HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economic Development
Date of Decision:	19 January 2017
Decision Title:	2017/18 Revenue Budget Report for Economic Development
Decision Reference:	8062
Report From:	Director of Economy, Transport and Environment and Director of Corporate Resources – Corporate Services

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1. Executive Summary

1.1. The purpose of this report is to set out proposals for the 2017/18 budget for the Economic Development budget in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in July 2016.

1.2. The deliberate strategy that the County Council has followed to date for dealing with grant reductions during the prolonged period of austerity, which involves planning ahead of time, making savings in advance of need and using those savings to help fund transformational change to generate the next round of savings, is well documented.

1.3. In line with this financial strategy, there were no new savings proposals presented as part of the 2016/17 budget setting process and the budget was balanced through the use of the Grant Equalisation Reserve (GER). Savings targets for 2017/18 were approved as part of the 2015/16 budget setting process and detailed savings proposals were developed through the Transformation to 2017 (Tt2017) Programme and approved by Executive Members, Cabinet and County Council in September and October 2015.

1.4. The report also provides an update on the financial position for the current year and overall the Economic Development service is expected to achieve a saving against the revised budget of £283,000.

1.5. The proposed budget for 2017/18 is shown in Appendix 1 and the workforce implications of the budget proposals are set out in Appendix 2.

1.6. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2016/17 and service budget for 2017/18 for Economic Development. The report has been prepared in consultation with the Executive Member and will be reviewed by the Economy, Transport and Environment Select Committee. It will be reported to the Leader and Cabinet on 3 February 2017 to make final recommendations to County Council on 16 February 2017.

2. Context and Priorities

2.1. The current financial strategy that the County Council operates, works on the basis of a two-year cycle of delivering Departmental savings to close the anticipated budget gap. This provides the time and capacity to properly deliver major savings programmes every two years, with deficits in the intervening years being met from the Grant Equalisation Reserve (GER) and early achievement of savings proposals retained by Departments to use for cost of change purposes or to offset service pressures.

2.2. The County Council's early action in tackling its forecast budget deficit over the prolonged period of austerity and providing funding in anticipation of the tougher times to come, placed it in a very strong position to produce a 'steady state' budget for 2016/17, giving itself the time and capacity to develop and implement the Transformation to 2017 (Tt2017) Programme to deliver the next phase of £98m of savings by 2017/18.

2.3. The budget setting process for 2017/18 will therefore be different in that the majority of the decisions in respect of major changes to the budget were taken early. However other factors will still affect the budget, such as council tax decisions and pressures as outlined later in this report, but these will not be as significant as the savings programme that has already been put in place.

2.4. Last year the Final Local Government Finance Settlement was announced on 8 February 2016, and provided definitive figures for 2016/17 and provisional figures for local authorities for the following three financial years to aid financial planning.

2.5. 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, on top of the £98m of savings to be delivered from Tt2017 Programme to produce a balanced budget.

2.6. The July 2016 Medium Term Financial Strategy (MTFS) updated the overall position in respect of the 2017/18 budget gap and the allocation of transitional funding as a result of the final settlement announcement of £9.4m in 2016/17 and £9.3m in 2017/18 enabled the gap in 2017/18 to be closed; managed through the GER.

2.7. This position is underpinned by the delivery of Tt2017 savings and regular updates on the programme have been provided to Cabinet during 2016. Whilst there are acknowledged timing issues, the current assessment remains that the shortfall can be made up from departmental cost of change reserves on a one-off basis as savings come on line throughout 2017/18, leading to full implementation of the programme by 2018/19.

2.8. Other assumptions included in the MTFS that have been built into the 2017/18 budget proposals are:

- A 3.99% council tax increase, 2% for social care costs on top of the referendum limit of 1.99%.
- Total inflation and growth across all departments of £24.7m which includes the impact of the 2 year pay award for 2016/17 and 2017/18.
- 'Passporting' of any further losses of specific grant to the relevant services

2.9. The Economy, Transport and Environment Department has been developing its service plans and budgets for 2017/18 and future years in keeping with the 'Shaping Hampshire' priorities and the key issues, challenges and priorities for the Department relating to Economic Development are set out below.

3. Service Challenges and Priorities

3.1. The rapidly changing landscape in which local government now operates, particularly with the devolution agenda and the forthcoming introduction of 100% business rate retention for local authorities, makes the County Council's relationship with the business community ever more critical.

3.2. The Government continues to place a high priority on initiatives and infrastructure developments which support local economic development.

3.3. The recent consultation exercise with the Hampshire businesses provided an 'in depth' insight into priorities of the business community in its relationship with local government and a number of proposals to strengthen the engagement between the County Council and the business community were approved by Cabinet at its meeting on 12 December 2016.

3.4. Balancing the need to respond to the changing national and local landscape, the aspirations of the business community and the financial challenges facing the County Council will be the key driver for the Economic Development service. It is therefore proposed to review and revise the delivery approach for the service in the coming months and it will be important to find the optimum balance between being financially sustainable and fit for purpose.

4. 2016/17 Budget

4.1. The cash limited budget for 2016/17 included the early achievement of savings of £222,000 during the year. These and any further savings achieved during the year can be transferred to the Economy, Transport and Environment Department cost of change reserves and used to fund any future costs of change.

4.2. Enhanced financial resilience monitoring, which looks not only at the regular financial reporting carried out in previous years but also at potential pressures in the system and the early achievement of savings being delivered through transformation, has continued through monthly reports to CMT and periodic reports to Cabinet.

4.3. The expected outturn forecast for 2016/17 is a saving against the budget of £283,000, due to the early achievement of savings and staffing vacancies.

