



Hampshire County Council

Policy and Resources Select
Committee
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Budget Briefing 2019/20

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Presentation Outline

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- Reserves Position
- Update on Transformation to 2019 (Tt2019) Programme
- Key Departmental Challenges and Issues
- Policy and Resources Budget Proposals and Revenue Budget
- Policy and Resources Capital Programme

Local Government Finance Settlement – Key Issues



Budget Forecast 2019/20 – MTFS Position

- Tt2019 Programme to deliver £140m of savings, bringing the total to £480m since grant reductions began.
- Savings proposals agreed in November 2017 to give the time to safely deliver service changes .
- Anticipated delay in some elements of the delivery of cash release for the Tt2019 Programme factored into the MTFS and sufficient one off funding exists to meet any potential gap over the period.
- Emphasises the value of our reserves strategy
- A 2.99% council tax increase in line with the referendum limit.

Chancellor's Budget

- Announcements in the Budget had very little impact on the revenue position reported in the MTFS.
- However, some additional one-off funding for adults' and children's social care and for highways.
- Additional funding for social care in 2019/20 welcome and will help offset pressures, but falls far short of the amount required and is only one off.
 - ✓ Adults' social care £240m – HCC share £4.8m.
 - ✓ £410m for adults' or children's social care – HCC share £8.1m to be allocated to Children's Services and held in contingencies.
- Signals some of the pressures on local government are being recognised by the Treasury. Hopefully this will feed through to further changes within next years CSR.

Provisional Local Government Finance Settlement 2019/20

- Expectation was for minimal change to the settlement figures previously published and grant figures for the fourth and final year of the current CSR broadly in line with predictions.
- Removal of negative RSG in 2019/20 – HCC benefit £1.6m
- Surplus on the business rate levy account to be distributed to local authorities – HCC allocation £1.8m
- No change to the council tax thresholds ('core' council tax referendum limit 3%) with the exception of the police precept (doubled from £12 to £24).

Provisional Local Government Finance Settlement 2018/19

- Continuation of 100% pilots in Devolution Deal Areas and fifteen 75% business rates retention pilots. Hampshire County Council's bid was not successful but existing Portsmouth, Southampton and the Isle of Wight pilot extended, albeit at a lower retention level (2018/19 was 100% retention).
- NHB baseline maintained at 0.4% – HCC allocation £4.9m which is built into the MTFS
- Budget allocations of funding for social care confirmed but the Green Paper for adult social care originally due to be published in summer 2018 further delayed.

Reserves Position

Reserves Strategy

- Deliberate policy to make savings ahead of need and then use these funds to meet costs of the next phase of transformation.
- Total reserves of £645.6m as at 31 March 2018.
- More than half of this (£338.6m) committed to existing revenue programmes and capital spend.
- £99.7m in departmental cost of change and trading account reserves to be used for investment and future transformation and to cash flow delivery of Tt2019.
- £27.6m set aside to mitigate risks (mainly the insurance reserve as we self insure).
- £37.3m in schools reserves, £4.4m for the EM3 LEP and £22.4m in balances (in line with minimum reserves policy).

Reserves Strategy

- Only £115.7m (17.9%) is truly 'available' to support one off spending and is made up as follows :

	Balance 31/03/17 £'000	Balance 31/03/18 £'000	% of Total
<u>'Available' Reserves</u>			
Grant Equalisation Reserve (*)	40,755	74,870	11.6
Invest to Save	31,100	32,109	5.0
Corporate Policy Reserve	4,632	5,889	0.9
Organisational Change Reserve	2,905	2,785	0.4
	79,392	115,653	17.9

* A significant draw in 2018/19 as part of the County Council's strategy of delivering changes over a two year cycle and funding required to cash flow Tt2019 will leave an unallocated balance of £29.4m in preparation for future draws beyond 2020.

Update on Transforming the Council to 2019 Programme

Transforming the Council to 2019

- Savings target of £140m (£23.2m of which will be from corporate “housekeeping”).
- Savings proposals to meet this were agreed in November 2017 and are reflected in detailed service budgets in reports.
- **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 2018/19 with regular reports to CMT and Cabinet.
- Progress will continue to be closely monitored over the extended time period of the Tt2019 Programme.

