



Hampshire
County Council

Economy, Transport and Environment Select Committee 20 January 2015 Budget Briefing 2015/16

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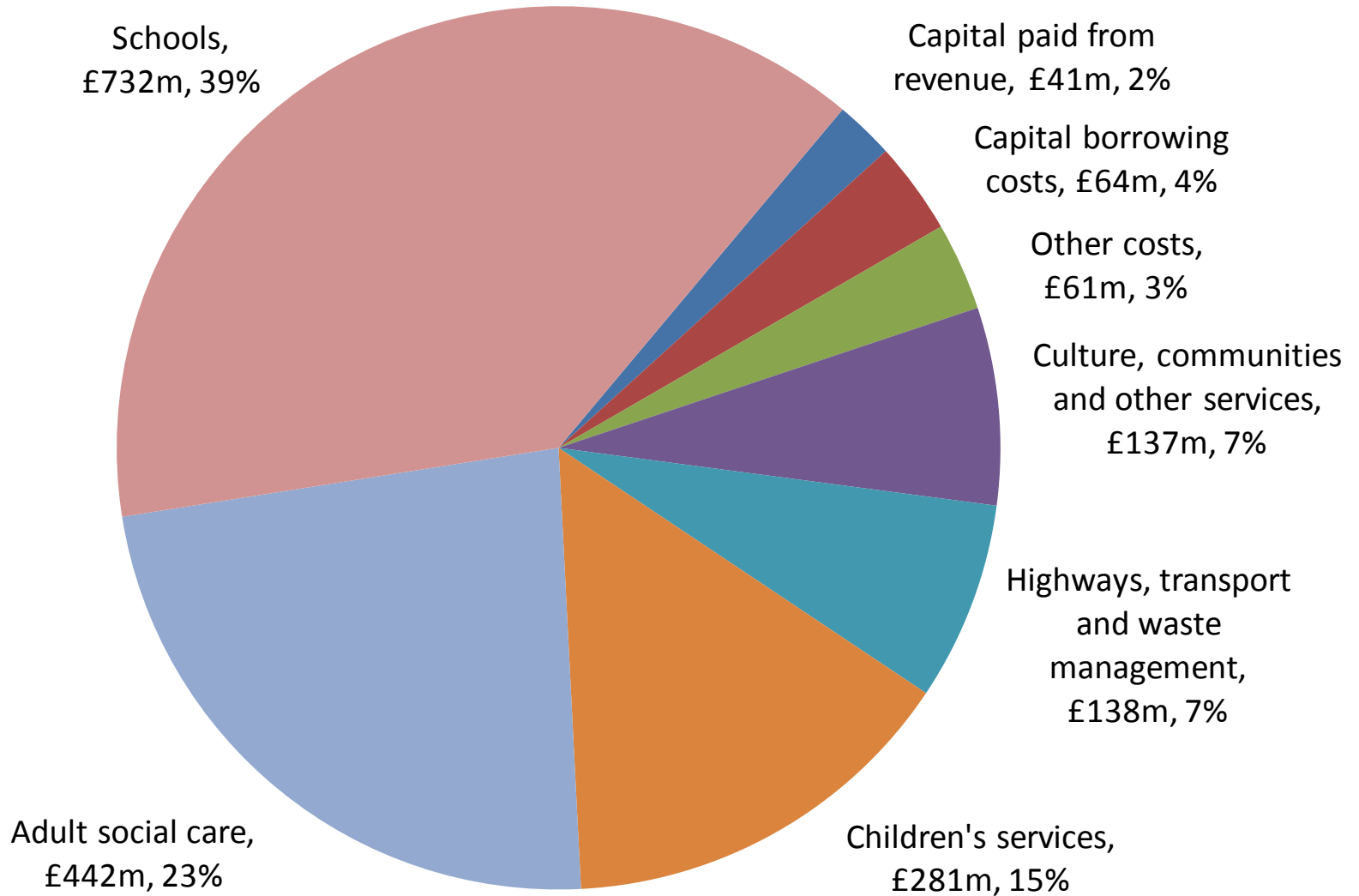
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Director

