

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Cabinet
Date:	22 December 2010
Title:	Provisional grant settlement 2011/12 and 2012/13 and budget guidelines
Reference:	2474
Report From:	County Treasurer

Contact name: Nick Gibbins

Tel: 01962 847544

Email: nick.gibbins@hants.gov.uk

1. Executive Summary

- 1.1. The local authority grant settlement for 2011/12 and 2012/13 is due to be released on 13 December 2010, immediately prior to the release date for this report.
- 1.2. A further update will be provided at the meeting on 22 December regarding the announcement and implications for the County Council.
- 1.3. The report recommends a basis for setting provisional budget guidelines for 2011/12. Executive Members are asked to prepare budgets within the agreed guidelines, so that the Leader and Cabinet can make the final budget recommendations for 2011/12 at the meeting in February. Select Committees will be able to review the budget proposals during the January cycle.

2. Provisional grant settlement for 2011/12 and 2012/13

- 2.1. The provisional grant settlement announcement is currently anticipated on Monday 13 December although has not been confirmed by the Government and therefore may change. This is immediately prior to the release date for Cabinet papers and therefore to provide an opportunity to assess the implications the County Treasurer will provide an update on the position at the Cabinet meeting.

3. Budget guidelines

- 3.1. The Cabinet reviewed the medium term financial strategy in May 2010, to take account of the decisions taken by the previous Government in the 2010 budget. Following the change of Government, the announcement of in year 2010/11 Government grant reductions and the Emergency Budget in June,

the Chief Executive reported to Cabinet in July establishing a programme of efficiencies and expenditure reductions. This programme was based on the potential requirement to reduce service spending in 2011/12 and 2012/13 by 8% per annum below previously planned levels, with the objective being to achieve as much as possible of the reductions through the various corporate efficiency workstreams.

- 3.2. Meetings were held during November involving the Leader, Executive Member and relevant officers to consider the options for setting service budgets within the framework of an annual 8% reduction in expenditure over the next two years. The views of the public on the Council's approach to reducing spending levels have also been sought through a budget consultation workshop and by inviting feedback both in Hampshire Now and on the County Council's website.
- 3.3. The current cash limit reductions that services have been working with for planning purposes may require some amendment to take account of funding and function changes within the local authority baseline for 2011/12, which will be confirmed within the grant settlement. These are expected to cover the concessionary fares transfer from district councils, the learning disability transfer from the NHS and some possible changes in the classification of Children's Services grants between schools and non-schools. Though the majority of non-schools grants outside formula grant in 2010/11 are expected to be assimilated into formula grant in 2011/12, there may also be some changes to any remaining non-formula grants that might be taken into account in setting provisional guidelines.
- 3.4. The draft provisional service budget guidelines will be confirmed following the grant settlement announcement.

4. Capital Programme 2011/12 to 2014/15

- 4.1. The County Council's capital programme comprises two main elements, a locally resourced programme and a programme supported by Government grants and borrowing approvals.
- 4.2. Details of Government approvals are expected to follow the announcement of the 2011/12 grant settlement and primarily affect Environment, Children's Services and Policy and Resources projects. The extent of grant as opposed to borrowing approval support is also critical to the County Council as a floor authority.
- 4.3. The locally resourced programme is financed primarily from capital receipts and from revenue contributions to capital, being managed in accordance with service guidelines set by the Cabinet. In addition the programme includes rationalisation and invest to save projects which are additional to the guidelines funded by either temporary or continuing unsupported borrowing, financed either by deferred capital receipts or developer contributions or from revenue savings.
- 4.4. The locally resourced guidelines set out below are based on the provisional guidelines approved in February 2010, without any uplift for inflation, but without any further reductions proposed, in view of the 1/3 reduction to the

level of the programme implemented in 2009/10, following the downturn in the property market:

	2011/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m
Adult Services	0.6	0.5	0.5	0.5
Children's Services	0.1	0.1	0.1	0.1
Culture, Communities and Rural Affairs	0.4	0.4	0.4	0.4
Environment	6.0	5.8	5.8	5.8
Policy and Resources	6.5	6.5	6.5	6.5
	<hr/>	<hr/>	<hr/>	<hr/>
	13.6	13.3	13.3	13.3
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- 4.5. The Capital Strategy historically has served the County Council well, utilising capital receipts and developer contributions resulting from a buoyant property market to invest in the infrastructure and asset base. It is now appropriate to consider a new approach to capital finance in light of the changes in market conditions coupled with a continued need for investment.
- 4.6. There is a need to consider the opportunities which may exist during this period , including acquiring strategically important landholdings, whilst the market is depressed and investing in infrastructure improvements in support of economic development and growth. This may include the opportunities to work with strategic partners on regeneration projects and developing joint approaches to public sector asset rationalisation and sharing.
- 4.7. Account will also need to be taken of a number of recent policy announcements from the Government regarding:-
- The Local Growth white Paper, including the Regional Growth Fund and Tax Increment Finance
 - The New Homes Bonus
 - The Community Infrastructure Levy
- The report elsewhere on this agenda identifies the potential issues and opportunities which require further investigation in assessing the full impact of these recent announcements. The opportunities may include new financial models which can support a new capital strategy approach.
- 4.8. In view of the expectation of substantially reduced Government allocations, concerns about future access to developer contributions and the slow pace of improvement in the property market, the budget strategy is being developed with a view to being able to accommodate some additional capital spending financed by unsupported borrowing, subject to Cabinet approval.

This would in particular help to address the need for strategic investment both in public service facilities and in infrastructure to support the local economy and to deliver more sustainable communities across Hampshire within the framework of a manageable level and distribution of growth to support maintenance of prosperity and quality of life in the County for the future.

5. Recommendation(s)

- 5.1. To approve the basis for setting budget and capital programme guidelines as set out in the report, which will be further clarified at the meeting in light of the government grant announcement.
- 5.2. To request Executive Members to submit proposed budgets and capital programmes within these guidelines for final decisions to be made by the Leader and Cabinet in February 2011.
- 5.3. To agree to explore the development of a new capital strategy and approaches to capital finance.
- 5.4. To agree any representations on the provisional grant settlement.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Maximising well-being:	yes
Enhancing our quality of place:	yes

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. Equality objectives are not directly affected by the proposals in this report

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime

3. Climate Change:

a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific proposals

b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific proposals affecting adaptation to climate change