

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	19 December 2011
Title:	Budget Update 2012/13
Reference:	3493
Report From:	County Treasurer

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1. Executive Summary

- 1.1. The local authority grant settlement for 2012/13 is due to be released early in December 2011. The grant settlement for 2012/13 was announced provisionally in January 2011, as the second year of a two year grant settlement and no changes to the provisional grant allocations are expected.
- 1.2. The Cabinet in July agreed a Medium Term Financial and Efficiency Strategy (MTFES) for the period 2012/13 to 2014/15, which took into account the reduction in the provisional allocation of formula grant for 2012/13. The strategy confirmed the policy of seeking to achieve the savings required to offset the loss of government grant over two years rather than four years. Subsequently the Cabinet reviewed the strategy in October in the context of worsening economic expectations, and confirmed the broad direction of the strategy and the need to keep it under review.
- 1.3. The report recommends that the budget guidelines for 2012/13 be set on the basis of the agreed strategy, requiring an 8% reduction in budgets for all services. The MTFES set a target for further annual efficiency savings of 2% in 2013/14 and 2014/15 and the proposals for reconfiguring corporate services approved by the Cabinet in October set a target for achieving these further savings in 2012/13 in respect of Corporate Services.
- 1.4. Executive Members are asked to prepare budgets within the agreed guidelines, so that the Leader and Cabinet can make the final budget recommendations for 2012/13 at the meeting in February. Select Committees will be able to review the budget proposals during the January cycle.

2. Provisional grant settlement for 2012/13

- 2.1. The provisional grant settlement announcement is currently anticipated early in December although this will be after the despatch date for this agenda.

However, given the Government's commitment to set the level of grant for two years to assist financial planning, no changes are expected to the level of formula grant announced in January 2011, but a verbal update will be provided at the Cabinet meeting. The County Council's formula grant in 2012/13 is expected to be £164.1m, a reduction of £19.1m (10.4%) on the adjusted level of grant for 2011/12.

- 2.2. The Chancellor announced in October that a further grant would be available in 2012/13 to those authorities that agreed to freeze the council tax for a further year, equivalent to the income from a 2.5% council tax increase, estimated at £13.2m for the County Council. Unlike the grant payable to finance a council tax freeze in 2011/12, which is payable for four years, the additional grant in 2012/13 is payable for only one year and therefore will make the continuation of a zero or low council tax increase in 2013/14 more difficult to achieve. It is nonetheless proposed that the County Council accept the offer of grant in order to maintain the County Council's council tax at the same level for a third year, at a time when household budgets are under severe pressure.

3. Budget guidelines

- 3.1. The Cabinet approved a Medium Term Financial and Efficiency Strategy for 2012/13 to 2014/15 in July which required savings in service spending of 8% in 2012/13, assumed a further year of pay freeze and that 2.5% would be allowed for general increases in non pay costs in 2012/13. Any changes in specific grants in 2012/13 will also be 'passported' to the relevant service.
- 3.2. The confidential report on the agenda for this meeting on Efficiency, Expenditure Reduction and Transformation for 2012/13 contains proposals for achieving a fourth phase of efficiency savings from a number of corporate workstreams to contribute to the achievement of the service spending reductions required.
- 3.3. 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 8% reduction in expenditure in 2012/13. The views of the public on the Council's approach to reducing spending levels have also been sought through a budget consultation workshop held on 5th November and Businesses were consulted as part of the Hampshire Business Conference held in October.
- 3.4. The Cabinet agreed proposals for the future direction of corporate services in October which included a target for achieving a higher 12% savings target for corporate services in 2012/13, by bringing forward the annual efficiency savings of 2% set for 2013/14 and 2014/15. This higher target for corporate services, which amounts to an additional circa £1.5 million per annum, is not yet reflected in the provisional budget guidelines in line with approach set out in the confidential report on Efficiency, Expenditure Reduction and Transformation for 2012/13 elsewhere on the agenda.
- 3.5. The MTFES approved in July also included a revised approach for the treatment of inflation which only allocated specific items directly to Departments with some elements being held back within contingencies. These principles and

the inflation assumptions set out in the MTFES have been used to produce provisional inflation allocations to Portfolios which have been included in the budget guidelines.

- 3.6. Other changes in respect of base adjustments for transfers between Departments, demographic pressures, corporate savings allocations and other items have also been taken into account in setting the provisional guidelines shown in Appendix 1. The figure for Schools will be updated once the provisional settlement is known, but for now, the 2011/12 position has been updated taking into account budget transfers to Academies.
- 3.7. Portfolios are asked to develop their budgets within the guidelines that have been set so that the Leader and Cabinet can make the final budget recommendations for 2012/13 at the meeting in February.

4. Capital Programme 2012/13 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.
- 4.2. Details of Government grants affecting Children's Services and Policy and Resources programmes for 2012/13 and beyond have still to be confirmed, so that the level of the future programmes supported by Government grant can be determined.
- 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 2011, adjusted for the inclusion of the approved support for Project Resilience, but with no uplift for general inflation or further reductions proposed, as set out in the approved MTFES.

	2012/13	2013/14	2014/15
	£m	£m	£m
Adult Services	0.5	0.5	0.5
Children's Services	0.1	0.1	0.1
Economy, Transport and Environment	14.1	13.5	12.8
Policy and Resources	7.9	7.7	7.7
Total	22.6	21.8	21.1

- 4.5. The guidelines exclude any allowance for major capital investment in the themes identified for corporate consideration in the MTFES, which will be considered by the Cabinet in February.

5. Recommendation(s)

- 5.1. To approve the revenue budget guidelines for 2012/13 and capital programme guidelines for 2012/13 to 2014/15, as set out in the report.
- 5.2. To accept the offer of a further council tax freeze grant in 2012/13 and to authorise officers to prepare the forward budget taking this into account.
- 5.3. 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 2012.

PROVISIONAL GUIDELINES 2012/13

	Cash Limit 2011/12	Base Changes	8% Savings	Proposed Inflation	Cash Limit 2012/13
	£m	£m	£m	£m	£m
Adult Services	314.1	6.2	(21.2)	3.3	302.4
Children's - Schools	812.6	(94.0)			718.6
Children's - Non Schools	174.8	(1.9)	(10.4)	1.8	164.3
Environment	111.4	0.9	(6.1)	1.1	107.3
CCBS	64.7	(3.4)	(4.7)	0.1	56.7
Treasurers	11.8	(0.8)	(0.9)		10.1
CX	17.9	(1.5)	(1.2)	(0.1)	15.1
P&R Other	8.0	(2.6)	(0.5)		4.9
	1,515.3	(97.1)	(45.0)	6.2	1,379.4

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