

Hampshire County Council Medium Term Financial Strategy

Rob Carr – Head of Finance

Background Information

Gross Revenue Spending

	£m	%
Adults' Health and Care	451.7	23.7%
Schools	859.6	45.2%
Children's Services (excluding schools)	164.6	8.7%
Economy, Transport and Environment	136.9	7.2%
Policy and Resources	148.4	7.8%
Capital financing	73.1	3.8%
Other Corporate Items	68.5	3.6%
Gross Expenditure	1,902.8	100.0%

How the Gross Budget is Funded

	£m	%
Dedicated Schools Grant	732.1	38.5%
Specific Government Grants - Schools	54.8	2.9%
Income - Schools	72.7	3.8%
Council tax	566.8	29.8%
Income - Departments	200.3	10.5%
Specific Government Grants - Other	105.1	5.5%
Business Rates Top Up Grant	67.5	3.5%
Retained Business rates	44.9	2.4%
Revenue Support Grant	43.9	2.3%
Interest receivable	8.4	0.4%
Surplus on collections funds	6.3	0.3%
	1,902.8	100.0%

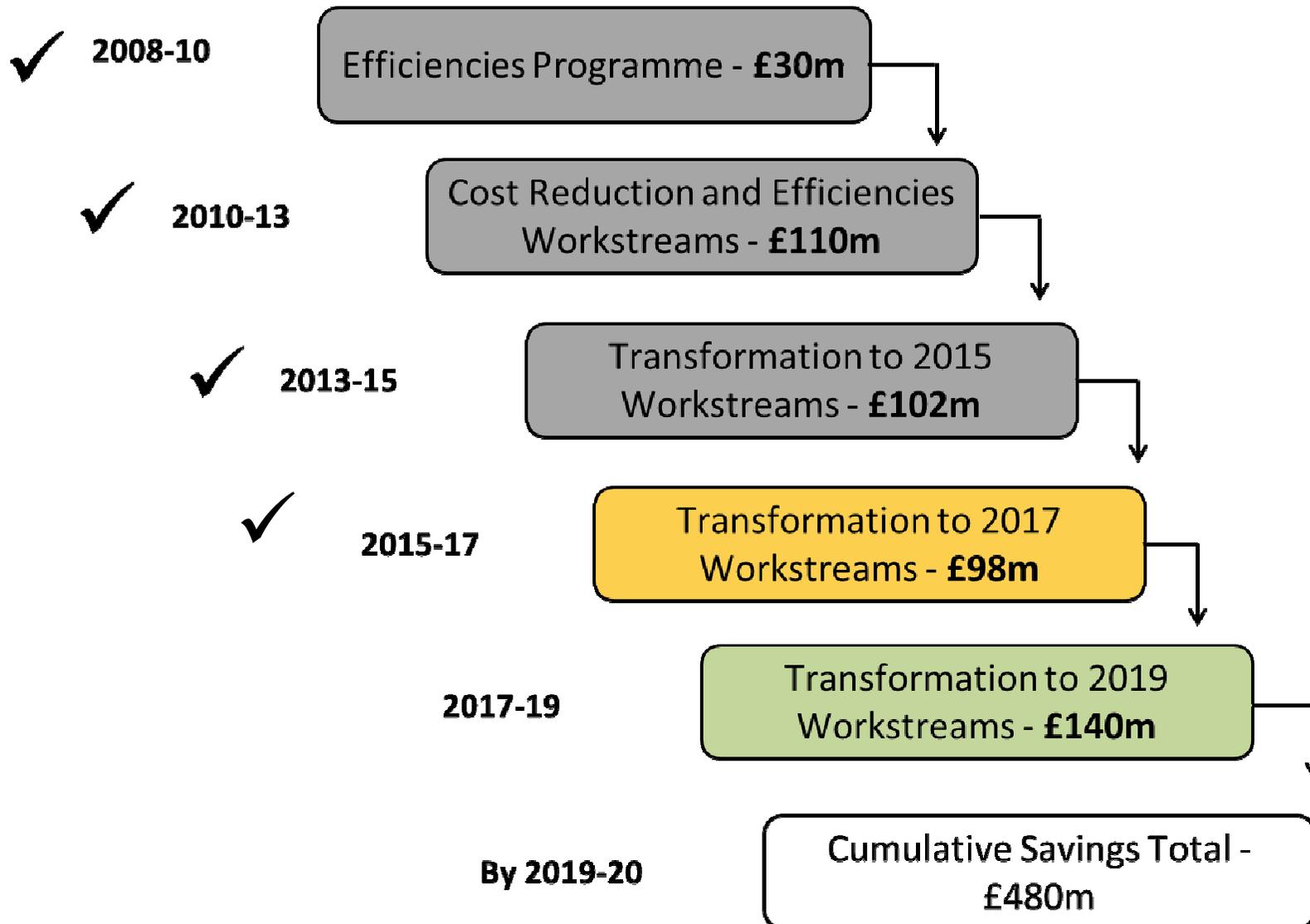
How the Net Budget is Funded

	£m	%
Council tax requirement	566.8	77.7%
Business Rates Top Up Grant	67.5	9.3%
Retained Business rates	44.9	6.2%
Revenue Support Grant	43.9	6.0%
Surplus on collections funds	6.3	0.9%
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	729.4	100.0%

Hampshire is a low tax (2nd lowest in country) and low grant (4th lowest in the country) Authority

The Impact of Austerity

Savings and Transformation Programmes



Medium Term Budget Position – In Summary

	£'000
Loss of Revenue Support Grant	96,000
Pay and Price Inflation	42,000
National Living Wage pressure	50,000
Social Care and School Places Growth	<u>35,000</u>
Total Gap	223,000
Offset by Council Tax Increase (3.99% pa average)	<u>(83,000)</u>
Transformation to 2019 Programme Savings	<u>140,000</u>

Reserves and Savings Strategy

- Deliberate policy to make savings ahead of need to generate surplus funds
- Using those reserves to fund the next phase of changes to release further savings and increase capital investment
- Two year programme of savings to give the time and capacity to implement effectively
