

# Policy and Resources Select Committee

## Year end report and MTFS

Rob Carr

# Departmental Cash Limits

	(Under) / Over Spend £'000
<b><u>Departmental Expenditure</u></b>	
Adults' Services	0
Children's Services - Non schools	0
Economy, Transport and Environment	(9,500)
Policy and Resources	(12,096)
<b>TOTAL</b>	<b><u>(21,596)</u></b>

# Other Budgets

	(Under) / Over Spend £'000
Capital Financing / Interest on Balances	(6.8)
Waste Management	(1.4)
Contingencies	(14.7)
Increase in Doubtful Debt Provision	1.4
Other Net Variations	0.4
<b>TOTAL</b>	<b><u>(21.1)</u></b>

# Allocation of Under Spend

- Departmental underspends will be added to cost of change reserves in line with current policy
- Underspend on Winter Maintenance (which is usually returned to the centre) will be retained by ETE to be used for additional works in 2016/17 (para 2.9)
- £1m of corporate underspend to be used to continue management development programmes
- Balance of £20.1m added to Grant Equalisation Reserve (key part of MTFS)

# Reserves

	Balance 31/03/2015 £'000	Balance 31/03/2016 £'000	% of Total %
<b><u>Fully Committed to Existing Spend Programmes</u></b>			
Capital Grants Unapplied	48,368	52,844	10.6%
Revenue Grants Unapplied	36,161	35,530	7.1%
General Capital Reserve	133,926	124,137	25.0%
Street Lighting Reserve	6,263	9,238	1.9%
Community Transport Reserve / Other	1,795	2,092	0.4%
	<b>226,513</b>	<b>223,841</b>	<b>45.0%</b>

# Reserves

	<b>Balance 31/03/2015 £'000</b>	<b>Balance 31/03/2016 £'000</b>	<b>% of Total %</b>
<b><u>Departmental / Trading Reserves</u></b>			
Trading Accounts	15,725	15,670	3.2%
Departmental - Cost of Change Reserve	42,651	53,927	10.8%
	<b>58,376</b>	<b>69,597</b>	<b>14.0%</b>
<b><u>Risk Reserves</u></b>			
Insurance Reserve	26,808	25,423	5.1%
Investment Risk Reserve	500	1,000	0.2%
	<b>27,308</b>	<b>26,423</b>	<b>5.3%</b>

# Reserves

	Balance 31/03/2015 £'000	Balance 31/03/2016 £'000	% of Total %
<b><u>Other Reserves</u></b>			
Corporate Policy Reserve	3,976	5,109	1.0%
Invest to Save	9,461	9,077	1.8%
Corporate Efficiency Reserve	8,981	7,902	1.6%
Organisational Change Reserve	3,593	3,593	0.7%
Grant Equalisation Reserve	50,881	75,206	15.2%
	<b>76,892</b>	<b>100,887</b>	<b>20.3%</b>

# Reserves

	Balance 31/03/2015 £'000	Balance 31/03/2016 £'000	% of Total %
<b><u>Summary</u></b>			
Committed to existing spend programmes	226,513	223,841	45.0%
Departmental / Trading Reserves	58,376	69,597	14.0%
Risk Reserves	27,308	26,423	5.3%
Other Reserves	76,892	100,887	20.3%
<b>Total Earmarked Reserves</b>	<b>389,089</b>	<b>420,748</b>	<b>84.6%</b>
Schools Reserves	52,462	55,950	11.3%
General Fund Balance	20,598	20,598	4.1%
<b>Total Reserves and Balances</b>	<b>462,149</b>	<b>497,296</b>	<b>100.0%</b>

# Medium Term Financial Strategy Update

# Background to Financial Position

# Local Government Finance Settlement

- 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
- Representations to Government achieved one off transitional funding of over £9m a year for two years but did not change long term position

# 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 (HCC share around £19m)
- No allowance for the impact of the National Living Wage was given under the new burdens doctrine as this was deemed to impact all organisations not just the public sector

# Medium Term Budget Position

	£'000
<b>Original Predicted 2019/20 Budget Gap</b>	<b>130,000</b>
Impact of NLW on Care Costs	45,000
Increased Loss of RSG	48,000
Other net changes	<u>(1,400)</u>
<b>Revised Gap</b>	<b><u>221,600</u></b>

