increase (if proposed now)	Is charge subject to an assessment scale determined locally? Yes/No	Is charge set to recover full cost?
Milestones							
- Admissions	Various	401,000	Sept-12	Sept-13	2.5%	Yes	Yes
- Other income (retail, lettings etc)	Various	333,200	Nov-11	Jan-13	Not yet due	No	Yes

Culture and Recreation
Budget summary 2013/14

Service Activity	Original Budget 2012/13 £000	Revised Budget 2012/13 £000	Proposed Budget 2013/14 £000
Community			
- Libraries	13,419.6	13,608.3	12,921.0
- School Library Service	0.0	0.0	0.0
- Sport	363.3	323.0	210.4
- Community	487.6	487.4	340.3
Culture & Heritage			
- Countryside	3,218.5	3,287.7	3,017.8
- Outdoor Centres	655.1	560.0	401.4
- Arts & Museums	3,121.3	3,452.7	2,436.8
- Calshot Activities Centre	118.3	69.1	64.7
- Archives	961.2	1,002.8	944.3
- Milestones	279.5	348.1	338.5
- Hampshire Wardrobe	0.0	0.0	0.0
Culture and Recreation Policy Fund*	457.0	446.7	1,680.3
Total	**23,081.4**	**23,585.8**	**22,355.5**

* £1,267k of the 2013/14 budget is budget that in 2012/13 was within Sport (£110k), Community (£133k), Countryside (£72k), Outdoor Centres (£144k), Arts (£715k) and Museums (£93k).

Culture & Recreation
Workforce implications

Service Activity	Original Estimated Staff Numbers 31.3.2013[2]	2012/13 Revised Changes as at 31.3.2013	Transfers & Other Changes	Impact of Savings Proposals	Estimated Staff Numbers 31.3.2014
Community	427	(2)	(1)	(11)	413
Culture & Heritage	321	(6)	(2)	(2)	311
Total	**748**	**(8)**	**(3)**	**(13)**	**724**

[2] Figures reported last year have been corrected