- Straight line approach to allocating savings and corporate funding made available to fund spending pressures (mainly social care - £84m of growth funding allocated in last 7 years)
- Significant use of the Grant Equalisation Reserve to fund deficits in the intervening years (£25m in 2014/15, £44m in 2016/17, £70m in 2018/19)
- Using other corporate reserves to fund voluntary redundancy programmes and corporate invest to save programmes (e.g. digital)

Commercialisation in Local Government

Approach in Hampshire

- Building on our existing strengths
- Minimising risk and ensuring sustainability of income sources
- Concentrating in four key areas :
 - Charging users for the direct provision of services.
 - Investing money or using assets to generate a return.
 - Expanding traded services to other organisations.
 - Developing joint ventures that yield additional income or generate a return.

Charging Users for Direct Provision of Services

- Currently generates £98M of income (£60m for Adults' social care charges)
- District level ideas in this area (e.g. gardening services) not suitable for a County Council
- Only marginal net increases help with bottom line position even with a good rate of return
- Therefore not a solution to the £140m savings needed
- Need to consider the impact on service users
- Savings proposals put forward by Departments include some increases to fees and charges, but no new ones

Investing Money or Using Assets

- Surplus cash from reserves needed over the longer term
- County Council has allocated £200m for medium term investments
- Portfolio includes other LAs, Registered Social Landlords, Pooled Property Funds, Pooled Equity Funds
- Returns from latter two in current year running at 4.10% and 6.45% respectively
- Compares very favourable to direct property investment without the risks or property management overhead
- Much in the press about investment property bubble created by local government borrowing to fund investment - Government may move to legislate against this
- County Council also using its existing property assets to generate a return

