



Hampshire  
County Council

Economy, Transport and  
Environment Select  
Committee  
19 January 2016  
Budget Briefing 2016/17

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# Presentation outline

- Provisional grant settlement – key issues
- Impact on the County Council's 2016/17 budget
- Economy, Transport and Environment Revenue Budget
- Workforce Information
- Economy, Transport and Environment Capital Programme

# Scope of Presentation

- Presentation covers key points of settlement as they impact on 2016/17
- Overall position and the technical changes are very complex and have a major impact on next year and medium term position
- Overall budget and final decisions for 2016/17 are still being pulled together for Cabinet
- Main focus of today is to scrutinise Economy, Transport & Environment budget for 2016/17
- Happy to make a note of any technical questions for which Carolyn will provide written answers but main opportunity to ask these questions is full Member briefing planned for 28 January

# Provisional Settlement – Key Issues

# Provisional Local Government Finance Settlement

- The overall reduction in Revenue Support Grant (RSG) across the country for 2016/17 is 24.5%
- The RSG for the County Council will reduce from £129m to £81m in 2016/17 a reduction of £48m (37.4%) compared to a forecast reduction of £19m (15.9%)
- By 2019/20 the County Council will no longer receive any RSG, which worsens the cumulative financial projection by a total of £48m
- The reductions are as a result of a change in the distribution methodology for RSG which impacts heavily on Shire Counties and Shire Districts and favours metropolitan authorities, which geographically moves funding from the south to the north in general terms.

# Provisional Local Government Finance Settlement

- A consultation on New Homes Bonus has been published setting out proposals to achieve reductions of £800m by 2019/20
- This funding together with £700m of other existing funding will be put into a new £1.5bn Better Care Fund by 2019/20
- Significant changes to Education Services Grant are predicted in the future. There has been a reduction of £1.3m (8.7%) for Hampshire in 2016/17
- The option of a social care precept of 2% on council tax was confirmed in the settlement
- No Council Tax Freeze Grant for 2016/17 was confirmed

# RSG and Core Spending Power

- The Government has introduced a new measure called 'Core Spending Power' which assumes that all Authorities increase their council tax every year over the next four years by the maximum permissible
- RSG has been allocated by grouping authorities into different classes and then allocating funding so that each separate class of authority receives the same percentage reduction in Core Spending Power
- However the different classes are not treated equally under this methodology

# Revenue Support Grant

	2015/16 RSG £m	2016/17 RSG £m	Change %
<b>Type of Authority</b>			
<b>England</b>	<b>9,509.4</b>	<b>7,183.9</b>	<b>-24.50%</b>
Shire Districts	422.4	265.2	-37.20%
Shire Counties	2,350.7	1,644.9	-30.00%
Unitaries	2,012.2	1,503.1	-25.30%
Outer London	908.3	688.6	-24.20%
Metropolitan Districts	2,442.1	1,925.0	-21.20%
Inner London (inc City)	849.7	686.4	-19.20%
Combined Fire Authorities	215.2	182.7	-15.10%
Metropolitan Fire	133.2	117.9	-11.50%

# Better Care Fund

- Total Resources of £1.5bn expected to be put into the system by 2019/20, but nothing significant until 2018/19
- Initial indications are that this will be given directly to local authorities rather than through Health
- Distribution methodology follows new RSG allocations and gives around £19m to Hampshire by 2019/20.
- This compares to £31m that we would have received under old distribution methodology (a loss of £12m recurring funding)

# Impact on 2016/17 Budget

# Budget Position 2016/17 – No Council Tax Increase

£'000

<b>Predicted 2016/17 Budget Gap</b>	<b>50,284</b>
Additional Loss in RSG	17,358
Care Act lost Specific Grant	7,635
2015/16 Council Tax Freeze Grant Lost	5,475
Increased Top Up Grant	<u>(547)</u>
Sub-total	29,921
Lost ESG	<u>1,281</u>
<b>Revised Gap</b>	<b>81,486</b>
Net increase in Collection Fund surplus	(6,612)
Estimated Grant Equalisation Reserve	<u>(55,000)</u>
<b>Remaining gap after use of all GER</b>	<b><u>19,874</u></b>

# Budget Position 2016/17 – With Council Tax Increase

	£'000
<b>Revised Gap</b>	<b>81,486</b>
Council tax from 1.99%	(10,182)
Council tax from social care precept of 2%	(10,200)
Net increase in Collection Fund surplus	<u>(6,612)</u>
<b>Revised Gap to be met from GER</b>	<b><u>54,492</u></b>

