

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Policy and Resources		
Date:	18 January 2019		
Title:	2019/20 Revenue Budget Report for Policy and Resources		
Report From:	Chief Executive, Deputy Chief Executive and Director of Corporate Resources, Director of Culture, Communities and Business Services and Director of Transformation and Governance		
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1. Recommendation(s)

To approve for submission to the Leader and the Cabinet:

- 1.1. The revised revenue budget for 2018/19 as set out in Appendix 1.
- 1.2. The revenue budget for 2019/20 as set out in Appendix 1.

2. Executive Summary

- 2.1. The purpose of this report is to set out proposals for the 2019/20 budget for Policy and Resources in accordance with the Council's Medium Term Financial Strategy (MTFS) approved by the County Council in September 2018.
- 2.2. The deliberate strategy that the County Council has followed to date for dealing with grant reductions and the removal of funding that was historically provided to cover inflation, coupled with continued demand pressures over the last decade is well documented. It involves planning ahead of time, through a two-yearly cycle, releasing resources in advance of need and using those resources to help fund transformational change.
- 2.3. This strategy has served the County Council, and more particularly its services and community well, as it has delivered transformation programmes on time and on budget allowing maximum planning time and minimising disruption. Put simply, it is an approach that has ensured Hampshire County Council has continued to avoid the worst effects of funding reductions that have started to blight other local authorities.
- 2.4. In line with this financial strategy there were no new savings proposals presented as part of the 2018/19 budget setting process and the budget was balanced through the use of the Grant Equalisation Reserve (GER). Targets for 2019/20 based on a reduction of approaching 19% in cash limited spend, were approved by the County Council in July 2016 as part of the MTFS to

2020. Proposals to meet these targets were approved by Executive Members, Cabinet and County Council in October and November 2017 and are being implemented through the Transformation to 2019 (Tt2019) Programme.

- 2.5. The report also provides an update on the financial position for the current financial year. Overall the outturn forecast for Policy and Resources for 2018/19 is a balanced budget that uses early achievement of savings to fund one-off investment to deliver the transformation programmes.
- 2.6. The proposed budget for 2019/20 analysed by service is shown in Appendix 1.
- 2.7. This report seeks approval for submission to the Leader and Cabinet of the revised budget for 2018/19 and individual service budgets for 2019/20 for Policy and Resources. The report has been prepared in consultation with the Executive Member and will be reviewed by the Policy and Resources Select Committee. It will be reported to the Leader and Cabinet on 1 February 2019 to make final recommendations to County Council on 14 February 2019.

3. Context and Priorities

- 3.1. The current financial strategy the County Council operates works on the basis of a two year cycle of delivering change to release resources and close the anticipated budget gap. This provides the time and capacity to properly deliver major transformation programmes every two years, with deficits in the intervening years being met from the Grant Equalisation Reserve (GER). Any early delivery of resources are retained by departments to use for cost of change purposes or to cash flow delivery and offset service pressures. The model has served the authority well.
- 3.2. The County Council's strategy placed it in a very strong position to produce a 'steady state' budget for 2018/19 and safely implement the next phase of changes through the Transformation to 2019 (Tt2019) Programme to deliver savings totalling £140m.
- 3.3. The Tt2019 Programme is progressing well and to plan, but it is clear that bridging a further gap of £140m is extremely difficult and will take longer to achieve in order to avoid service disruption. The Chief Executive's report entitled Transformation to 2019 – Report No. 5 was presented to Cabinet in December 2018 and outlined the positive progress being made.
- 3.4. The anticipated delay in the delivery of some elements of the programme has been factored into our medium term planning to ensure that sufficient one-off funding exists both corporately and within departments to meet any potential gap over the period. Taking up to four years to safely deliver service changes rather than being driven to deliver within the two year financial target requires the careful use of reserves as part of our overall financial strategy and further emphasises the value of our reserves strategy.
- 3.5. Budget setting for 2019/20 will therefore be different in that the majority of 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 inflation, but these will not be as significant as the transformation programme that has already been put in place.