Expanding Traded Services

- County Council operates traded services across wide range of activities
- Top 42 generate gross revenue of £134m and a net contribution to overheads of £13.7m
- Ground breaking and class leading partnerships in areas of property services, shared services and children's services
- Traded services maintain capacity and skills within the County Council whilst making a financial contribution
- Tt2019 Programme builds on established arrangements to increase income generation
- But... even at a high rate of return of 13% it would take additional turnover of £1.1bn to close the £140m gap

Developing Joint Ventures

- Current contract with Veolia includes a number of income and gain share elements
- Similarly, new highways contract with Skanska will provide new opportunities for joint ventures
- In terms of land development looking at alternatives to traditional capital receipt route
- Entering into joint venture with Basingstoke and a Private Sector Partner to develop out the Manydown site for housing
- Will take a mixture of capital and revenue returns over a long period by maintaining an interest in the site

Transformation to 2019 Programme

**Serving Hampshire - Balancing the
Budget - Consultation Responses**



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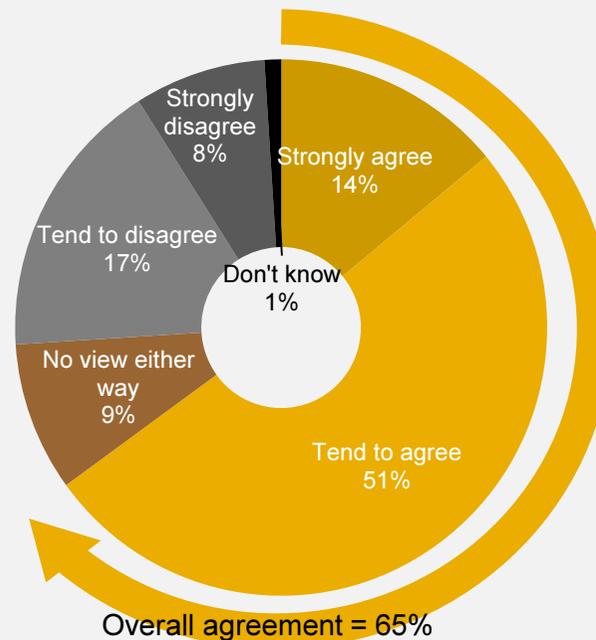
Key findings

- The majority of respondents (**65%**) **agreed** that the County Council should continue with its **financial strategy**.
- Responses were relatively evenly split between those who tended to support **changes to local services** and those who did not (**50% agreed**, 45% disagreed and 5% had no view either way).
 - Of all the options, this was respondents' **least preferred**.
- Two thirds of respondents (**67%**) **agreed** that the County Council should raise existing **charges** or introduce new charges to help cover the costs of running some local services.
- Over half of respondents (**57%**) **agreed** that the County Council should **lobby the Government** to vary the way some services are provided, and enable charging where the County Council cannot levy a fee due to statutory restrictions.
- Of all the options presented, generating **additional income** was the **most preferred** option.
- On balance, the majority of respondents (**56%**) **agreed** that the County Council should retain its current position not to **use reserves** to plug the budget gap.
 - Of all the options, this was respondents' **second least preferred**.
- Respondents would prefer the County Council to continue with its plans to raise **Council Tax** in line with Government policy (**50%** ranked this as their preferred approach to increasing Council Tax).
 - Of all the options, increasing Council Tax was respondents' **second most preferred**.
- More than half of those who responded (**64%**) **agreed** that the County Council should explore further the possibility of **changing local government structures** in Hampshire.

The County Council's financial strategy

- The majority of respondents agreed that the County Council should continue with its current financial strategy, this includes:
 - targeting resources on those who need them most (i.e. vulnerable adults and children)
 - planning ahead and securing savings early to enable investment in new, more efficient ways of working
 - applying the same percentage spending reduction to all departments.

