



**Hampshire**  
County Council

**Revenue Budget**  
**2009/10**

**Provisional Budget**  
**2010/11**  
**&**  
**2011/12**

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**County Treasurer**

## **Revenue Budget 2009/10 and Provisional Budgets for 2010/11 and 2011/12**

### **1 Background to the budget strategy**

1.1 The County Council framed its budget strategy for 2008/09 within the context of a medium term financial plan covering the period from 2008/09 to 2010/11. Provisional budgets for 2009/10 and 2010/11 were agreed in February 2008, based on the first three year Government grant settlement for 2008/09 to 2010/11. The provisional budgets were agreed subject to public consultation on the medium term financial strategy for 2008/09 to 2010/11.

1.2 The provisional budgets for 2009/10 and 2010/11 approved by the Cabinet in February 2008 were based on the following assumptions:

- allowance was made for increased demand for social care services and for the projected higher cost of the waste management contract, but otherwise no provision was made for growth in service budgets. Increases above inflation in 2009/10 and 2010/11 were £6.7m and £7.0m for adult social care and £1.2m and £1.3m for children's social care respectively
- that efficiency savings would be achieved to finance any proposed service developments, unfunded demand pressures or to cover excess inflation, in the context of the Government's target for local government of annual efficiency savings of 3% per annum
- that pay and prices would increase by 2.5% per annum on average. Allowance was also made for the phased increase in the employer's contribution to the Hampshire Pension Fund of 0.5% in both 2009/10 and 2010/11
- that fees and charges would be increased in line with forecast inflation on the related gross expenditure
- that supported borrowing would not be taken up in full and that new borrowing would be limited to a level consistent with a 2.5% increase in the capital financing requirement
- an increase of 0.5% per annum in the council tax base was assumed and continuing annual collection fund surpluses estimated at £1.5m per annum
- based on these assumptions, a Band D council tax increase of 3.5% per annum in 2009/10 and 2010/11 would have been required.

## 2 Review of the budget strategy

- 2.1 The budget strategy for 2009/10 and 2010/11 was reviewed in October 2008, in conjunction with the approval of the medium term financial strategy for 2008/09 – 2010/11 following a public consultation on spending levels and priorities and a review of the financial management policies. Provisional budget guidelines for 2011/12 were also agreed at the same meeting. A decision had already been taken by the Cabinet in June 2008 to utilize £5.1m of the saving of £8.2m within the 2007/08 outturn to reduce the council tax increases required to finance the provisional budgets for 2009/10 and 2010/11 from 3.5% to 3.0%. Despite the impact of changed economic prospects since the provisional budget had been approved in February 2008, the Cabinet confirmed the existing budget guidelines for 2009/10 at the October meeting. A decision was however taken to spread the existing 2009/10 and 2010/11 locally resourced capital programmes over three years in view of the sharply reduced forecast of capital receipts in 2008/09, 2009/10 and 2010/11.
- 2.2 The Government confirmed in November 2008 that no changes would be made to the 2009/10 provisional grant settlement, despite the impact of the banking crisis upon the public finances. The Cabinet in December confirmed the provisional guidelines agreed in October as the basis for preparing service budgets.
- 2.3 Services were requested to prepare budget proposals for 2009/10 to 2011/12 within the guidelines set in consultation with the Executive member and subject to the scrutiny of the relevant Select Committee, prior to their submission to the Cabinet for consideration in February.

## 3 Cabinet recommendations

- 3.1 Following consideration of the budget proposals by Executive members and the relevant Select Committees, the Cabinet approved some changes to the provisional budget guidelines for 2009/10 and 2010/11 in recommending a budget to the County Council. These changes incorporated some additional one-off and continuing spending in 2009/10, while reducing the council tax increase in 2009/10 and provisionally for 2010/11 from 3% to 1.9%. The savings and spending proposals for 2009/10 are summarized below:

	One-off £000	Continuing £000
Deletion of contingency within provisional budget		-1,006
Lower waste volumes		-4,462
Efficiency savings from changes in waste contract		-2,146
Adjustment to inflation assumptions -2.25% for non-pay and 1.5% for pay		-2,696
Higher collection fund surplus	-1,024	

Higher council tax base	-571	
Anticipated savings in 2008/09	-6,154	
	-7,749	-10,310
SAP benefit realisation savings earmarked to corporate policy reserve		1,539
Higher capital financing costs	1,000	
A326 – Road safety improvements	450	
Locality funding	285	
Higher electricity prices (2008/09 and 2009/10)	1,317	
Building Schools for the Future	500	
Rural strategy, Economic prosperity and wellbeing, community involvement and safeguarding costs	600	
Revenue contributions to capital	3,000	
Children’s Services - safeguarding		1,200
Recreation and Heritage - modernisation		250
	-597	-7,321
Utilized to reduce council tax increase in:		
2009/10		5,196
2010/11	597	2,125
	-	-

3.2 The resulting changes to the provisional budget produced a budget requirement of £657.0m, an increase of £14.7m (2.3%) on the adjusted budget for 2008/09. Provisional budgets were agreed for 2010/11 and 2011/12 incorporating spending increases of £13.1m and £24.2m respectively, resulting in provisional council tax increases of 1.9% in 2010/11 and 3.8% in 2011/12. The increase in 2009/10’s budget is summarized in the table below:

	£m	£m
<b>2008/09 budget</b>	642.7	
Function changes related to:		
Phased transfer of Student Support Service	-0.4	
<b>2008/09 adjusted budget</b>		642.3
Full year effect of 2008/09 inflation		-1.3
<b>2008/09 budget at November 2008 prices</b>		641.0

	£m	£m
<b>Increased spending on services:</b>		
Service cash limited spending:		
Waste volumes and infrastructure	-3.5	
Higher running costs arising from implementation of capital programme	0.2	
County Council elections	0.9	
Costs absorbed or avoided as a result of improvements in efficiency	5.7	
Deletion of additional spending financed from underspendings in 2008/09's budget and other non-recurring spending	-9.9	
Excess inflation costs absorbed	-2.6	
Additional expenditure on services within budget guidelines or financed from efficiency improvements	20.2	
Additional spending financed from under spending carried forward from 2008/09	6.7	
Other budgets:		
Capital financing charges	8.4	
Revenue contributions to capital – one off increase	3.5	
SAP benefit realisation savings transferred to Corporate Policy reserve	-1.5	28.1
<b>Efficiency savings</b>		
Costs absorbed or avoided	-5.7	
Efficiency and other savings within service budgets	-14.8	-20.5
<b>Contributions from reserves and balances:</b>		
Variation in use of balances (-£4.8m) and earmarked reserves (-£5.6m)		-10.4
<b>2009/10 budget at November 2008 prices</b>		<u>638.2</u>
<b>Provision for future inflation:</b>		
Allocations made to services – pay 1.5%, non-pay 2.25%, increased pension contributions, social care and highway maintenance prices.	16.0	
Retained centrally:		
Inflation on waste management contract (including landfill tax)	2.6	
Business rates	0.2	
		<u>18.8</u>
<b>2009/10 Budget requirement</b>		<u><u>657.0</u></u>

- 3.3 The increase in the budget over the adjusted 2008/09 budget can be summarised as follows:

	£m	%
Cost increases due to inflation	17.5	2.7
Increased spending on services	28.1	4.4
Efficiency savings	-20.5	-3.2
Variation in use of reserves and balances	-10.4	-1.6
	<hr/> 14.7	<hr/> 2.3