Leaving £0.5m in GER for future years

# Reserves Position

# Reserves Strategy

- Total reserves of £462m as at 31 March 2015, a reduction of £20m on previous year, indicating that the tipping point has now been reached and we would expect reserves to now start to reduce to end of decade
- Nearly half of this (£226.5m) committed to existing spend programmes (mainly capital)
- £58m in Departments' cost of change and trading account reserves to be used for investment and future transformation
- £27m set aside to mitigate risks (mainly the insurance reserve as we self insure)
- Over £52m in schools reserves and £20.6m in general reserves (in line with minimum reserves policy)

# Reserves Strategy

- Only £76.9m (16.6%) is truly 'available' to support one off spending and is made up as follows :

	Balance 31.3.2014 £'000	Balance 31.3.2015 £'000	% of Total %
<b><u>'Available' Reserves</u></b>			
Corporate Policy Reserve	3,676	3,976	0.9%
Invest to Save	10,073	9,461	2.0%
Corporate Efficiency Reserve	8,931	8,981	1.9%
Organisational Change Reserve	7,854	3,953	0.8%
Grant Equalisation Reserve *	50,464	50,881	11.0%
	<b>80,998</b>	<b>77,252</b>	<b>16.6%</b>

\* All of the GER will be used to support the revenue budget in 2016/17

# Economy, Transport and Environment Budget 2016/17

# ETE Proposed Budget

<b>Revenue Budget:</b>	<b>£'000</b>
Revised Budget for 2015/16	111,061
Proposed Budget for 2016/17	111,000
Early Savings Delivery Estimated in 2016/17	4,947
 <b>Capital Programme:</b>	
Revised programme for 2015/16	80,349
Proposed programme for 2016/17	97,083

# Proposed Budget 2016/17

	£'000
Highways, Traffic and Transport	60,412
Waste, Planning and Environment	42,040
Economic Development	754
Departmental and Corporate Support	2,847
Early achievement of T17 savings	,4948
<b>Total Net Budget</b>	<b>111,000</b>

# Workforce Implications

	<b>Staff Numbers (FTE)</b>
<b>Estimated FTE as at 31 March 2016</b>	<b>704</b>
Changes Relating to Early EVR	(41)
Transfers and Other Changes	19
<b>Revised FTE as at 31 March 2016</b>	<b>682</b>
Changes Relating to EVR	(16)
Transfers and Other Changes	10
<b>Estimated FTE as at 31 March 2017</b>	<b>676</b>

(FTE – Full Time Equivalent)

# Key Departmental Issues / Challenges

- External spend – significance for ETE and opportunities from new contracts
- Staff retention & recruitment
- Revenue impacts of capital programme
  - Bidding costs, land acquisition & statutory consents
  - Future maintenance liabilities – materials & finishes
- Waste volume growth

# Economy, Transport & Environment Capital Programme

	<b>15/16 orig.</b>	<b>15/16 rev.</b>	<b>16/17 fwd.</b>
	£'000	£'000	£'000
Structural Maintenance	38,824	41,309	38,591
Integrated Transport	27,879	28,253	57,605
Flood and Coastal Defence	0	924	106
Economic Development	31	9,094	31
Public Realm Improvements	750	750	750
Passenger Transport	0	19	0
<b>Total 2015/16 Programme</b>	<b>67,484</b>	<b>80,349</b>	<b>97,083</b>

# Economy, Transport & Environment three year programme 2016/17 – 2018/19

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Total</b>
	£'000	£'000	£'000	£'000
Structural Maintenance	38,591	25,670	23,407	87,668
Integrated Transport	57,605	34,447	2,500	94,552
Flood & Coastal Defence	106	106	106	318
Economic Development	31	31	31	93
Rowner	750	0	0	750
<b>Total</b>	<b>97,083</b>	<b>60,254</b>	<b>26,044</b>	<b>183,381</b>

# Key issues - capital

- Local Growth Deal funding
  - Now the major source of funding for larger schemes
  - Timescales for bid process and funding agreements are onerous (Solent LEP)
- Competitive bidding
  - Expanding into maintenance (e.g. Challenge Fund)
  - Increasing level of match funding required (Flood Defence Grant in Aid & LGF)
  - Bidding costs (revenue)
- Implications of funding settlement for sustaining levels of capital investment in the medium term