- 3.6. The MTFs approved by the County Council in September 2018 flagged that the expectation was for minimal change to the provisional Local Government Finance Settlement for 2019/20, the final year of the current Comprehensive Spending Review (CSR). However, it was acknowledged that the Budget in the autumn could potentially contain some additional information that could impact our planning assumptions.
- 3.7. In overall terms, the announcements in the Budget had very little impact on the revenue position reported in the MTFs, although there were some welcome announcements in respect of one off additional funding for both adults' and children's social care and for highways. Although this funding falls far short of the amount required and is only one off (we have received extra grant of £12.8m against growth pressures of at least £24m), it does however signal that some of the pressures on local government are being recognised by the Treasury and the hope is that this will feed through to further changes within the next years CSR.
- 3.8. The provisional Local Government Settlement announced on 13 December confirmed the grant figures for 2019/20 broadly in line with the four year settlement and there has been no change to the council tax thresholds, with the exception of the police precept. The other key elements of the provisional settlement were:
 - The County Council's Revenue Support Grant (RSG) was reduced to zero in 2019/20 as part of the original four year settlement. On top of this a further of £1.6m was lost as a result of 'negative RSG' which reduced the top up grant from business rates. However, the Government has announced that there will be no 'negative RSG' in 2019/20 and this therefore represents a benefit of £1.6m to the County Council.
 - A £180m surplus from the business rates levy account will be distributed pro rata to the Settlement Funding Assessment (SFA), the County Council's allocation is £1.8m.
 - The continuation of 100% pilots in Devolution Deal Areas and fifteen 75% business rates retention pilots. Hampshire County Council's bid was not successful but Portsmouth, Southampton and the Isle of Wight have had their existing pilot extended, albeit at a lower retention level (2018/19 was 100% retention).
 - £20m has been added to the settlement to maintain the New Home Bonus (NHB) baseline at 0.4% (only growth in new homes above this baseline level attract the NHB). Hampshire will receive approaching £4.9m from the NHB and this is already factored into the MTFs for next financial year.
 - The provisional settlement confirmed the allocations of adult social care funding announced in the Budget but the Green Paper for adult social care which was originally due to be published in summer 2018 has been delayed further.

- 3.9. Policy and Resources departments have been developing service plans and budgets for 2019/20 and future years in keeping with the County Council's priorities and the key issues, challenges and priorities for the departments are set out below.

4. Departmental Challenges and Priorities

Corporate Services

- 4.1. Across Corporate Services, excellent progress has been made to ensure successful delivery of its Tt2019 Programme. The financial position for the current financial year provides further assurance that the cash savings can be removed from the budget from 1 April 2019 with some planned and targeted use of the Corporate Services cost of change reserve to allow new operating models to become fully embedded in the coming months and ensure service stability following reductions in headcount. In addition, Corporate Services teams will continue to provide 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.

Corporate Resources

- 4.2. Corporate Resources includes the following services – the Integrated Business Centre (provides transactional services such as payroll and payments to suppliers), Finance, HR & Resourcing, Information Technology and Internal Audit. In line with its Tt2019 savings target, the Department will deliver savings of £6.534m through a range of efficiency improvements including additional partnership working, generation of new income and digital enhancements. This innovative and forward thinking approach is testament to the commercial strategy that the County Council has put in place without resorting to some of the higher risk strategies employed by other councils.
- 4.3. 2018/19 has seen further expansion of the Shared Services Partnership with the London Borough of Hammersmith and Fulham, the Royal Borough of Kensington and Chelsea and Westminster City Council all joining the partnership. The Southern Internal Audit Partnership also works with an increasing number of local authorities. The partnership model continues to bring economies of scale and resilience to ensure the delivery of more efficient and effective services for all partners.
- 4.4. A range of service enhancements have been made including the implementation of a new e-recruitment solution and a digital learning management system. The Department continues to be engaged in the corporate transformation programmes 'enabling productivity' and SharePoint, ensuring that the whole County Council, its partners and service users maximise the benefit of the latest technology and modern ways of working. All of these developments better enable the delivery of the wider transformation programme for the County Council.

Transformation and Governance

- 4.5. Transformation and Governance comprises Law and Governance, Transformation Practice and Strategic Procurement. The transformation target of £950,000 is realised through operational improvements and income generation.
- 4.6. Robust support around governance of the County Council remains a key priority. Opportunities to streamline processes and modernise systems have been implemented across the various aspects of governance including procurement.
- 4.7. Legal Services continues to proactively look to broaden its offer and seek to support a wider range of external customers. Externally generated income of £1.27m has enabled the net cost of the service to be steadily and sensibly reduced, whilst we retain the highest quality capacity and capability to meet the varied needs of the County Council. Positively, the Strategic Procurement function is also beginning to attract and secure external business opportunities meaning it will steadily reduce its net service cost whilst maintaining and adding to the quality of professional capacity available to perform for the County Council.
- 4.8. With the continuing need for the Council to further transform to achieve efficiency and effectiveness in the delivery of modern services, the organisation continues to require strong programme leadership and robust project management input. During 2018/19 the County Council has continued to develop its internal capacity in its Transformation Practice in order to support the organisation through its next Transformation Programme to 2021.