Transforming the Council to 2019

- Scale of the transformation and lead in times for achieving savings will cause delay in some of the delivery of cash savings for the Tt2019 Programme.
- Cash flow support required on a one-off basis to manage the extended delivery timetable will in the most part be met from departmental cost of change reserves, which have been boosted by some early delivery in 2018/19.
- Further contingency held corporately to cover any remaining shortfall (estimated to be up to £40m).
- High degree of confidence this can be covered but this change in the savings delivery profile indicates we are now behind the curve' rather than in front of it.

Summary of Approved Savings Proposals

Corporate Services TARGET £7.817m

	£'000
Integrated Business Centre – improved business compliance	467
Finance and HR – revised operating models	1,625
HR Resourcing – enhanced use of technology	287
Hantsdirect – channel shift and process improvement	280
IT – changes to operating model, back up & support	3,636
Internal Audit – evidence based assurance approach	147
Corporate Resources – general cost reduction	92
Transformation and Governance – income generation	500
Law and Governance – operational improvements	450
Customer Engagement Services – revised operating model	333
Total Corporate Services	7,817

Summary of Approved Savings Proposals

CCBS TARGET £6.304m

	£'000
Registration Service – increased income	195
Trading Standards – operational improvements	407
Hampshire Scientific Services – increased income	100
Countryside Service – improved offer	640
Library Service – more efficient operating model	2,255
Property Services – income generation & cost reduction	866
Office Accommodation – improved utilisation	1,300
Archives & Records - operating efficiencies & income generation	154
Outdoor Centres – additional income from new services	162
Sir Harold Hillier Gardens – additional income	225
Total CCBS	6,304

Summary of Approved Savings Proposals

P&R other services TARGET £0.808m

£'000

Reduction in the annual contribution to the Corporate
Policy Reserve 808

Total Policy and Resources

14,929



Key Issues from Implementation

- A strong focus on operational efficiencies and improved productivity together with enhanced use of technology has enabled savings to be achieved whilst maintaining and in some cases increasing the level and quality of services to the public and other departments of the County Council.
- Longer timescale required to deliver savings for:
 - Hantsdirect
 - Office accommodation
- The shortfall against the target of £0.4m will be met from the departments cost of change reserves.

Key Departmental Issues and Challenges

Key Departmental Issues / Challenges

Corporate Services

- Increased partnership working, including IBC, Internal Audit and Pensions Services and increased income for legal services and strategic procurement brings economies of scale and resilience to ensure delivery of more efficient and effective services for the County Council and its partners
- Digital enhancements, including the new e-recruitment solution, a digital learning management system and SharePoint ensure we maximise the benefit of the latest technology and modern ways of working to support operational efficiency
- Critical support to other departments during the implementation of their own transformation programmes and it will be important for the Department to manage this further pressure to service delivery

Key Departmental Issues / Challenges

Culture, Communities and Business Services (CCBS)

- Focus on additional income generation for a range of regulatory and recreational services meaning that 64% of the department's gross expenditure is funded by income streams.
- A major update of the Libraries Strategy to 2025 is underway and will inform proposals for future savings
- In addition to its cash limited budget, the department is responsible for Business Units, service level agreements with schools, HM Coroners Service, relationships with Trusts, broadband programme and repair and maintenance of the corporate estate.

Key Departmental Issues / Challenges

Policy and Resources other services

- Members' devolved grants - budget reflects the T17 decision to reduce these to £5,000 per Member from £8,000. The temporary increase to £8,000 initially agreed for two years has been extended by Cabinet to 2021/22.
- Grants & contributions to voluntary bodies maintained recognising the vital contribution of the voluntary and community sector to delivering the County Council's Strategic Plan and, in particular, preventing and managing demand for County Council services

Policy and Resources Budget 2019/20



Policy and Resources Revenue Budget

	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Corporate Services	48,227	43,577
CCBS	34,226	30,598
P&R other services	15,792	13,988
Total Cash Limited Services	98,245	88,163

Policy and Resources Capital Programme

	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Office accommodation	408	408	408	1,224
HTM vehicles	3,000	3,000	3,000	9,000
Community Buildings Fund	125	125	125	375
CCBS minor works	328	328	328	984
Country Parks transformation	450	-	-	450
Basingstoke Canal	250	-	-	250
Contingency	185	185	185	555
Schools condition works	17,264	17,264	17,264	51,792
Advanced land acquisition	646	646	646	1,938
Total Programme	22,656	21,956	21,956	66,568

Sources of Capital Funding

	2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Local resources	4,692	4,692	4,692	14,076
Reserves	700	-	-	700
Government grant	17,264	17,264	17,264	51,792
Total Programme	22,656	21,956	21,956	66,568