

P&R SELECT COMMITTEE BRIEFING

Financial Context

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AGENDA

1. Timelines and Reserves Strategy
2. CSR 2010
3. Outturn Position 2012/13
4. Budget 2014/15
5. Medium Term Outlook
6. Spending Review and Budget 2015/16



TIMELINES AND RESERVES STRATEGY

- Pre CSR 2010 – Phase 1 Efficiency Programme (£30M) and Children Services savings (grant reductions)
- CSR 2010 – Plan to implement 4 years worth of savings in first two years 2011/12 and 2012/13
- 2013/14 and 2014/15 steady state, planning for 2015/16
- 2015/16 Transformation programme and funding already in place

Reserves Strategy

- Current total reserves at nearly £419M
- Most are earmarked and committed for specific purposes
- Only 19% are 'freely' available to support expenditure
- County Council chooses to invest and transform and look after staff to achieve future reductions in a planned way
- Some money available in the Grant Equalisation Reserve to provide flexibility and time in the reduction programme - not just to 'put off the inevitable'

Reserves Strategy

Strategy is based on :

- **Planning ahead of time and implementing efficiencies and savings in advance of need**
 - **Generating surplus funds in the early part of the programme**
 - **Using these resources to fund investment and transformation in order to achieve the next phase of savings**
- Given this strategy, if reserves did not continue to rise over the next few years it may mean there is something wrong with the programme
 - **We balanced the 2013/14 budget gap by using £48.4M of savings made in advance of need!**

CSR 2010 – Key Impacts

	11/12	12/13	13/14	14/15
Formula Grant Reductions	-14.3%	-10.4%	-8.7%	-9.6%
Savings Targets MTFS	£55m	£45m	£10m	£10m [*]
Cash Limit Reduction	8%	8%	2%	2%
Council Tax Increase	0%	0%	0%	?

* MTFS report recommends rolling this into 2015/16 target

2012/13 Outturn

- Service underspend of £8.9M (transfer to cost of change reserves – successful strategy to date)
- Other underspends / savings in treasury management and contingencies £21.1M
- Made available for :-
 - Organisational Change Reserve - £2.5M
 - £6.2M to Invest to Save Reserve (for TtC to 2015)
 - £12.4M to Grant Equalisation Reserve
- All consistent with Reserves Strategy

2014/15 Budget

- 2% Efficiency target rolled up into 2015/16 TtC to 2015 programme
- £9.3M of other savings to deliver for EIG reduction and slipped Adult services savings
- Assuming no council tax increase would give deficit of £27.4M
- Some early savings will offset this leaving around £16M to be met from Grant Equalisation Reserve
- BUT need to consider longer term impact of council tax decision

Economic Outlook

- Period of Austerity to 2017/18 possibly 2020
- UK status downgraded from AAA
- Debt to GDP ratio poor until 2016
- Slow growth and poor prospects to 2020
- Post 2020 - No cuts but any growth?

Spending Review 2013

- 8.2% cash cut in local government spending (we are still assuming 10% to grants to allow for distribution issues)
- Cuts apply to RSG, business rate funding, NHB, former specific grants and CTSS grant
- Government can't touch business rate income, so this equates to equivalent RSG cut of 17.9%
- 20% cut to Education Services Grant (£4M for HCC)
- 2 further years of council tax freeze grant at the equivalent of 1% increase (£4.95M for HCC)
- Extension of 2011/12 and 2013/14 CTFG to 2015/16
- £3.8Bn nationally for joint commissioning with Health Authorities

2015/16 Budget

- 10% grant cut and reduction in ESG equates to £28.5M
- £7.4M of this passported to services but may need cash flow funding
- £11.6M of reserves dropping out plus inflation and social care pressures of £30.7M
- Baseline forecast assumes £84.7M gap
- Overall TtC to 2015 programme will deliver £93.2M giving a surplus of £8.5M in line with the reserves strategy
- BUT need to consider longer term impact of council tax decision
- If took CTFG in 2014/15 and 2015/16 we would have a £28.4M 'cliff edge' in 2016/17

Transforming the Council to 2015

- Transformation rather than just cost reduction and efficiencies
- Continuing to deliver savings through a workstream programme over next two years
 - Housekeeping (inflation and debt management)
 - External Spend
 - Social Care Spend
 - Further efficiencies (management / overheads / sold services)
- Corporate Services Review – IT review, Development of IBC, strategic and advisory services and joint working
- Shared services – exploring options for income generation or efficiencies through working with other organisations
- Maintaining our capacity - ensuring we are fit to capture new opportunities