



Hampshire  
County Council

# Policy and Resources Select Committee 20 January 2017

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# Presentation Outline

- Overall Budget Setting, Finance Settlement and MTFS
- Transformation to 2017 Update
- Policy and Resources Budget and Capital Programme Proposals

# **Overall Budget Setting, Finance Settlement and MTFS**

# Budget Setting Framework

- Medium Term Financial Strategy approved over the Summer and subject to Select Committee Scrutiny
- Budget setting framework and provisional cash limits and capital guidelines approved in December (being considered today)
- Formal Budget and Council Tax recommended by Cabinet and subject to full County Council Approval (which includes the potential for alternative budgets to be moved)

# Provisional Cash Limits

	2016/17 Cash Limit	Base Changes	Inflation & Growth	Tt2017 Savings Target	2017/18 Cash Limit
	£'000	£'000	£'000	£'000	£'000
<b>Adults' Health and Care</b>	380,117	2,657	11,137	(43,100)	350,811
<b>Children's – Schools</b>	759,457	1,208			760,665
<b>Children's – Non Schools</b>	167,116	1,850	3,462	(20,502)	151,926
<b>ETE</b>	111,479	5,006	6,226	(14,697)	108,014
<b>P&amp;R</b>	94,352	1,366	3,547	(11,701)	87,564
<b>Total</b>	<b>1,512,521</b>	<b>12,087</b>	<b>24,372</b>	<b>(90,000)</b>	<b>1,458,980</b>

# 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.

# Medium Term Financial Strategy

- Budget for 2017/18 is balanced and plans are in place to deal with anticipated pressures and any slippage in Tt2017 Savings
- Transformation to 2019 Programme is underway and proposals for savings are being developed
- £70m gap in 2018/19 covered through GER and changes in assumptions in the MTFS
- Total savings of £140m of which £120m is due to come from Departments is required by the 2019/20 financial year
- Recognised that the potential time and investment required to deliver this next phase of savings on top of the £340m already delivered will be longer and higher and that there are less places to look!

# 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 :

	<b>Balance 31/03/15 £'000</b>	<b>Balance 31/03/16 £'000</b>	<b>% of Total</b>
<b><u>'Available' 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>

\* £44m of the GER will be used to support the revenue budget in 2016/17 with the remainder to be utilised in 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

	£m (To July 2017)	£m (To Oct 2017)
Already Secured	55	65
Green	4	4
Amber	38	30
Red	2	
	<b>99</b>	<b>99</b>



# Adult Services

- £25m of the £30m in Amber rests with Adult Services
- Cabinet agreement given to slippage of £13m of the programme which will be delivered throughout 2017/18
- Position at end of December has moved £2.5m out of Amber into Green / Blue
- Enhanced financial resilience monitoring will start again in 2017/18 focussing in particular on savings delivery progress

# **Policy and Resources Budget and Capital Programme Proposals**

# Summary of Approved Savings Proposals

## Target £11.701m

	£'000
Corporate Resources	4,894
Transformation and Governance	499
Customer Engagement Services	808
Culture, Communities and Business Services	4,875
Policy and Resources non-departmental services	625
<b>TOTAL</b>	<b>11,701</b>

# Key Issues from Implementation

- Full year savings of £12.2m will be achieved in 2017/18
  - Corporate Services – £0.2m
  - Culture Communities and Business Services - £0.35m
- Surplus will be used partly to offset other pressures and partly to provide cost of change funding to support further transformation
- Position on Members Devolved grants still being considered

# Key Departmental Issues and Challenges

# Key Departmental Issues / Challenges

## Corporate Services:

- Digital programme – first phases of a new modern technology platform now in place to allow the County Council to grow additional digital services in future
- Developing capacity during 2017/18 in order to support the organisation through its next transformation programme to 2019

## Culture, Communities and Business Services:

- Focus on cost reduction supported by increased self-service, income generation and use of volunteers.
- Relatively small cash limit of £32m with £55m of spending supported by income and £57m of Business Unit Trading activity.

# Policy and Resources Budget 2017/18

# Policy and Resources Proposed Budget

<b>Revenue Budget:</b>	<b>£'000</b>
Revised Budget for 2016/17	101,053
Early Delivery of Savings in 2016/17	9,400
Proposed Budget for 2017/18	87,564
Savings in 2017/18	500
<b>Capital Programme:</b>	
Revised programme for 2016/17	48,796
Proposed programme for 2017/18	32,272

# Proposed Budget 2017/18

	£'000
Corporate Resources	31,604
Transformation and Governance	5,609
Customer Engagement Services (incl Hantsdirect)	4,744
Culture, Communities and Business Services	32,199
Non departmental budgets *	13,408
<b>Total Cash Limited Services</b>	<b>87,564</b>
Trading Activities	(585)
Coroners Service	1,650
Government Grants	(756)
<b>Total Net Budget</b>	<b>87,876</b>

\* Provision for apprenticeship levy likely to be included here - £1.2m



# Workforce Implications

**FTE (\*)**

<b>Estimate as at 31 March 2017</b>	<b>4,004</b>
Changes Relating to Savings Targets	(3)
Transfers and Other Changes	17
<b>Estimate as at 31 March 2018</b>	<b>4,018</b>

(\* FTE – Full Time Equivalent)

# Policy and Resources Capital Programme 2017/18

	£'000
Office accommodation and facilities management	568
Vehicles for Hampshire Transport Management	2,000
Community Buildings and village halls	125
CCBS minor works	328
IT replacement equipment	250
Schools Condition Assessment	17,812
Priority Schools Building programme	10,358
Advance and advantageous land purchases	646
Contingency	185
<b>Total 2017/18 Programme</b>	<b>32,272</b>