

REPORT OF THE
Cabinet
PART 1

226. MEDIUM TERM FINANCIAL STRATEGY TO 2020

1. The Cabinet considered the Medium Term Financial Strategy (MTFS) to 2020 which provided an update on the budget development process for 2017/18 and set out the medium term prospects for the County Council's finances to 2019/20 at its meeting on 20 June 2016.

2. The report set out the financial strategy that will be followed and the themes for the next phase of transformation to take us to 2020 and it is intended that the MTFS serves as the efficiency plan for Hampshire County Council to be submitted to the DCLG as part of the County Council's application to accept the offer from Government of a four-year settlement

3. The report contained the County Council's reserves strategy and also set out the reserves position for the end of the 2015/16, noting that at the time of writing the report, the actual value of earmarked reserves had not been finalised within the accounts. Whilst the draft accounts have now been completed and published they are subject to external audit review and the audited accounts will be published by 30 September 2016.

4. The report also set out proposals for new capital investment and financing, including the extension of Operation Resilience to the end of the decade to continue investment in the highways network and the purchase of the Parkway building, Fareham as an addition to the County Council's corporate office portfolio. At the time of writing this report negotiations as to the cost of purchase were still ongoing.

5. The report considered by Cabinet is attached, in full, as an Annex to this Council report.

6. Cabinet resolved to:

- a) Note the revised position for 2017/18 and the anticipated use of the Grant Equalisation Reserve to balance the budget.
- b) Note the revised financial position for 2018/19 and 2019/20 and the fact that the gap in 2018/19 can be bridged through a combination of one-off and recurring funding.
- c) Note that although this significantly reduces future flexibility and introduces a higher element of risk it enables the continuation of the current financial strategy that the County Council operates and which has been so successful.

- d) Note the remaining gap of £120m for 2019/20 to be met by Departments through the next stage of transformation.
- e) Approve the changed funding arrangements for IT development work outlined in Section 5.
- f) Note the intention to review the Tt2017 Programme again in the summer with a view to reporting back to Cabinet in the autumn on the position and the proposed content of the next transformation programme to take us to towards the end of the decade.
- g) Note the potential for formal decision making on the next transformation programme to take the County Council to 2019 being made before autumn 2017.
- h) Approve the provisional Departmental savings targets outlined in paragraph 7.7.
- i) Approve a one off addition to revenue of up to £700,000, to be met from General Contingencies in 2016/17 to provide for an element of works to ensure the Parkway building, Fareham, is capable of delivering to its full potential.

RECOMMENDATIONS:

That the County Council approve:

- a) The submission of an application for a four year settlement and this MTFS and the themes set out for the next transformation programme as the efficiency plan for Hampshire County Council to be submitted in support of this application.
- b) The delegation of authority to the Director of Corporate Resources following consultation with the Chief Executive and the Leader of the Council to prepare and a separate plan providing more detail around these agreed themes if it is considered a useful addition to support our application.
- c) The capital investment of £10m per annum for four years, funded through a balanced combination of prudential borrowing and direct use of the NHB, to continue Operation Resilience.
- d) Delegation to the Director of Corporate Resources, in consultation with the Chief Executive and the Leader of the Council to approve the total acquisition cost of the Parkway building, Fareham, upon completion of purchase negotiations as an addition to the Capital Programme to be funded from prudential borrowing, and any such decision to be reported to Council as a future Capital Programme update.