Hampshire County Council

Economy, Transport and Environment Select Committee
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Budget Briefing 2017/18

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Presentation Outline

- Grant settlement and impact on the County Council's overall budget position
- Reserves Position
- Update on Transformation to 2017 Programme
- Key Departmental Challenges and Issues
- ETE Budget Proposals and Revenue Budget
- Workforce Information
- ETE Capital Programme

Local Government Finance Settlement – Key Issues

Local Government Finance Settlement

- Settlement last year announced on 8 February 2016, and provided definitive figures for 2016/17 and provisional figures for authorities for the following three financial years to aid financial planning.
- Figures to 2019/20 subject to submission of an Efficiency Plan and the County Council approved its plan as part of the Medium Term Financial Strategy (MTFS) in July 2016.
- The figures for 2017/18, 2018/19 and 2019/20 set out in the settlement resulted in an increase in the County Council's revenue gap to be bridged in each of these years. In 2017/18 the bottom line impact was that a further £15m was required, to produce a balanced budget.

Budget Forecast 2017/18 – MTFS Position

- The July 2016 MTFS updated the overall position in respect of the 2017/18 budget gap.
- The allocation of transitional funding of £9.4m in 2016/17 and £9.3m in 2017/18 enabled the gap in 2017/18 to be closed; managed through the Grant Equalisation Reserve (GER).
- Transformation to 2017 Programme to deliver £98m of savings by 2017/18.
- Detailed savings proposals agreed in October 2015 to give the time for implementation
- Assumed a 3.99% council tax increase, 2% for social care costs on top of the referendum limit of 1.99%.

Provisional Local Government Finance Settlement 2017/18

- The expectation was for minimal change to the settlement figures published last year.
- Revenue Support Grant (RSG) for 2017/18 is unchanged compared to the forecast position.
- Changes to the New Homes Bonus (NHB):
  - ✓ reduce the number of years for which legacy payments are made
  - ✓ introduce a baseline for housing growth set at an initial level of 0.4% of the council tax base for 2017/18.
  - ✓ From 2018/19 the Government will consider withholding payments from local authorities that are not planning effectively.
- NHB is slightly less than predicted but the changes in funding announced do not impact on the previously agreed investment for Operation Resilience

Adult Social Care Funding

- New dedicated social care grant in 2017/18 of £4.8m - no indication that this is anything other than a one off grant.
- Last year a social care precept of 2% a year for the current Comprehensive Spending Review period (2016/17 to 2019/20) was introduced.
- This year flexibility has been granted to **bring forward** some of this increase and to raise the precept by up to 3% in 2017/18 and 2018/19 within the cap of 6% over the next three years to 2019/20.
- Taking up this flexibility would yield, **on a one off basis**, additional income of £16.6m for the County Council in the next two years. It would not fundamentally change the underlying longer term council tax position.

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 £497.3m as at 31 March 2016.
- Approaching half of this (£223.8m) committed to existing spend programmes (mainly capital).
- £69.6m in Departments' cost of change and trading account reserves to be used for investment and future transformation.
- £26.4m set aside to mitigate risks (mainly the insurance reserve as we self insure).
- Approaching £56m in schools reserves and £20.6m in general reserves (in line with minimum reserves policy)

Reserves Strategy

- Only £100.9m (20.3%) is truly ‘available’ to support one off spending and is made up as follows :

	Balance 31/03/15 £'000	Balance 31/03/16 £'000	% of Total
'Available' Reserves			
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%
	76,892	**100,887**	**20.3%**

* £44m of the GER will be used to support the revenue budget in 2016/17 with the remainder to be utilised in 2017/18 and 2018/19

Update on Transforming the Council to 2017 Programme

Transforming the Council to 2017

- Savings target of £98m (plus a further £1m in respect of Youth Support Services, rolled over from the Transformation to 2015 programme as part of the budget setting process for 2015/16).
- Savings proposals to meet this were agreed in October 2015 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 2016/17 and regularly reported to Cabinet.

Transforming the Council to 2017

- Allowing for the deferral into 2017/18 of some £13m of Adults' savings, which are going to take longer to deliver, it is currently estimated that £70m of the £99m programme target is likely to be secured by the end of 2016, rising to circa £86m by April 2017
- Plans are in place to meet any shortfall from departmental cost of change reserves together with the potential early release of corporate funding and underwriting from other Departments' cost of change reserves, as agreed in principle by Cabinet in September 2016.

Key Departmental Issues and Challenges

Reminder of Approved Savings Proposals

TARGET £14.7m

	£'000
Highways Maintenance	4,800
Waste Disposal	4,651
Operating Models (salary budget reductions)	2,772
Public Transport	1,026
Trading/Charging	605
Agency arrangements	500
Street lighting	370
Economic Development	289
TOTAL ETE	**15,013**

Over-achievement contributes to Tt2019

Key Issues from Implementation

- ‘Universal’ service areas (e.g. Highways, HWRCs)
  - Expectations of previous service levels
  - Increased contact & challenge (e.g. from public, MPs)
  - Lower operational budgets and staff numbers mean it is challenging to respond

Key Departmental Issues / Challenges

- Higher % of budget now goes on “fixed” costs (e.g. Street Lighting PFI);
- Large proportion of revenue budget spent through contracts which have all been recently renegotiated;
- County Council has statutory obligations as Highway and Waste Disposal Authority which are not discretionary;
- Challenges are to develop sustainable, longer-term financial operating models which require additional revenue as well as efficiency savings (e.g. HWRCs).
- Waste disposal – reducing waste volumes and improving recycling rates are critical to our largest revenue budget.

Economy, Transport and Environment Budget 2017/18

ETE Proposed Budget

Revenue Budget:	**£'000**
Revised Budget for 2016/17	123,534
Including Early Delivery of Savings in 2016/17	5,318
Proposed Budget for 2017/18	108,014
Net of Savings in 2017/18	14,697
Capital Programme:	
Revised programme for 2016/17	106,900
Proposed programme for 2017/18	52,546

Workforce Implications

	FTE (*)
Estimate as at 31 March 2017	**676**
Changes Relating to Savings Targets	(13)
Transfers and Other Changes	14
Estimate as at 31 March 2018	**677**

(* FTE – Full Time Equivalent)

ETE capital programme 2017/18 – 2019/20

	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000
Structural Maintenance	37,793	35,530	35,530	108,853
Integrated Transport	14,647	83,182	2,450	100,279
Flood and Coastal Defence	106	106	106	318
Totals	**52,546**	**118,818**	**38,086**	**209,450**

ETE capital funding sources 2017/18 – 2019/20 (£’000)

	2017/18	2018/19	2019/20	Total
Local resources	11,929	20,429	11,929	44,287
LTP grant	26,223	30,131	23,384	79,738
LGF	9,075	40,700	0	49,775
Pothole Fund	2,123	2,123	2,123	6,369
Housing and Growth Fund	0	10,000	0	10,000
Developer Contributions	2,911	14,835	650	18,396
Other local authorities	258	600	0	858
Other	27	0	0	27
Totals	**52,546**	**118,818**	**38,086**	**209,450**

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