4.4. The budget for the Department has been updated throughout the year and the revised budget is shown in Appendix 1. Key changes to the budget include a one-off grant of £50,000 to support Village Shops in Hampshire (2016/17 only) and the transfer to revenue of the annual capital allocation of £31,000 which is funded from revenue contributions to capital. The latter was a historic arrangement with the amount too small as an allocation to undertake any meaningful capital works. The accumulated balance built up over time has recently been applied in full to contribute towards the overall funding for a speculative industrial building on the Solent Enterprise Zone at Daedalus. Following this investment it is now thought more appropriate to reclassify this annual sum as revenue.

5. 2017/18 Revenue Savings Proposals

5.1. The Economy, Transport and Environment Department was given a savings target for 2017/18 of £14.7m of which £260,000 related to the Economic Development budget. The targets were approved as part of the 2015/16 budget setting process and detailed savings proposals were developed through the Tt2017 Programme and approved by Executive Members, Cabinet and County Council in September and October 2015.

5.2. The savings were targeted at developing greater financial self-sufficiency for the Economic Development service and focussed on both cost efficiencies and income generation. As a result of the actions taken, including early reductions in staff related costs, and mindful of the longer-term aspiration, the service is now expected to over-achieve against that target and it is now anticipated that the actions taken will deliver savings of £289,000. The over-achievement will support the Department’s cost of change reserve and contribute towards delivery of 2019 savings.

5.3. During the last year, the service has progressed the implementation of these savings, which have been subject to regular reporting to Cabinet and CMT.

5.4. The full year saving of £289,000 will be achieved in 2017/18.

5.5. Rigorous monitoring of the delivery of the programme will continue during 2017/18, to ensure that the service is able to stay within its cash limited budget as set out in this report.

5.6. This early action in developing and implementing the savings programme for 2017/18 means that the County Council is in a strong position for setting a balanced budget in 2017/18 and that no new savings proposals will be considered as part of the budget setting process for 2017/18.

6. Budget Summary 2017/18

6.1. The budget update report presented to Cabinet in December included provisional cash limit guidelines for each department. The cash limit for Economic Development in that report of £745,000 was included as part of the total for the Economy, Transport and Environment Department and represents a £296,000 decrease against the revised 2016/17 budget following the removal of the savings and one-off grant funding. Appendix 1 confirms the proposed budget for the service for 2017/18.

7. Workforce implications

7.1. The workforce implications of the proposed budget for 2017/18 are set out in Appendix 2. At the end of 2017/18 the planned workforce for Economic Development is 13 full time equivalent (FTE) staff. This compares with the estimate at the end of 2016/17 of 14 FTEs which is a decrease of 1 FTE following removal of a vacant post as summarised below. The 31 March 2017 figure already allows for the removal of 3 FTE posts under the Enhanced Voluntary Redundancy process and the resulting salary savings contributed to the Tt2017 savings target.

7.2. The service also benefits from a collaborative arrangement with Business South which came to an end on 30 November 2016. It is the County Council's intention to extend this arrangement into 2017 pending revised arrangements to be put in place with Business South or a similar business organisation during 2017.

	FTEs
Estimate as at 31 March 2017	14
Changes relating to savings targets	0
Transfers and other changes	(1)
Estimate as at 31 March 2018	**13**

8. Recommendations

To approve for submission to the Leader and Cabinet:

8.1. The revised budget for 2016/17 as set out in Appendix 1.

8.2. The summary budget for 2017/18 as set out in Appendix 1.

8.3. The workforce implications of the proposed budget for 2017/18 as set out in Appendix 2.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	Yes
Corporate Business plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Business plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Business plan link number (if appropriate):	

Other Significant Links

Links to previous Member decisions:		
Title	Reference	Date
Direct links to specific legislation or Government Directives		
Title None		Date

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
Medium Term Financial Strategy Update and Transformation to 2017 Savings Proposals	Cabinet – 5 October 2015
Medium Term Financial Strategy to 2020	Cabinet – 20 June 2016
Budget setting and provisional cash limits 2017/18	Cabinet – 12 December 2016

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionally low.

1.2. **Equalities Impact Assessment:**

The budget setting process for 2017/18 does not contain any new proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2017 Programme were considered in detail as part of the approval process carried out in September and October 2015 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 3 to 6 in the October Cabinet report linked below:
http://www.hants.gov.uk/councilmeetings/advsearchmeetings/meetingsitemdocuments.htm?sta=&pref=Y&item_ID=6920&tab=2&co=&confidential

Equalities Impact Assessments are an ongoing part of the implementation of the Transformation to 2017 Programme.

2. Impact on Crime and Disorder:

2.1 N/A.

3. Climate Change:

3.1 How does what is being proposed impact on our carbon footprint / energy consumption? N/A

3.2 How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? N/A

Appendix 1

Budget Summary 2017/18 – Economic Development

Service Activity	Original Budget 2016/17 £'000	Revised Budget 2016/17 £'000	Proposed Budget 2017/18 £'000
Economic Development	754	819	716
Early achievement of savings	190	222	29
Net Cash Limited Expenditure	**944**	**1,041**	**745**

Appendix 2

Workforce Implications Full Time Equivalent (FTE) – Economic Development

Service Activity	Estimate 31/03/2017	Impact of Savings Proposals	Transfers & Other Changes [1]	Estimate 31/03/2018
	FTE	**FTE**	**FTE**	**FTE**
Economic Development	14	0	(1)	13
Total	**14**	**0**	**(1)**	**13**

[1] Removal of a vacant post