

# HAMPSHIRE COUNTY COUNCIL

## Decision Report

<b>Decision Maker:</b>	Executive Member for Recreation and Heritage
<b>Date:</b>	14 January 2019
<b>Title:</b>	2019/20 Revenue Budget Report for Recreation and Heritage
<b>Report From:</b>	Director of Culture, Communities and Business Services and Deputy Chief Executive and Director of Corporate Resources

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### 1. Recommendations

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 summary revenue budget for 2019/20 as set out in Appendix 1.
- 1.3. The annual capital allocation for Community Building Grants of £125,000 for inclusion within the Executive Member for Policy and Resources' capital programme.

### 2. Executive Summary

- 2.1. The purpose of this report is to set out proposals for the 2019/20 budget for Recreation and Heritage services within the Culture, Communities and Business Services Department in accordance with the Councils 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 year. Overall the outturn forecast for the Recreation and Heritage services for 2018/19 is a saving against budget of £1.007m the majority of which relates to early achievement of Tt2019 savings. This figure will be included in a consolidated position for the Culture, Communities and Business Services Department in the report to the Executive Member for Policy and Resources.
- 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 detailed service budgets for 2019/20 for Recreation and Heritage services. The report has been prepared in consultation with the Executive Member and will be reviewed by the Culture and Communities 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 which 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) and with any early delivery of resources 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 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 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, 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 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 £1.6m was lost as a result of 'negative RSG' which reduced the top up grant from business rates. 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 next year.
  - A £180m surplus from the business rates levy account will be distributed pro rata to the Settlement Funding Assessment (SFA) which is a proxy for the relative need of each local authority - 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 unsuccessful 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 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 until next year.

3.9. Recreation and Heritage services 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 Department are set out below.

#### **4. Departmental Challenges and Priorities**

4.1. Recreation and Heritage services are delivered by the Culture Communities and Business Services (CCBS) Department. The Department delivers a wide range of services with gross expenditure in the region of £83m a year and income streams of around £52m, leaving a cash limit of £31m. In addition, the Department is responsible for:

- 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.
- Responsibility for the delivery of the Broadband programme of £30m and an annual programme of capital projects of circa £20m.

#### **5. 2018/19 Revenue Budget**

5.1. The original cash limited budget for 2018/19 included the early achievement of Tt2019 proposals of £2.224m during the year. After offsetting spending on one-off investment and costs to support transformational change during the year, £909,000 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. The expected outturn forecast for 2018/19 is a saving against budget of £1.007m. This figure will be included in a consolidated position for the CCBS Department in the report to the Executive Member for Policy and Resources.

- 5.4. The targeted Tt2019 savings for Recreation and Heritage services are forecast to be delivered in full by 2019/20 with further savings of £371,000 to be offset against future savings targets.
- 5.5. The budget for Recreation and Heritage services has been updated throughout the year and the revised budget is shown in Appendix 1.

## **6. 2019/20 Revenue Budget Pressures and Initiatives**

- 6.1. A significant contribution was made to Tt2019 savings from growing income to replace cash limit funding across a range of services including Countryside, Outdoor Centres and the Great Hall and it is important for many of the Recreation and Heritage services that current income levels are both sustained and grown where possible.
- 6.2. However, achieving significant additional net income is likely to be increasingly challenging:
  - Key public sector markets are experiencing ongoing financial pressures.
  - The potential economic impacts of Brexit could lead to reduced consumer confidence and reduced capacity for spending. The latter may impact on income to attractions such as the Country Parks and it is anticipated that further capital investment, building on the success of investment to date, may be required to sustain and grow income in future.
- 6.3. There is a potential risk to future European Union grant funding streams of up to £350,000 currently received by the Countryside Service and used for the management of Countryside land in a good environmental and agricultural condition.
- 6.4. A major update of the Libraries Strategy to 2025 is underway and will inform proposals for future savings.