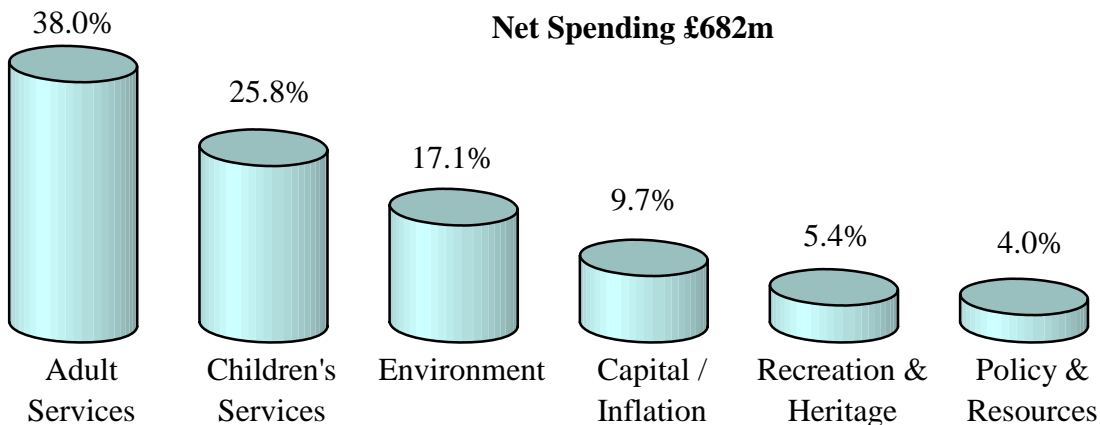
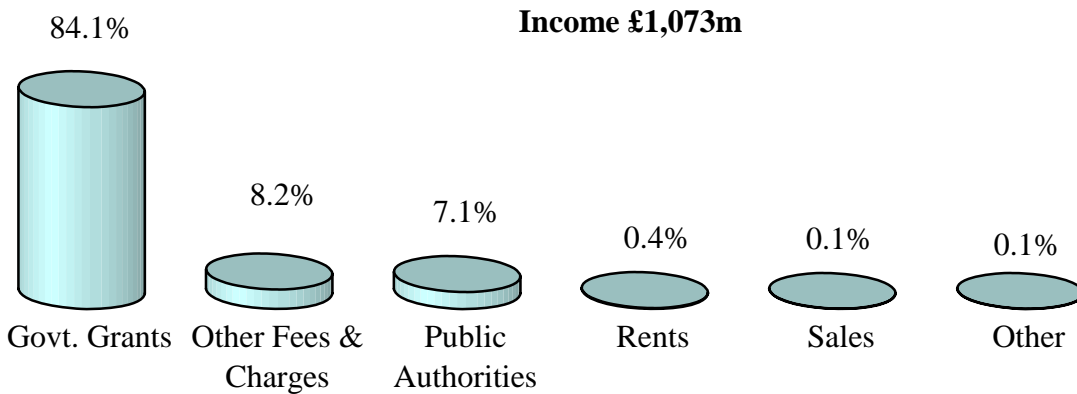
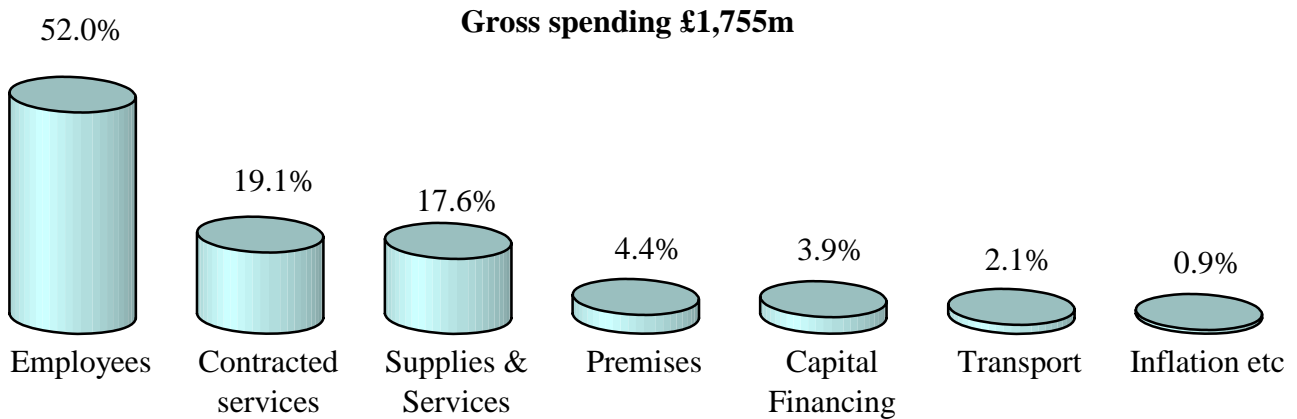
#### 4 Council tax implications

