



Hampshire
County Council

Children & Young People
Select Committee
18 January 2017
Budget Briefing 2017/18

Erica Meadus
Senior Finance Business Partner

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
- Children's Services Budget Proposals and Revenue Budget
- Workforce Information

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
<u>'Available' Reserves</u>			
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 Issues from Implementation

Delivery of Children's Services Tt2017 is all on target with 2 elements being allowed additional time to deliver.

These 2 are:

- Delivery of a digital solution in order to achieve savings relating to special educational needs administration
- An agreed and purposeful delay in the roll out of new models of overnight respite care

Key Departmental Issues and Challenges

Steve Crocker
Director Children's Services

Key Departmental Issues/Challenges

Priorities

- Ensure a safe and effective social care system
- Ensure sufficient capacity to lead, challenge and improve the schools system
- Tightly target limited resources
- Target and co-ordinate early help provision
- Sustain high quality sold services
- Maximise opportunities for efficiencies and partnerships



Key Departmental Issues / Challenges

- Management of demand
- Unaccompanied asylum seeking children
- Home to school transport
- National school funding formula
- Increasing pupil numbers
- Transformation to 2019
- Social work recruitment and retention
- Partnership arrangements

Children's Services Budget 2017/18

Children's Services Proposed Budget

Revenue Budget: **£'000**

Revised Budget for 2016/17

- Schools 757,915
- Non-schools 171,824

929,739

Proposed Budget for 2017/18

- Schools 786,892
- Non-schools 150,067

936,959

Proposed Schools Budget 2017/18

	£'000
Dedicated Schools Grant	897,721
Less academies/FE colleges	<u>(165,619)</u>
Sub total	732,102
Pupil premium and other schools grants	53,081
Music grant	<u>1,709</u>
Total schools budget managed by Children's Services	<u>786,892</u>

Proposed Budget 2017/18

	£'000
Cash Limited Expenditure	1,014,605
Less income	77,646
Net Cash Limited Expenditure	936,959
Trading Activities	749
Government Grants	(795,859)
Total Net Expenditure	(141,849)

Workforce Implications

FTE (*)

Estimate as at 31 March 2017

2,354

Transfers and Other Changes

43

Estimate as at 31 March 2018

2,397

(* FTE – Full Time Equivalent)

Recommendation to Select Committee

- **Support the recommendations being proposed to the Executive Lead Member for Children's Services in section 10 (page 14) of the report.**