



Hampshire  
County Council

# Culture and Communities Select Committee 18 January 2018 Budget Briefing 2018/19

Karen Murray  
Director

Dave Cuerden  
Finance Business Partner



Hampshire  
County Council

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# Presentation Outline

- Local Government Finance Settlement – Key Issues
- Reserves Position
- Update on Transformation to 2019 (Tt2019) Programme
- Key Departmental Challenges and Issues
- Culture and Communities Budget Proposals and Revenue Budget
- Culture and Communities Capital Programme

# **Local Government Finance Settlement – Key Issues**

# Local Government Finance Settlement

- Financial position to 2019/20 was heavily impacted by the Local Government Finance Settlement announced on 8 February 2016 which changed the methodology for distributing grant and also reflected a clear shift by the Government in council tax policy.
- Settlement announced in 2016 provided figures for authorities for 2016/17 and 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.

# **Budget Forecast 2018/19 – MTFS Position**

- In February 2016 it was reported to Cabinet and County Council that savings in the order of £140m would be required and this has been reflected in all financial updates since that date, leading into the Tt2019 Programme.
- Savings proposals agreed in November 2017 to give the time for implementation.
- Significant draw from the Grant Equalisation Reserve (GER) in 2018/19 in order to give the County Council the time and capacity to properly deliver the Tt2019 Programme.
- A 4.99% council tax increase, 3% for social care costs on top of the referendum limit of 2%.

# Autumn Budget and Pay Award

- In overall terms, the announcements in the Budget had very little impact on the revenue position reported in the MTFS.
- Since the Budget was announced there has been a two year pay offer for local government workers
  - Includes a 'core' increase of 2% and changes to the lower pay scales to reflect the impact of the National Living Wage.
  - Overall increase in the pay bill could be in the region of 6% over the two years, and is above the allowances made within the MTFS.
  - Depending on the final pay award agreed this could mean additional recurring costs of circa £5m will need to be met.

# Provisional Local Government Finance Settlement 2018/19

- Expectation was for minimal change to the settlement figures previously published.
- Revenue Support Grant (RSG) for 2018/19 is unchanged compared to the forecast position.
- ‘Core’ council tax referendum limit increased to 3% for all authorities for the next two years (each 1% increase in council tax equates to approximately £5.7m). The arrangements for the social care precept are unchanged.
- Ten new 100% Business Rate Pilots announced, one of which was for Portsmouth, Southampton and Isle of Wight Unitary Councils.



# Provisional Local Government Finance Settlement 2018/19

- Fair Funding Review consultation was announced as part of the settlement which is expected to be implemented in 2020/21.
- Potential move to at least 75% Business Rate Retention is also planned for 2020/21, but still on the basis of fiscal neutrality.
- No new announcements of funding for social care above those that we are already aware of but the Green Paper for adult social care is due to be published in summer 2018.

# 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 £524.2m as at 31 March 2017.
- Approaching half of this (£254.7m) committed to existing revenue programmes and capital spend.
- £98.4m in Departments cost of change and trading account reserves to be used for investment and future transformation and to cash flow delivery of Tt2019.
- £22.1m set aside to mitigate risks (mainly the insurance reserve as we self insure).
- £46.7m in schools reserves, £1.4m for the EM3 LEP and £21.5m in balances (in line with minimum reserves policy).

# Reserves Strategy

- Only £79.4m (15.1%) is truly 'available' to support one off spending and is made up as follows :

	<b>Balance 31/03/16 £'000</b>	<b>Balance 31/03/17 £'000</b>	<b>% of Total</b>
<b><u>'Available' Reserves</u></b>			
Grant Equalisation Reserve	75,206	40,755	7.8
Invest to Save	9,077	31,100	5.9
Corporate Efficiency Reserve	7,902	0	0.0
Corporate Policy Reserve	5,109	4,632	0.9
Organisational Change Reserve	3,593	2,905	0.5
	<b>100,887</b>	<b>79,392</b>	<b>15.1</b>

\* £35m of the GER will be used to support the revenue budget in 2018/19 with the remainder to be utilised in the period to 2020.

# Update on Transforming the Council to 2019 Programme

# Transforming the Council to 2019

- Savings target of £140m (£20m of which will be from corporate “housekeeping”).
- Savings proposals to meet this were agreed in November 2017.
- The focus for the programme is now very much on implementation and delivery. Where appropriate, this will include further service specific public consultations where proposals and options for service change will be debated with service users and key stakeholders.
- However, any modification to any proposal must be consistent with the financial and time imperatives of the overall 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 will be boosted by some early delivery in 2018/19.
- Further contingency will be 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.

# Key Departmental Issues and Challenges



# Key Departmental Issues / Challenges

- The department delivers a wide range of services – cash limit of £33m consists of £89m gross expenditure a year with income streams of around £56m.
- Also responsible for managing other areas including the repairs and maintenance of the corporate estate, and delivery of the Broadband programme.
- Manages the relationship with various major Trusts including the Hampshire Cultural Trust.

# Key Departmental Issues / Challenges (continued)

- Outdoor Service and Country Parks continuing to work towards a cash limit neutral position by 2020.
- Very challenging income targets to support the above.
- Major transformation programmes relating to these services well underway – new visitor centre at Lepe country park and restoration of the historic chapel in Royal Victoria country park both due for completion in the Spring.

# Key Departmental Issues / Challenges (continued)

- Period of unprecedented change within the Library Service
- Cost reduction as a result of vacancy management and increased self service
- Re-investment programme continues with refurbishments at Fleet and Fareham completed, next projects at Andover and Totton
- Increasing use of volunteers.
- Exploiting digital opportunities within current resources
- Continuing to support cultural and community organisations to become more self sufficient

# Culture and Communities Budget 2018/19

# Culture and Communities Proposed Budget

<b>Revenue Budget:</b>	<b>£'000</b>
Revised Budget for 2017/18	20,697
Proposed Budget for 2018/19	20,958
Early Savings Delivery Forecast in 2018/19	2,259
 <b>Capital Programme:</b>	
Revised programme for 2017/18	2,795
Proposed programme for 2018/19	125



# Culture and Communities Revenue Budget 2018/19

	£'000
Community and Regulatory Services	11,301
Culture and Heritage	7,398
Planned contribution to Cost of Change reserve	2,259
<b>Total Cash Limited Services</b>	<b>20,958</b>

# Community and Regulatory Services Revenue Budget 2018/19

	£'000
Library Service	10,996
Energise Me Grant (Sport) and Talented Athletes Scheme	141
Community	164
<b>Total Community and Regulatory Services</b>	<b>11,301</b>

# Culture and Heritage Revenue Budget 2018/19

	£'000
Countryside	2,862
Cultural Trust Grant and HCC Arts related costs	2,634
Archives	730
Outdoor Centres	195
Community Grants	977
<b>Total Culture and Heritage</b>	<b>7,398</b>



# Culture and Communities Capital Programme 2018/19

	£'000
Community Buildings and Village Halls	125
Plus – CCBS Minor Works – whole department (Previously Countryside, Libraries and Scientific Service)	328