- 4.1 The County Council's council tax at Band D is £1,018.17, an increase of £19.17 or 1.9% on the 2008/09 tax. Further council tax increases of 1.9% in 2010/11 and 3.8% in 2011/12 are forecast on the basis of the provisional budget.
- 4.2 Hampshire's tax in 2009/10 is £46 below the average for county councils with combined fire authorities and is the 4<sup>th</sup> lowest out of the 16 relevant counties. After adding the Police Authority, Fire Authority, district council and average parish decisions on budgets, council taxes for Band D properties in Hampshire will be in the range of £1,338 to £1,437 with an average of £1,396. This is 2.4% above the 2008/09 average of £1,363.
- 4.3 The comparative figures are summarised in Appendix 2.

## Overview of the 2009/10 revenue budget

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- This page provides an overview of the 2009/10 budget, which is set out in detail in sections A and B.
- The County Council is budgeting to spend £1,755m on services in 2009/10.
- Income of £1,073m towards this spending comes from several sources, including Government grants, fees and charges.
- After allowing for such income, the total net spending of the Council is £682m.
- In addition, a contribution of £25m from reserves produces a budget requirement of £657m.
- The split of net spending between services is shown below. Figures for each service exclude revenue contributions to capital; these are shown separately.



## Financial Management Policy

**Overall purpose :** seek to ensure a high standard in the management of public finances in the best interests of the people of Hampshire.

**Key policies designed to achieve this** are to maintain and seek continuous improvement in both Financial Planning and the provision of Financial Services. In doing so, the Council aims to achieve a score of four for the managing finances aspects of the Use of Resources assessment within the Comprehensive Area Assessment.

### A. Financial planning

#### Overall financial planning and budget strategy

- Budget strategy related to corporate priorities, as reflected in corporate improvement plan with links to the local area agreement
- Consult on a cyclic basis with interested stakeholders (eg. the public, private sector and staff) on budgetary priorities
- Growth and saving plans to be submitted to the appropriate executive member or to Cabinet, identifying planned outcomes and performance improvements for budget growth and mechanisms for achieving any significant savings
- Ensure that the long-term level of revenue commitments does not exceed long-term funding likely to be available including reasonable expected levels of future grant settlement and council tax
- Ensure integration of medium term financial and service planning
- Incorporate in the medium term financial strategy the impact of joint plans and agreed with partners.
- Maintain three year budget projections in order to support medium term financial planning, subject to fine tuning of resource allocation decisions on an annual basis
- Minimise levels of non-earmarked reserves, at a level determined by risk assessment, in order to maximise use of available funds on service provision
- Review the rationale and adequacy of earmarked reserves on at least an annual basis
- Build up an earmarked reserve in recognition of the equal pay compensation risks associated with Pay and Benefits implementation
- Seek to minimise the degree of instability in the employers' contribution to the Hampshire Pension fund, subject to the objective of securing 100% funding in the long-term
- Continue policy of increasing budgets for Children's Social Care in real terms in recognition of national and local priorities

- Set service budget guidelines to provide an annual increase of at least 4.3% in the Adult Services guideline from 2009/10 to 2010/11 and continue to recognise increased service demand in 2011/12
- Set a Schools budget in consultation with the Schools Forum based on specific grants allocated by the Government
- Manage the application of the grant equalisation reserve in order to protect services from future grant loss from the 2006/07 and 2008/09 revised formulae
- In order to allow services to operate within firm cash limits, allocate provision for inflation to services at the start of the financial year and require excess inflation to be absorbed
- Services expected to contain spending within the approved cash limit, with no supplementary allocations being available other than in exceptional circumstances unless a specific contingency provision made within the budget
- Services expected to carry forward 100% of any overspending against the overall service cash limit, but are allowed to retain up to 100% of any planned underspendings identified prior to the approval of the following year's budget. 50% of any unplanned underspendings can automatically be carried forward. This policy applies to spending financed by Area Based grant, subject to special consideration of the Supporting People Programme.