Presentation Outline

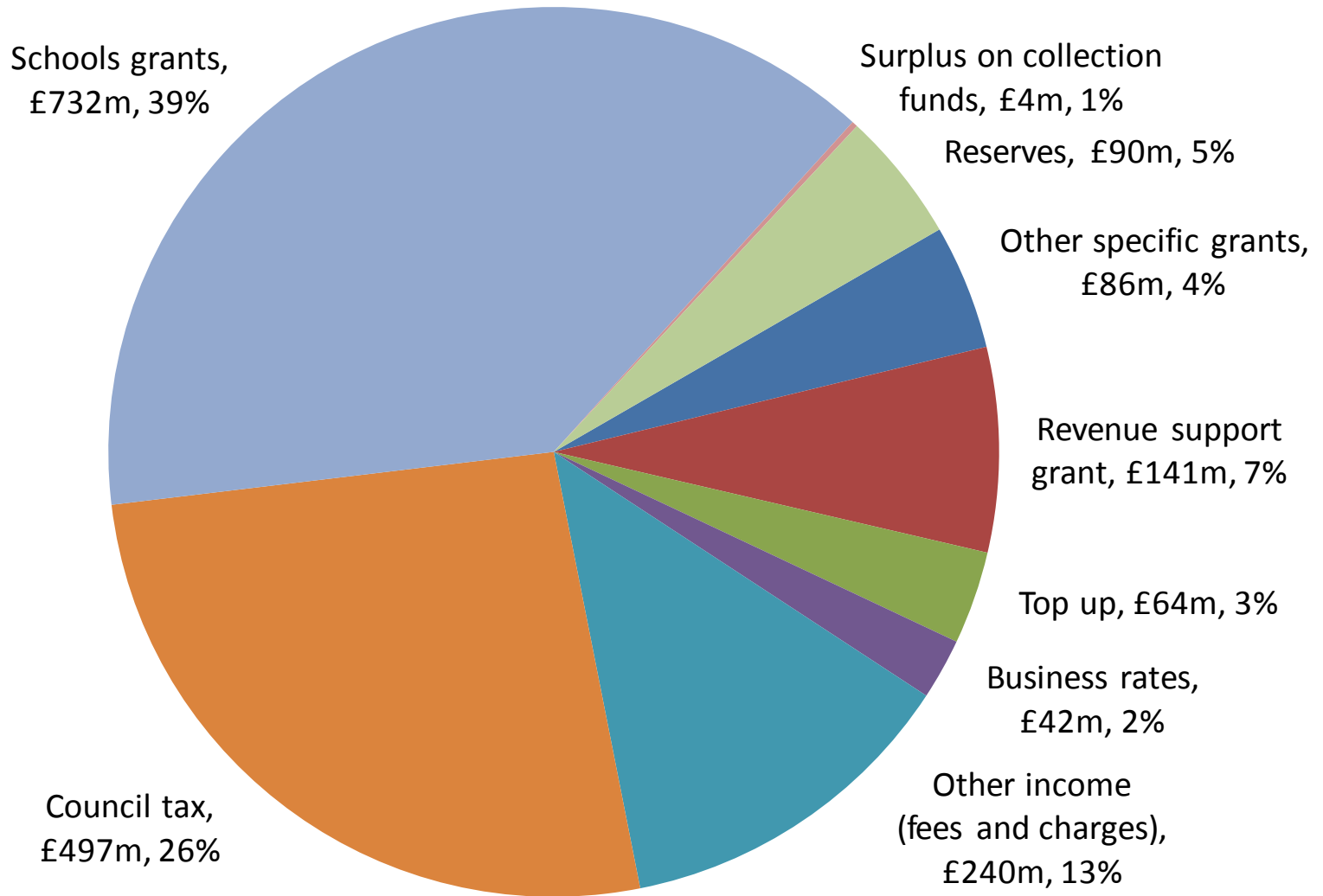
- Background to the budget
- Grant settlement and impact on the County Council's overall budget position
- Reserves Position
- Update on Transforming the Council 2015 Programme
- Economy, Transport & Environment Department budget proposals
- Workforce implications
- Capital programme 2015/16