Customer Engagement Service

- 4.9. The Customer Engagement Service (CES) supports the County Council's insight and engagement activities including public consultations; marketing and advertising of a range of Council services and Corporate Communications. These teams sit alongside the Leader's and Chief Executive's offices and together provide a range of core support functions to departments and Councillors, as well as several external public facing services. A restructuring has secured the required savings of £333,000.

Non-Departmental Budgets

- 4.10. The Policy and Resources portfolio includes provision for a range of grants to the voluntary and community sector. This includes Members' devolved budgets which for 2017/18 were reduced by £234,000 (£5,000 per Member from £8,000) in line with the approved Transformation to 2017 (Tt2017) Programme savings. Cabinet and County Council reviewed this decision and agreed to retain the grant level at £8,000 for a further two years (2017/18 and 2018/19) by drawing from Policy and Resources reserves.
- 4.11. Given the importance of the grants and the wider services that they support across many communities, Cabinet agreed in December 2018 that they be retained at the same level for a further two years, which also means that any

future change to the level of the budget will coincide with the new Council term from 2021/22 onwards. The additional cost of a further two years is £468,000 and as before it is proposed that this is again funded from Policy and Resources reserves.

- 4.12. Policy and Resources also includes the revenue budget for repair and maintenance of the County Council's estate and is managed by the Director of Culture, Communities and Business Services.

Culture Communities and Business Services (CCBS)

- 4.13. The Department delivers a wide range of services with gross expenditure in the region of £81m a year and income streams of around £52m, leaving a cash limit of £29m. In addition, the Department is responsible for:
- Business units with a combined turnover of over £59m and a forecast surplus in 2019/20 of £549,000.
 - Managing the repairs and maintenance of the corporate estate (£8.4m).
 - Service level agreements with 504 schools, including 32 Academies (£18m).
 - HM Coroner Service in Hampshire (£1.8m).
 - The relationship with various major Trusts including the Hampshire Cultural Trust.
 - Delivery of the Broadband programme of £30m and an annual programme of capital projects of circa £20m.
- 4.14. CCBS has made excellent progress to ensure successful delivery of its Tt2019 programme. The financial position for the current year (a net saving of £2.546m excluding a planned contribution to the Printsmart reserve) provides further assurance that the cash savings can be removed from the budget from 1 April 2019 with some planned and targeted use of the Department's cost of change reserve to cover a timing issue associated with the organisation's changing need for office accommodation.

5. 2018/19 Revenue Budget

- 5.1. The cash limited budget for Policy and Resources for 2018/19 included the early achievement of Tt2019 proposals of £4.3m during the year. This and any further early delivery achieved during the year can be transferred to cost of change reserves and used to fund future transformational change or to cash flow delivery and offset service pressures.
- 5.2. Enhanced financial resilience reporting, which looks not only at the regular financial reporting but also at potential pressures in the system and the achievement of savings being delivered through transformation, has continued through periodic reports to the Corporate Management Team (CMT) and to Cabinet.

- 5.3. Overall, for Policy and Resources, the expected financial position at the end of 2018/19 is a balanced budget.
- 5.4. This net position results from a combination of factors including:
- Early achievement of Tt2019 savings.
 - One-off savings in 2018/19 including staff vacancies.
 - Off set by one off expenditure relating to the transformation programmes which will be funded from cost of change or other reserves at the end of the year.
- 5.5. The budget for Policy and Resources has been updated throughout the year and the revised budget is shown in Appendix 1.
- 5.6. The increase of £6.7m from the original approved budget comprises:
- Inflation.
 - Budget transfers between departments reflecting changes in management responsibility.
 - Corporately funded allocations previously agreed by Cabinet.
 - Use of departmental cost of change reserves.

6. 2019/20 Revenue Budget Pressures and Initiatives

- 6.1. Over this prolonged period of austerity, all departments have been required to deal with increasing work pressures at a time that staffing resources and other budgets are reducing significantly. Furthermore, as savings become harder and more complex to deliver (linked for example to changes in digital technologies) the cost and timeframes to deliver savings get higher and longer, placing additional strain on the resources available to deliver business as usual activity.
- 6.2. Whilst in relative terms, Policy and Resources departments are in quite a strong financial position it is clear that pressure is increasing in these areas. Policy and Resources departments have also been using their cost of change reserves to fund additional capacity in their transformation teams and the corporate Transformation Practice. The longer timeframes for delivering the County Council's Tt2019 Programme together with planning for the next Transformation Programme to 2021, will also mean that these teams will be in place for longer, placing further pressure on available resources.