## **5 Value for money**

- Require the continuing absorption of cost increases by expecting services to absorb any net cost arising from the annual cost of salary step increases
- Seek to deliver efficiency gains in line with the Government target of 3% annually, with a view to enabling cuts in services to be avoided
- Encourage service chief officers to submit applications for specific grants/partnership funding designed to maximise the resources available to the County Council, by allowing capital and revenue cash limits to be adjusted to reflect changes in grant levels
- Assist in developing the third sector's capacity by setting financial assistance within clear frameworks and on a 3 year basis where possible
- Require services to review the level of fees and charges at least annually and set budget limits on the assumption that the level of charges will be increased in line with assumed inflation on gross expenditure
- Seek best value in spending, bearing in mind that considerations of quality, risk, sustainability, environmental impact, local economic development and equalities may all be relevant in addition to price
- Seek to retain relatively low council taxes in Hampshire

## **6 Capital programming**

- Review capital strategy on an annual basis and prepare a three year capital programme (consistent with CSR periods) in accordance with the strategy

- Seek to maintain the level of the locally-resourced capital programme by continued recycling of surplus assets to generate capital receipts
- Allow services to retain at least 25% of the value of their capital receipts and where necessary to finance investment in replacement assets, up to 100%
- Adopt a Public Private Partnership (PPP) approach, including the use of the Private Finance Initiative (PFI), where this provides best value for the Council
- Make full use of Government supported borrowing, subject to the affordability of the additional capital financing costs generated
- Seek to maximise capital resources by developing capital schemes in conjunction with external partners where appropriate
- Approve the use of unsupported borrowing within the framework of the County Council's prudential code
  - business unit investment where the financing costs will be funded by charges made to customers
  - 'invest to save' projects generating savings which will enable the financing costs to be funded, capital receipts or developer contributions which will enable borrowing to be repaid, or alternative costs to be avoided
  - temporary borrowing to cover short-term shortfalls in capital financing resources

## **B. Provision of Financial Services**

### **Effective management of budgets**

- devolution of financial management to service departments combined with appropriate financial training, provision of appropriate systems to generate management information and a framework of sound internal controls including Financial Regulations and procedures
- rigorous annual budgeting and budget monitoring processes including regular reporting and briefing of executive members on projected service outturns relative to cash limits
- maintain integrated accounting and budgeting systems which provide accurate and meaningful monitoring reports, including the scope to profile expenditure for outturn forecasts and set a consistent overall financial framework across the authority, including for schools