Background to the Budget

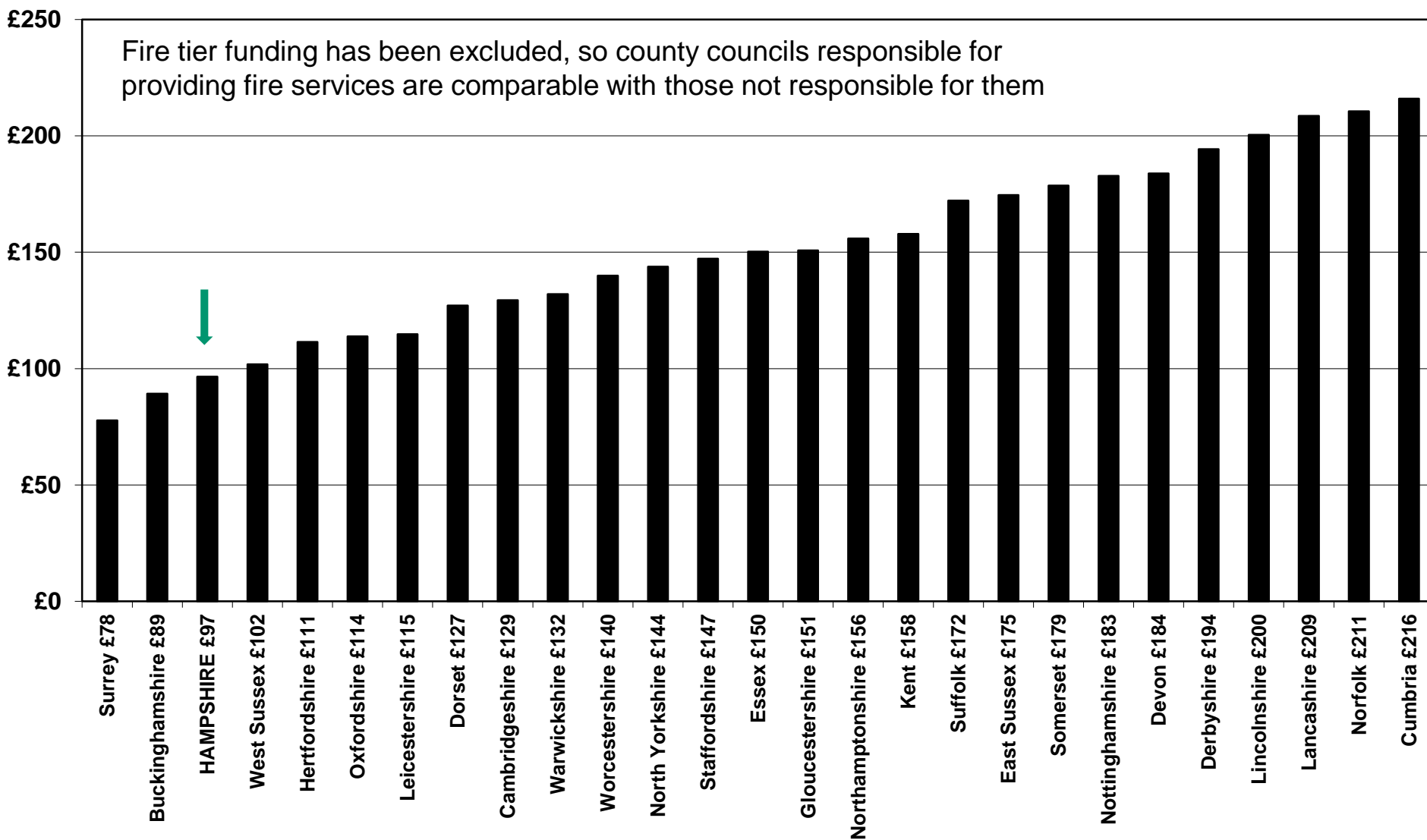
2014/15 Gross Expenditure (£1.9bn)