## **7. 2019/20 Revenue Savings Proposals**

- 7.1. The CCBS Department was given a savings target for 2019/20 of £6.304m 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. The share relating to Recreation and Heritage services was £3.560m.
- 7.2. During the last year, the Department has 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 £3.560m will be achieved in 2019/20 with further savings of £371,000 to be offset against future savings targets.
- 7.4. 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.

- 7.5. 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 Capital Programme**

- 8.1. The Culture, Communities and Business Services capital programme is included in the Policy and Resources capital programme report. The provisional capital guideline approved by Cabinet in December 2018 allows for the continuation of the annual capital allocation to provide Community Buildings Grants (£125,000 per annum). This report recommends that the Executive Member for Recreation and Heritage proposes a Community Buildings Grant capital allocation of £125,000.

## **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 the CCBS Department in that report was £28.958m which was a £4.266m decrease on the previous year original budget. £16.871m of the Department's 2019/20 cash limit relates to Recreation and Heritage Services.
- 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 – full details will be included in the February budget setting report. For Recreation and Heritage this amount is £0.609m and increases the cash limit to £17.48m
- 9.3. Appendix 1 sets out a summary of the proposed budgets for the service activities provided by Recreation and Heritage for 2019/20 and show that these are within the cash limit, including provision for the 2019/20 pay award, set out above.

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

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

**Other Significant Links**

<b>Links to previous Member decisions:</b>	
<u>Title</u>	<u>Date</u>
Transformation to 2019 – Revenue Savings Proposals (Executive Member for Culture, Recreation and Countryside) <a href="https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=169&amp;MId=287">https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=169&amp;MId=287</a>	18 September 2017
Medium Term Financial Strategy Update and Transformation to 2019 Savings Proposals <a href="https://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments">https://democracy.hants.gov.uk/mgAi.aspx?ID=3194#mgDocuments</a>	Cabinet - 16 October 2017 County Council – 2 November 2017
Looking Ahead - Medium Term Financial Strategy <a href="https://democracy.hants.gov.uk/ieIssueDetails.aspx?Id=10915&amp;PlanId=0&amp;Opt=3#AI8687">https://democracy.hants.gov.uk/ieIssueDetails.aspx?Id=10915&amp;PlanId=0&amp;Opt=3#AI8687</a>	Cabinet - 18 June 2018 County Council – 20 September 2018
Budget Setting and Provisional Cash Limits 2019/20 (Cabinet) <a href="https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&amp;MId=3479">https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&amp;MId=3479</a>	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:

<https://democracy.hants.gov.uk/ieListDocuments.aspx?CId=134&MId=737>

### **2. Impact on Crime and Disorder:**

2.1 The report does not contain any proposals which impact on crime and disorder.

#### **Climate Change:**

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

The report does not contain any proposals which impact on our carbon footprint or energy consumption.

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

The report contains no proposals which will impact on climate change.



**Budget Summary 2019/20 – Recreation and Heritage**

<b>Service Activity</b>	<b>Original Budget 2018/19 £'000</b>	<b>Revised Budget 2018/19 £'000</b>	<b>Proposed Budget 2019/20 £'000</b>
Library Services	10,996	12,334	11,013
Energise Me Grant (Sport)	141	141	133
Community	164	49	49
<b>Community Services</b>	<b>11,301</b>	<b>12,524</b>	<b>11,195</b>
Countryside – Country Parks, Countryside Sites, Nature Reserves	1,787	2,192	1,470
Arts and Museums (including HCT grant)	2,634	2,634	2,619
Archives	730	768	695
Outdoors Centres	195	366	299
Community Grants	977	753	813
Great Hall	0	5	18
<b>Culture and Heritage Services</b>	<b>6,323</b>	<b>6,718</b>	<b>5,914</b>
Net Contribution to Cost of Change	2,224	909	371
<b>Net Cash Limited Expenditure</b>	<b>19,848</b>	<b>20,151</b>	<b>17,480</b>
 Total Countryside & Rural Affairs	 1,110	 1,021	 1,146
 Total Policy & Resources	 12,266	 13,054	 11,972
<b>Total CCBS Net Cash Limited Expenditure</b>	<b>33,224</b>	<b>34,226</b>	<b>30,598</b>