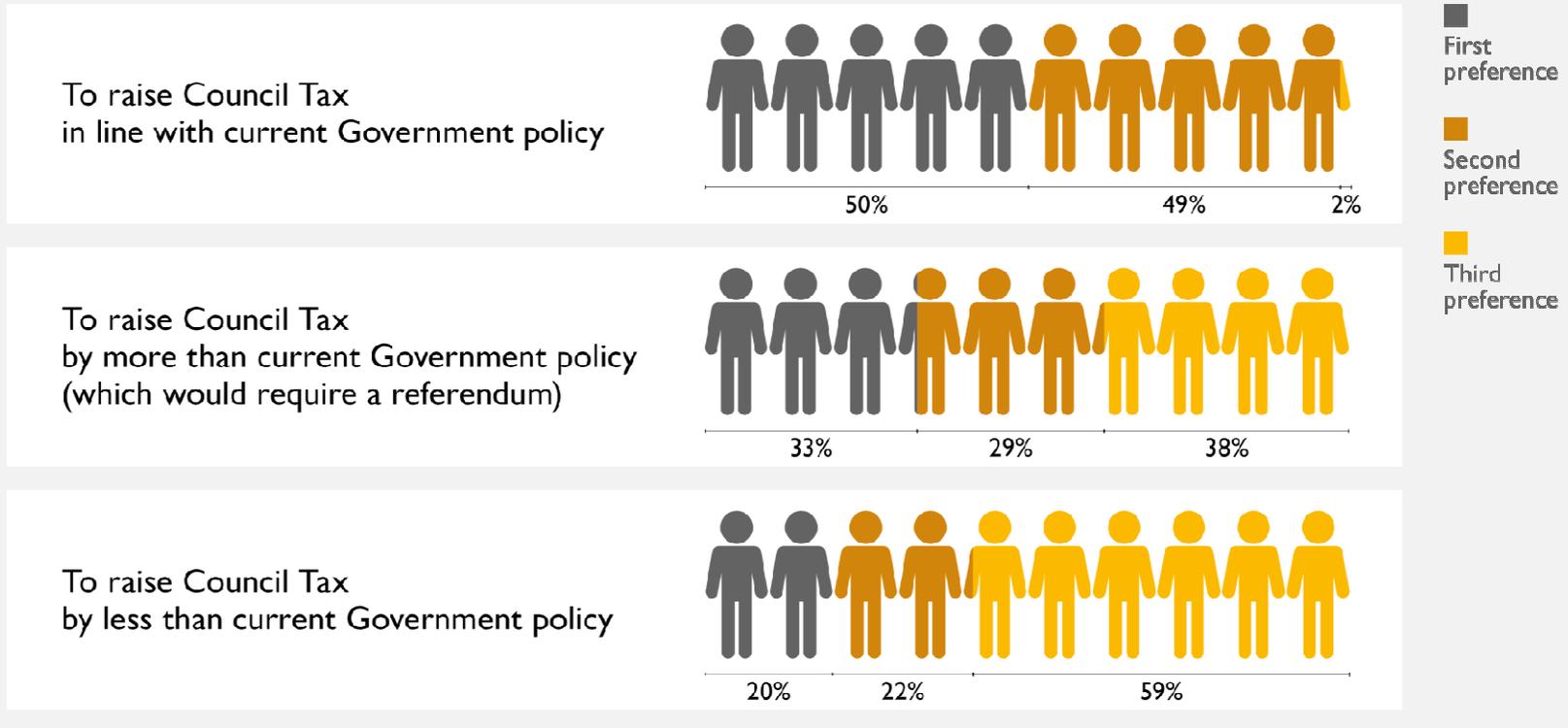
To what extent do you agree with the County Council continuing its financial strategy?



Increasing Council Tax

- Respondents would prefer the County Council to continue with its plans to raise Council Tax in line with Government policy – i.e. an average of 3.99% between 2016/17 and 2019/20 - over either increasing Council Tax by more or less than this amount.

