



Hampshire
County Council

Policy and Resources Select Committee

25 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
Policy and Resources Revenue Budget
Workforce Information
Policy and Resources Capital Programme

Scope of Presentation

- Presentation covers key points of the finance 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 the Policy and Resources budget for 2016/17
- Happy to answer any technical questions 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

Type of Authority	15-16 RSG	16-17 RSG	Change
	£m	£m	%
England	9,509.4	7,183.9	-24.50%
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 direct to local authorities rather than via 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
Predicted 2016/17 Budget Gap	50,284
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>
Revised Gap	81,486
Net increase in Collection Fund surplus	(6,612)
Estimated Grant Equalisation Reserve	<u>(55,000)</u>
Remaining gap after use of all GER	<u>19,874</u>

Budget Position 2016/17 – With Council Tax Increase

	£'000
Revised Gap	81,486
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>
Revised Gap to be met from GER	<u>54,492</u>

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 31/03/2014 £'000	Balance 31/03/2015 £'000	% of Total %
<u>'Available' Reserves</u>			
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	3,593	0.8%
Grant Equalisation Reserve *	50,464	50,881	11.0%
	80,998	76,892	16.6%

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

Policy and Resources 2015/16 and 2016/17

Policy and Resources Proposed Budget

Revenue budget:	£'000
Revised budget for 2015/16	97,832
Proposed budget for 2016/17	96,559
Early savings delivery estimated in 2016/17	7,023
Capital programme:	
Revised programme for 2015/16 (including carry forward from 2014/15)	62,724
Proposed programme for 2016/17	26,234

Proposed Budget 2016/17

£'000

CCBS	36,502
Public Health	55,128
Corporate Services	42,489
Repair and maintenance	10,166
Members Support	1,726
Other P&R Services	3,469
Total cash limited services	149,480
Coroners	1,367
Trading activities	-544
Income from Government Grants	-53,744
Total Net Expenditure	96,559

Workforce Implications

	(FTE) staff numbers
Original FTE staff as at 31 March 2016	4,060
Changes relating to early VR	-120
Transfers and other changes	153
Revised FTE staff as at 31 March 2016	4,093
Early Impact of savings proposals	-43
Transfers and other changes	-10
Estimated FTE staff as at 31 March 2017	<hr/> 4,040 <hr/>

Policy and Resources Capital Programme 2016/17

	£'000
Office accommodation schemes	1,518
Acquisition/disposal of sites fees	433
Vehicles for HTM	2,000
Investment in Hampshire	3,000
Community Buildings	125
CCBS minor works	578
IT infrastructure and equipment	771
Schools condition funding	<u>17,809</u>
Total capital programme 2016/17	<u>26,234</u>