### **Ensuring good practice and probity**

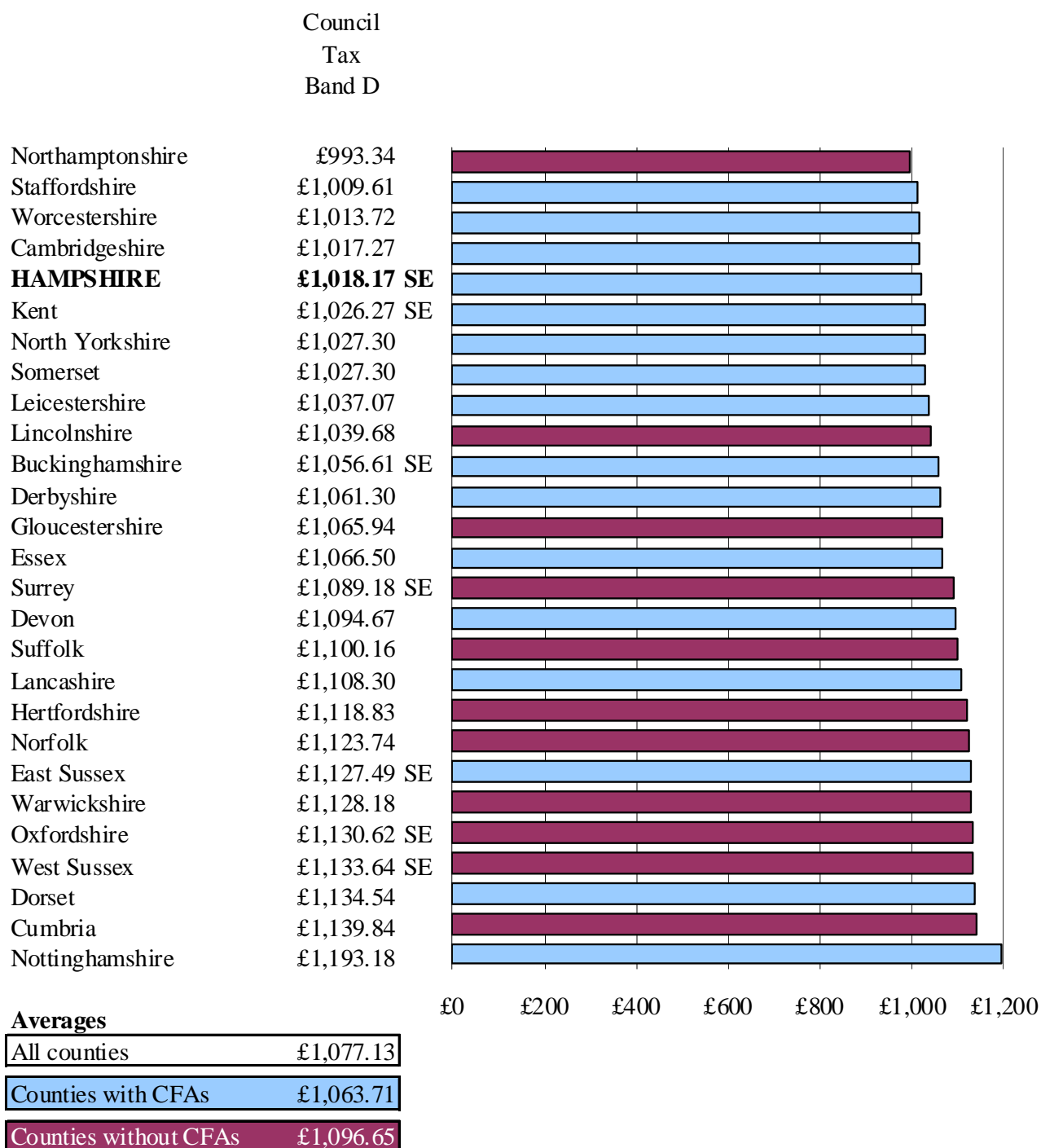
- assess the need for training in financial skills in line with the practices required by Investor in People status, and arrange delivery and evaluation of that training
- recognise the statutory and corporate finance roles of the County Treasurer in ensuring lawful and financially prudent decision-making through his membership of the Corporate Management Team

- report internal audit's strategy to the Governance Committee
- provide annual internal audit assessments for each department as part of the review of effectiveness of controls for the Annual Governance Statement
- develop IT systems designed to enhance the provision of financial management information to users
- maintain Head of Profession arrangements whereby the head of each devolved finance unit has defined responsibilities for ensuring that both corporate and departmental needs are met
- maintain and work with Chief Officers to apply Financial Regulations and associated financial procedures in support of good practice in financial administration and corporate governance
- maintain an effective and efficient internal audit function which works co-operatively with the Council's external auditor
- comply with the CIPFA Code of Practice for treasury management
- comply with accounting and audit standards contained in the relevant Codes of Practice and CIPFA guidance

#### **Efficient and accessible processing of transactions**

- best practice in relationships with local contractors and suppliers, including payment of bills in line with government prompt payment targets
- an emphasis on continuous improvement driven by a customer focus as the best way to deliver good financial services
- all services to be available electronically and to move towards employee self service and web-enabled transactions
- obtain the Charter Mark for services dealing directly with the public, and seek to apply a similar approach to internal customers
- keep transaction costs within the lowest 25% of costs among county councils.