7. 2019/20 Revenue Savings Proposals

- 7.1. Policy and Resources was given a savings target for 2019/20 of £14.929m which was approved by the County Council in July 2016 as part of the MTFS to 2020. Proposals to meet these targets were approved by Executive Members, Cabinet and County Council in October and November 2017 and have been developed through the Tt2019 Programme.

- 7.2. During the last year, departments have been progressing the implementation of these proposals, which have been subject to regular reporting to Cabinet and CMT.
- 7.3. It is now anticipated that full year savings of £14.5m will be achieved in 2019/20 with the shortfall against the target being made up from the cost of change reserve pending full delivery of the transformation programme.
- 7.4. The shortfall relates to two areas, Hantsdirect and office accommodation, which in part are impacted by the transformation programmes of other service departments. For Hantsdirect, a further review of the customer contact model is being progressed and for office accommodation, on-going engagement with departments is planned to understand service needs and to ensure that office accommodation aligns with new ways of working and merging service needs.
- 7.5. Rigorous monitoring of the delivery of the programme will continue during 2019/20, to ensure that the Department is able to stay within its cash limited budget as set out in this report.
- 7.6. This early action in developing and implementing the savings programme for 2019/20 means that the County Council is in a strong position for setting a balanced budget in 2019/20 and that no new savings proposals will be considered as part of the budget setting process for the next financial year.

8. 2019/20 Revenue Budget Other Expenditure

- 8.1. The budget includes some items which are not counted against the cash limit. This includes business units whose costs are covered by customer income and also the Coroner's service which is budgeted for outside of the Policy and Resources cash limit, as the County Council has no direct control over service levels required and costs incurred.

9. Budget Summary 2019/20

- 9.1. The budget update report presented to Cabinet in December included provisional cash limit guidelines for each department. The cash limit for Policy and Resources in that report was £84.540m which was a £6.981m decrease on the previous year.
- 9.2. At that stage the cash limit guidelines did not include an allowance for the second year of the two year pay award covering the 2018/19 and 2019/20 financial years. However, the required allocations have now been finalised and have been added. For Policy and Resources this amount is £3.623m and increases the cash limit to £88.163m. This includes provision for the national living wage which is eventually expected to add £5m to the pay bill for the County Council and significantly increase the costs of care purchased in the private sector.
- 9.3. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by Policy and Resources for 2019/20 and show that these are within the cash limit, including provision for the 2019/20 pay award, set out above.

9.4. In addition to these cash limited items there are further budgets which fall under the responsibility of Policy and Resources, which are shown in the table below:

	2019/20	
	£'000	£'000
Cash Limited Expenditure	202,524	
Less Income (Other than Government Grants)	(114,361)	
Net Cash Limited Expenditure		88,163
Trading Units Net (Surplus)		(549)
Coroners		1,821
Less Government Grants:		
• Local Reform and Community Voice	(569)	
• Inshore Fisheries and Conservation	(204)	
• Vulnerable Persons Relocation Scheme	(350)	
Total Government Grants		(1,123)
Total Net Expenditure		88,312

CORPORATE OR LEGAL INFORMATION:**Links to the Strategic Plan**

Hampshire maintains strong and sustainable economic growth and prosperity:	Yes/No
People in Hampshire live safe, healthy and independent lives:	Yes/No
People in Hampshire enjoy a rich and diverse environment:	Yes/No
People in Hampshire enjoy being part of strong, inclusive communities:	Yes/No

Other Significant Links

Links to previous Member decisions:	
<u>Title</u>	<u>Date</u>
Transformation to 2019 - Revenue Savings Proposals (Executive Member for Policy and Resources)	22 September 2017
Medium Term Financial Strategy Update and Transformation to 2019 Savings Proposals	Cabinet - 16 October 2017 County Council – 2 November 2017
Looking Ahead - Medium Term Financial Strategy	Cabinet - 18 June 2018 County Council – 20 September 2018
Budget Setting and Provisional Cash Limits 2019/20 (Cabinet)	10 December 2018

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.)

<u>Document</u>	<u>Location</u>
None	

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 disproportionately low.

1.2 Equalities Impact Assessment:

The budget setting process for 2019/20 does not contain any proposals for major service changes which may have an equalities impact. Proposals for budget and service changes which are part of the Transformation to 2019 Programme were considered in detail as part of the approval process carried out in October and November 2017 and full details of the Equalities Impact Assessments relating to those changes can be found in Appendices 4 to 7 in the October Cabinet report linked below:

[Equality Impact Assessments](#)

2. Impact on Crime and Disorder:

The proposals in this report are not considered to have a direct impact on the prevention of crime, but the delivery of some services may have an indirect impact on crime and disorder and where this is the case it will be taken into account as part of the service delivery.