2014/15 Funding: Including Schools

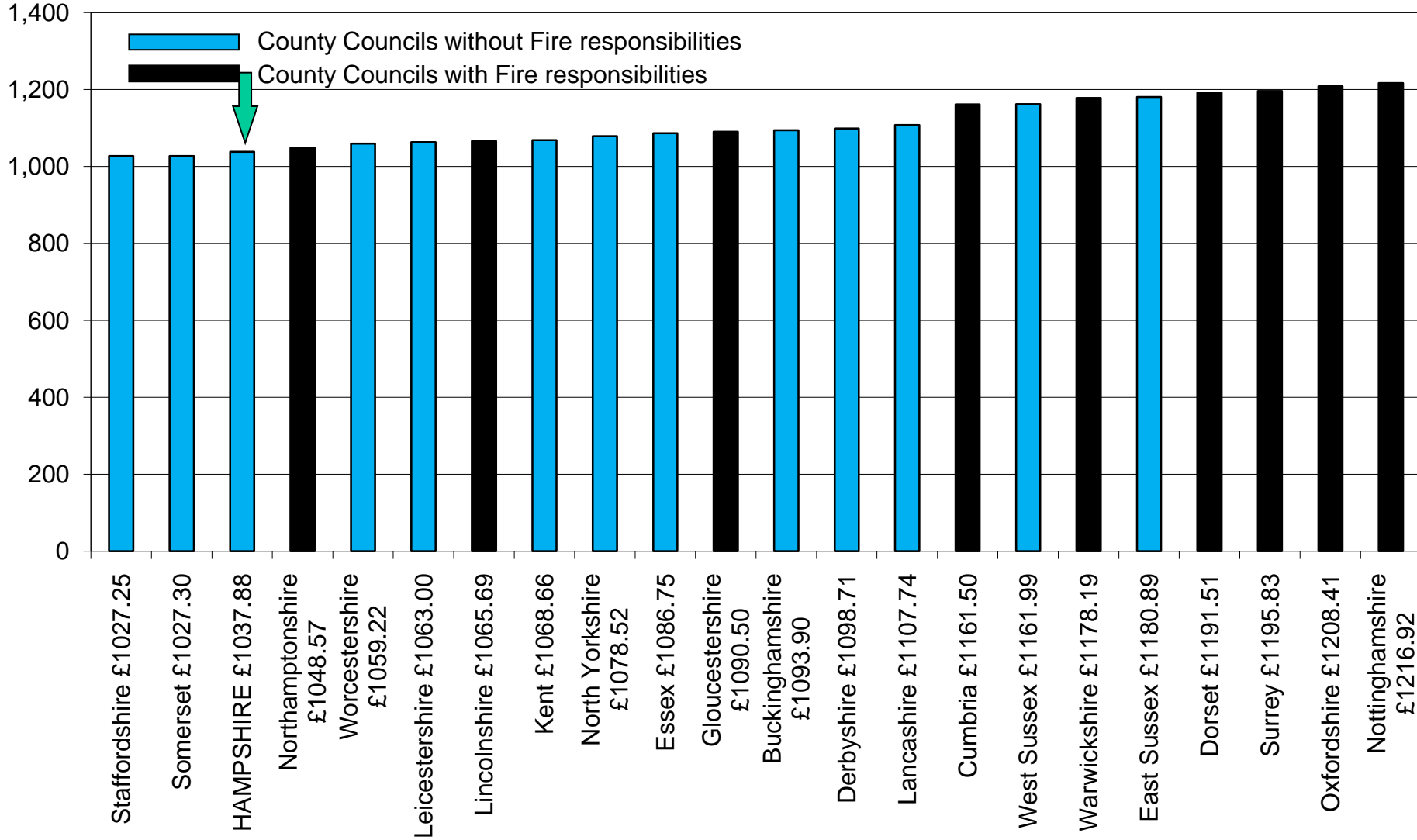


Upper Tier Funding Per Head 2015/16



Council Tax Levels 2014/15

£/band



Low Grant, Low Council Tax

Average upper tier funding per head (£149)
would give us £70M more

Council Tax levels the same as Nottingham
(highest figure) would give us £86M more

Grant Settlement and Overall 2015/16 Budget Position

Local Government Settlement

- No major changes to methodology
- Council Tax Freeze Funding for 2014/15 has been added to baseline grant for 2015/16
- BUT overall grant reduction is higher than previous notifications
- Overall cut to grant levels is 11.8% meaning a further £2.9m loss (£30m overall)
- Other announcements (new homes bonus, NDR Top Up) in line with expectations
- Section 31 grant for 'lost' NDR income continues as expected

Budget Forecast 2015/16 – MTFS Position

- Overall cumulative gap of £108.1m by 2015/16 reported as part of MTFS last summer
- Transformation to 2015 Programme to deliver £102.5m of savings by 2015/16
- Detailed savings proposals agreed as part of last years budget setting process to give the time for implementation
- Difference of £5.6m to be drawn from Grant Equalisation Reserve to balance the budget
- No growth other than a £12.5m base budget adjustment for increasing numbers and complexity of Children Looked After.

Updated Position 2015/16

	£m
Anticipated draw from Grant Equalisation Reserve MTFS	5.6
Additional loss of Revenue Support Grant	2.9
Business Rates collection fund surplus 2014/15 TBC	(0.2)
Ongoing increase in retained Business Rates TBC	(0.8)
Council Tax collection fund surplus (above forecast)	(7.5)
Balanced Budget	<hr/> 0.0 <hr/>

Reserves Position

Reserves Strategy

- Deliberate policy to make savings ahead of need and then use these surplus funds to meet the costs of the next phase of transformation
- Total reserves of £482m as at 31 March 2014
- Over half of this (£247m) committed to existing spend programmes (mainly capital)
- £45m in Departments cost of change and trading account reserves to be used for investment and future transformation
- £31m set aside to mitigate risks (mainly the insurance reserve as we self insure)
- Over £49m in schools reserves and £28m in general reserves (in line with minimum reserves policy)