Please indicate which of the following three options is your first, second and third preference:



Net popularity of proposals when ranked

- Respondents were asked to rank the seven options for balancing the County Council's budget by order of preference. The image below shows how the options were ranked overall – from generating additional income as the most preferred option to reducing and changing services as respondents' least preferred option.
- The rankings are based on how many times each option was chosen by a respondent as one of their **top three** preferred options.



73%
Generating additional income



47%
Increasing Council Tax



45%
Introducing and increasing charges for some services



44%
Lobbying central Government for legislative change



43%
Changing local government arrangements in Hampshire



28%
Using the County Council's reserves



22%
Reducing and changing services



Transformation to 2019 Programme

Savings Proposals



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Savings Proposals

- Savings proposals totalling £120m submitted by Departments together with £20m of housekeeping savings
- Proposals have been through Select Committees and have been submitted to Cabinet for consideration
- Equality Impact Assessments produced for each proposal
- Cabinet will consider EIAs, outcome of consultation and options for closing the budget deficit
- If proposals are agreed will go forward to County Council for consideration
- If agreed, some proposals will require stage 2 consultations and further Executive Member decision making

Savings Profile

- A key feature of past programmes has been the early delivery of savings and achievement of the full amount by 1 April
- For Tt2017 slipped savings of £13m were agreed and are being delivered throughout 2017/18
- For Tt2019 the picture is somewhat different and highlights that delivery is now 'behind the curve'
- This has implications for cash flow and perhaps more importantly may impact on any future savings programmes.
- Current expectation for delivery is :

Savings Profile

	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000
Adults' Health & Care	16,959	48,927	55,634	55,934
Children's – Non-Schools	2,991	13,506	19,428	27,704
ETE	5,180	16,130	19,005	19,005
P&R	4,271	14,304	14,929	14,929
Departmental Total	29,401	92,867	108,996	117,572
Early Achievement / (Shortfall)	29,401	(27,133)	(11,004)	(2,428)

Important that a focus on delivery is maintained. CMT will undertake a 'peer review' process on high risk savings before December

Medium Term Financial Strategy

Approvals



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Capital Approvals

- Additional one-off funding of £6.1m mainly for IT enabling works and the purchase of new devices which will underpin the Enabling Productivity Programme (EPP), and which will help to realise around £62m of recurring departmental savings.
- High level approval for £35m of capital investment as part of the development of the Manydown site in Basingstoke to provide up to 3,400 new homes and generate long term capital and revenue returns for the County Council.
- Capital spend of £1.23m to implement specialist equipment for monitoring and data collection associated with managing water bacteria risk across the County Council's large built estate.
- Approval of £41.695m of capital investment in a secondary school, bypass and other infrastructure in Botley as part of the wider development of that site for housing, in line with the agreement with Eastleigh Borough Council and that district council's local plan.

Revenue Approvals

- Recurring funding from 2018/19 onwards of £6.6m to increase the number of social workers to help deliver a reduction in Children Looked After as part of the Tt2019 Programme, as well as improving the capacity for safeguarding activity, improving the recruitment and retention of social workers and reducing reliance on agency staff.
- Recurring funding from 2018/19 onwards of £2.4m to cover the increased costs of Home to School Transport as a result of increasing costs and demography and the number of children with Special Educational Needs.
- Recurring funding from 2018/19 onwards of £1.25m to increase payments for those families who care for children under a Special Guardianship Order (SGO), which will have longer term benefits both in terms of care received and diversion from higher cost placements.

Revenue Approvals

- One-off funding in the current year of £1.7m and £315,000 to cover the part year costs of increased social worker numbers and increased payments for SGOs outlined above.
- A one-off sum of £100,000 in the current year and a recurring increase of £320,000 to continue to proactively manage and mitigate any risks associated with water bacteria.
- A one-off sum of £250,000 to support further work with Town and Parish Councils and to provide pump priming funding for targeted joint initiatives aimed at improving local services.
- A one-off sum of £1.4m to fund additional resources within the Transformation Team until the end of 2019/20 in order to support the delivery of the Tt2019 Programme.

QUESTIONS?