Climate Change:

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

The proposed budget contains measure that will assist in reducing the County Council's carbon footprint and changes to services are designed in such a way to also achieve this objective

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

The delivery and transformation of services will ensure that climate change issues are taken into account where relevant.

Budget Summary 2019/20 – Policy and Resources

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Transformation and Governance			
Legal Services	2,495	2,798	2,683
Transformation & Strategic Procurement	1,012	1,543	1,164
Governance	2,463	3,170	2,760
Total Transformation and Governance	5,970	7,511	6,607
Corporate Resources			
Finance	3,717	3,911	3,448
HR ¹	4,366	3,151	2,589
IT	21,341	22,470	20,460
Audit	661	695	633
Customer Business Services	2,404	7,303	6,948
Corporate Resources Transformation	854	870	1,022
Corporate Resources Management	183	98	21
Total Corporate Resources	33,526	38,498	35,121
Customer Engagement Service			
Communication, Marketing & Advertising	565	730	634
Corporate Customer Services ²	2,824	0	0
Web Team ³	563	0	0
Insight & Engagement	722	867	640
Chief Executive's Office & Leadership Support	764	621	575
Total Customer Engagement Service	5,438	2,218	1,849
Total Corporate Services	44,934	48,227	43,577

¹ Recruitment (£1.6m) transferred to Customer Business Services

² Corporate Customer Services transferred to Customer Business Services

³ Web team transferred to IT

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Policy and Resources Non-Departmental Budgets (Direct)			
Corporate & Democratic Representation	66	66	66
Grants to Vol	227	227	232
Grants & Contributions to Voluntary Bodies	806	806	823
Southern Sea Fisheries	307	307	307
Members Devolved Budgets	390	624	390
Rural Affairs	200	137	200
Other Miscellaneous	221	261	441
	2,217	2,428	2,459
Policy and Resources Non-Departmental Budgets (Central)			
Members Support Costs	1,749	1,749	1,584
Repairs & Maintenance	7,812	8,013	8,375
Strategic Asset Management	1,254	3,271	1,259
Other Miscellaneous	331	331	311
	11,146	13,364	11,529
Total Other Policy and Resources	13,363	15,792	13,988
Culture, Communities and Business Services (CCBS):			
Transformation and Business Management			
Transformation	210	775	558
Business Development Team		578	532
Rural Broadband	250	253	262
CCBS IT Budget	76	98	78
Total Transformation and Business Management	536	1,704	1,430
Community and Regulatory Services			
Regulatory Services	1,076	1,257	1,163
Business Support	833	461	553

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Scientific Services	49	129	25
Asbestos	(21)	(2)	(8)
Total Community & Regulatory Services	1,937	1,845	1,733
Culture & Heritage			
Risk, Health & Safety	199	53	27
Sir Harold Hillier Gardens	87	87	64
Total Culture & Heritage	286	140	91
Property Services and Facilities			
Corporate Estate	(194)	(193)	(206)
County Farms	(497)	(497)	(497)
Development Account	(415)	(412)	(348)
Sites for Gypsies and Travellers	55	61	11
Property Services	1,687	2,091	2,787
Office Accommodation/Workstyle	4,591	5,088	3,439
Facilities Management	3,337	3,457	3,318
Hampshire Printing Services	(136)	(125)	(80)
Caretaking & Cleaning Services	(11)	(6)	
Segensworth Unit Factories	(12)	(12)	(12)
Print Sign Workshop	9	10	10
Total Property Services and Facilities	8,414	9,462	8,422
CCBS Planned contribution to Cost of Change	1,093	(97)	296
Total CCBS P&R Services	12,266	13,054	11,972
CCBS Recreation & Heritage Services	19,848	20,151	17,480
CCBS Countryside & Rural Affairs Services	1,110	1,021	1,146
Total CCBS	33,224	34,226	30,598

Service Activity	Original Budget 2018/19 £'000	Revised Budget 2018/19 £'000	Proposed Budget 2019/20 £'000
Total Policy and Resources	91,521	98,245	88,163
Coroners	1,747	1,799	1,821
Trading Units:			
River Hamble	(25)	91	55
County Supplies	(328)	(328)	(439)
HC3S	(115)	(115)	(114)
Hampshire Transport Management	(116)	(116)	(51)
Total Trading Units	(584)	(468)	(549)
Government grants:			
Local reform and Community Voice	(561)	(569)	(569)
Inshore Fisheries and Conservation	(204)	(204)	(204)
Vulnerable Persons Relocation Scheme	0	(709)	(350)
Total Government grants	(765)	(1,482)	(1,123)
Total Net expenditure Policy and resources	91,919	98,094	88,312