Reserves Strategy

- Only £81m (16.8%) is truly 'available' to support one off spending and is made up as follows :

	Balance 31.3.2013 £'000	Balance 31.3.2014 £'000	% of Total %
<u>'Available' Reserves</u>			
Corporate Policy Reserve	1,979	3,676	0.8%
Invest to Save	10,154	10,073	2.1%
Corporate Efficiency Reserve	9,235	8,931	1.9%
Organisational Change Reserve	10,018	7,854	1.6%
Grant Equalisation Reserve *	48,460	50,464	10.5%
	79,846	80,998	16.8%

* £28.5m of the GER will be used to support the revenue budget in 2014/15

Update on Transforming the Council to 2015 Programme

Transforming the Council to 2015

- Savings target of £102.5m to be in place by April 2015
- Savings proposals to meet this were agreed as part of the 2014/15 budget setting process and are reflected in detailed service budgets in report
- **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 2014/15 and regularly reported to Cabinet
- Minimum of £96.4m expected to be achieved in 2015/16 with plans in place to meet any shortfall from Departments cost of change reserves

Summary of Approved Savings Proposals

Service area	£'000
Highways	4,164
Other Transport	2,080
Workforce inc. senior management	2,231
Waste disposal/HWRCs	3,966
Economic Development	103
Other ETE departmental savings	649
TOTAL ETE	13,194

Key Issues from Implementation

- Public consultations 2014 to inform subsequent EM decisions
- Contract negotiations 2014
- Timing gap for some savings
- Planned early achievement elsewhere to cover timing gap
- Target will be achieved

Economy, Transport and Environment Services Budget Briefing 2015/16

Economy, Transport and Environment proposed budget

£'000

Revenue budget:

Revised budget for 2014/15 113,609

Savings in 2014/15 4,595

Balanced budget by March 2015

Proposed budget for 2015/16 103,558

Proposed savings in 2015/16* 13,194

Capital programme for 2015/16 67,484

* Equality Impact Assessments completed

Proposed budget 2015/16

	£'000
Cash limit set by Cabinet	103,558
Gross expenditure budget	115,995
Income	(12,437)
Government grant	(1,569)
Total net expenditure	101,989

Key Departmental Issues / Challenges

- Deliver final agreed 2015 savings and continue a sustained approach to cost reduction and service transformation by
 - Sharpened focus on core service delivery
 - Outcome focussed delivery for customers
 - New service delivery models – waste and highways
 - Developing alternative funding sources for key specialist skills

Key Departmental Issues / Challenges

- Waste volume growth/legislative changes
- Bidding and delivery partner role
- Retaining key groups of staff (e.g. capital programme delivery)

Workforce Implications

**Full time
equivalent (FTE)
numbers**

FTE staff as at 31 March 2015 (last year's estimate) 704

Decrease / increase in revised estimate as at 31 March 2015 0

Changes relating to 2015 savings proposals ⁽¹⁾ 0

(1) Restructure to achieve 2015 savings completed during 2014

FTE staff as at 31 March 2016 **704**

Economy, Transport and Environment Capital Programme 2015/16

£'000

Structural Maintenance	38,824
Integrated Transport	27,879
Public Realm Improvements	750
Economic Development	31
Total	67,484



2014/15 revised programme

Programme	£'000
Structural Maintenance ⁽¹⁾	53,808
Integrated Transport	33,769
Flood & Coastal Defence Management	6,417
Public Realm Improvements	750
Economic Development	383
TOTAL ETE	95,127
<p>(1) Includes one-off Government funding for potholes and flood relief (national programme)</p>	

Three year programme 2015/16 – 2017/18

Programme	2015/16	2016/17	2017/18	TOTAL
	£'000	£'000	£'000	£'000
Structural Maintenance	38,824	36,591	25,670	101,085
Integrated Transport	27,879	45,861	22,520	96,260
Public Realm Improvements	750	0	0	75
Economic Development	31	31	31	93
TOTAL ETE	67,484	82,483	48,221	198,188

Construction industry issues and impact

- Rising inflation cost pressures – materials and labour
- Single or nil responses to tenders
- Extended lead in times
- Pressures on delivery e.g. where funding conditions require spend by given date

Competitive bidding for funding

- Successes through this route

BUT

- Costs (revenue) associated with preparing bids
- Ability to retain or recruit appropriately skilled staff
- Cost (& availability) of agency staff resource
- Impact on medium to longer term planning