- This assumes all Tt2017 savings are met
- It assumes that ESG will disappear (£13m) and that we can save around half of the value of the lost grant
- It excludes what might be gained from the new BCF

# Medium Term Budget Position

- New regime assumes that all Authorities will increase council tax by the maximum permissible over the 4 years.
- 3.99% a year for four years for HCC generates around £81.6m of additional council tax income
- Reduces the net gap to £140m by 2019/20
- Gap in the interim year (2018/19) is £70m

# Business Rate Retention

# Business Rate Retention (BRR)

- Announcement that 100% of business rates will be retained by the sector by 2019/20
- Devolution deals include pilot for BRR
- Significant activity across the sector at the moment in considering the potential design for the new system
- Consultation document issued last week

# Business Rate Retention (BRR)

- Alongside this Government will carry out a Fair Funding Review
- This will inform future BRR distribution methodology and will retain some form of top up and tariff mechanism
- In overall terms level of BR will exceed current LG spending
- Also therefore considering which additional responsibilities they can give to local government to 'fill the gap'
- Provides two further opportunities for there to be a significant impact on the County Council's finances



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# Medium Term Financial Strategy

# Future Forecasts

- Changed approach to previous years
- Have built in assumptions around council tax base growth and business rate growth
- Have reviewed contingencies and reserves
- Based on this we have reduced savings required from Departments down to £120m
- It has allowed us to secure an additional £70m of one off funding to bridge the gap in 2018/19
- Allows us to continue with existing two year strategy for our savings programmes **but builds in greater levels of risk into the MTFS**

# Risk Assumptions

- Departments continue to remain within cash limits.
- Successful implementation on a recurring basis of all the savings in the Tt2017 Programme with Departments achieving their full year recurring savings target for the programme by 2018/19.
- Costs of social care demand do not rise by more than we are predicting.
- The impact of the NLW on social care provision does not exceed current predictions.
- The anticipated reduction in ESG, which is pessimistically assumed to end from 2017/18 onwards, can in part be offset by savings in departmental spending, which will be explored as part of a wider piece of work.
- No further financial shocks during the period, including changes in government policy (Brexit v budget surplus?)

# Savings Targets

	£'000
Adults', Health & Care	55,732
Children's Services (Non-Schools)	30,132
ETE	19,005
CCBS	6,304
Corporate Services	8,019
P&R 'Other'	808
Central Savings / Changes in Assumptions	<u>20,000</u>
<b>Total</b>	<b><u>140,000</u></b>

# Transformation to 2019

# Timetable

Item	Broad Dates
Initiation of 2019 transformation programme	September 2016
Initial opportunity assessment	By end of Dec 2016
Development of initial Departmental savings proposals following further review and clarification of the initial opportunity assessment	By end of April 2017
Internal scrutiny and peer review of savings proposals	By end of May 2017
Final draft of consultation document produced and approved	Mid May 2017
Public consultation period	End of May to mid July 2017
Collation and interpretation of responses	By end of August 2017
Savings proposals and consultation feedback considered by Cabinet and update of MTFS	September 2017
County Council to consider savings proposals and consultation feedback and update of MTFS	October 2017

# Key Corporate Themes

- Redesigning services and developing new operating models for services consistent with the reducing financial envelope (Health and social care integration has to feature here)
- Evaluating the impact of further volunteering, shared ownership and co-design of services with partners.
- Exploiting digital capability, building on current programme
- Reviewing external spend and supply chain management
- Managing demand through effective collaboration with partners, performance and early intervention.
- Evaluating opportunities for further income generation.
- Exploiting our assets
- Using the capital programme to maximise economic impact on our business and our services and reviewing opportunities to bridge the revenue deficit through changes to the programme and its funding.

# Lobbying Government

- Inevitably, further savings on this scale will necessitate major service reductions
- Some Government policy areas are a barrier to reducing costs
- We will lobby the Government and feed into the FFR on areas such as :
  - Home to School Transport – The current regulations are unchanged since 1948 and review to give the power to change eligibility criteria and apply means testing would seem timely.
  - Concessionary Travel – There is a view that this new burden is not properly funded and the opportunity could be taken to review the statutory scheme for example in relation to hours of operation.
  - Household Waste Recycling – Legislation recently introduced barring councils from charging residents any entry or exit fee for using a ‘discretionary HWRC’ service could be changed to allow the introduction of charges.
  - Public Health – Exploration of options to charge for some former NHS services such as weight management support which may ensure provision continues.