## County Councils' Council Taxes 2009/10



Since 2004/05 council tax payers in Hampshire, and other English counties with Combined Fire Authorities (CFA), have been charged for fire services by the CFA. As a result, the council tax figures for counties with CFAs are not directly comparable with those without CFAs.

SE indicates counties in the South East

## Council Taxes in Hampshire 2009/10

Authority	Council Tax 2009/10  (including parish averages)  £ per band D	Increase over 2008/09 Council Tax  %	Budget 2009/10  (including parish averages)  £ per band D	Increase over 2008/09 budget  %	Total Council Tax 2009/10  £ per band D	Increase of Total Council Tax over 2008/09  %
	(1)	(2)	(3)	(4)	(5)	(6)
Basingstoke & Deane	<b>117.48</b>	3.1%	280.94	3.3%	<b>1,338.06</b>	2.4%
East Hampshire	<b>181.45</b>	1.0%	310.20	0.9%	<b>1,402.03</b>	2.2%
Eastleigh	<b>182.40</b>	2.1%	360.43	1.7%	<b>1,402.98</b>	2.3%
Fareham	<b>140.22</b>	2.7%	286.61	1.6%	<b>1,360.80</b>	2.4%
Gosport	<b>202.81</b>	2.5%	468.80	2.1%	<b>1,423.39</b>	2.4%
Hart	<b>204.53</b>	4.2%	309.85	4.8%	<b>1,425.11</b>	2.6%
Havant	<b>192.78</b>	3.9%	423.06	2.6%	<b>1,413.36</b>	2.5%
New Forest	<b>216.03</b>	3.3%	376.62	2.3%	<b>1,436.61</b>	2.5%
Rushmoor	<b>180.64</b>	3.5%	406.97	2.7%	<b>1,401.22</b>	2.5%
Test Valley	<b>145.43</b>	4.3%	295.69	1.8%	<b>1,366.01</b>	2.5%
Winchester	<b>184.42</b>	3.0%	331.60	2.1%	<b>1,405.00</b>	2.4%
District average	<b>175.90</b>	3.0%	343.11	2.3%	<b>1,396.48</b>	2.4%
Hampshire County Council	<b>1,018.17</b>	1.9%	1,312.44	2.3%		
Portsmouth	<b>1,149.12</b>	4.9%	2,605.71	3.7%	<b>1,351.53</b>	4.9%
Southampton	<b>1,208.97</b>	2.9%	2,729.08	3.5%	<b>1,411.38</b>	3.2%
Isle of Wight	<b>1,282.16</b>	3.5%	2,357.25	4.5%	<b>1,424.27</b>	3.6%
Hampshire Fire and Rescue	<b>60.30</b>	3.6%	106.59	3.2%		
Hampshire Police Authority	<b>142.11</b>	4.8%	447.92	3.6%		

Column (1) shows the Council Tax set by each council for band D tax payers (before any discounts).  
For districts with parishes, an average figure is shown.

Column (2) shows the percentage change in the Council Tax from that set in 2008/09.

Column (3) shows the budget requirement of each authority in terms of the amount per Band D equivalent property. For districts with parishes, an average figure is shown.

Column (4) shows the change in budget requirement from 2008/09, the County Council's 2.3% is adjusted for function and funding changes, the unadjusted increase would be 2.2%.

Column (5) shows the total Council Tax for each area of Hampshire. The billing authority's tax includes the average figure for parishes plus the Police Authority's Council Tax of £142.11, the Fire and Rescue Authority's Council Tax of £60.30, and for the districts, the County Council's tax of £1,018.17.

Column (6) shows the percentage change in the total Council Tax compared with 2008/09.