

Hampshire
County Council

Revenue Budget
2008/09

Provisional Budget
2009/10
&
2010/11

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<p style="text-align: center;">Revenue Budget 2008/09 and Provisional Budgets for 2009/10 and 2010/11</p>
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1 Background to the budget strategy

1.1 The County Council framed its budget strategy for 2007/08 within the context of a medium term financial plan covering the period from 2007/08 to 2009/10. Provisional budgets for 2008/09 and 2009/10 were agreed in February 2007 and endorsed as part of the medium term financial strategy approved by the Cabinet in May 2007. As the Government's spending plans and grant announcements did not at this stage extend beyond 2007/08, the strategy was subject to review in the light of the outcome of the 2007 Spending Review and the proposed three year grant settlement.

1.2 The provisional budgets for 2008/09 and 2009/10 approved by the Cabinet in February 2007 were based on the following assumptions:

- that Government grant would be frozen in 2008/09 and 2009/10 for authorities such as Hampshire below the grant floor
- that pay increases would be constrained to 2% in 2008/09 and 2009/10 consistent with Government Policy, that there would be no further increase in employer pension contributions, following the 2007 actuarial review, and that increases in non-pay inflation would average 2.5%
- 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
- allowance was made for above inflation increases in adults and children's social care totalling £7.7m in 2008/09 and £7.9m in 2009/10 in recognition of demographic and legislative pressures and to support the safety and security of vulnerable members of the community. Additional contingency provision was also made for the impact of the increase in the waste management contract. All other services were required to achieve savings of £1.1m in both 2008/09 and 2009/10 to fund part of the increased spending on social care
- for all other services, any new service developments and increased service demands would have to be met by efficiency savings or from redeploying resources from lower priority services
- an increase of 0.5% per annum in the council tax base was assumed and that an annual collection fund surplus of £1.5m would be allocated to the Council
- in view of the uncertainty about spending and inflation assumptions an unallocated contingency of £ 4.6m and £5.2m respectively were included in the 2008/09 and 2009/10 budgets

- based on these assumptions, a Band D council tax increase of 4.9% per annum in 2008/09 and 2009/10 would have been required, just below the assumed council tax capping level.

2 **Review of the budget strategy**

2.1 The budget strategy for 2008/09 and 2009/10 was reviewed in October 2007 following the outcome of the spending review (CSR07), and a provisional guideline was also set for 2010/11 based on a continuation of the strategy for 2008/09 and 2009/10. The provisional guidelines were confirmed by the Cabinet in December 2007 following the announcement of the three year grant settlement for 2008/09 to 2010/11. The main changes to the budget strategy were as follows:

- to adjust the pay award assumption to 2.5% in the light of trends in retail price inflation and in private sector pay, to underwrite the higher pay increase than assumed in 2007 of 0.25%, and to allow for a further increase in the employer's pension contribution
- to reverse the proposed savings of £1.1m per annum being sought across all services other than social care to protect services.

These changes were accommodated within the proposed strategy from within the unallocated contingency sums within the provisional budget.

2.2 The announcement of the three year grant settlement in December 2007 confirmed that the minimum grant increase for county councils below the grant floor was slightly more favourable than had been assumed with grant increases of 2%, 1.75% and 1.5% on a tapering basis from 2008/09 to 2010/11. However a further switch in the balance of government capital support from grant to supported borrowing meant that the non-take up of supported borrowing required over the period 2008/09 to 2010/11 increased from £31m to £46m to limit the annual increase in the capital financing requirement to 2.5% per annum.

2.3 Services were requested to prepare budget proposals for 2008/09 to 2010/11 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 and amendments made at County Council**

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 for 2008/09 in recommending a budget for 2008/09 and provisional budgets for 2009/10 and 2010/11 to the County Council. These changes were facilitated by the higher than anticipated level of formula grant, a higher increase in tax base than assumed, a higher collection fund surplus, and reductions in forecast capital financing costs and the waste management contract contingency requirement. Within the proposed 2008/09 council tax increase of 4.9%, this enabled additional one-off and recurring spending totalling £11.3m to be accommodated. However the Cabinet recommended that £1.9m should be

utilised to reduce the council tax increase to 4.5%. The 2008/09 budget recommended to County Council proposed the following amendments to the provisional budget guidelines:

	One-off £000	Continuing £000
Invest to save contribution towards changes in fostering rates	1,400	
Adult Services Commission on Personalisation	200	
Contribution to capital reserve	5,506	
Other one-off allocations	350	
Higher supported borrowing – increasing take up of supported borrowing by £10m over three years		150
Contribution to Invest to Save/Modernisation reserve		1,200
Contingency to be allocated by the Executive member for Policy and Resources		626
	7,456	1,976

At the meeting of the County Council, the proposed budget was amended to add £350,000 to the Recreation and Heritage budget in 2008/09 for the purchase of library books and to add £150,000 on a continuing basis to the Children's Services budget to facilitate local support and co-ordination for the developing programme of children at the centre of the community, financed by a reduction of £500,000 in the contribution to the capital reserve.

- 3.2 The resulting £9.4m increase in the provisional budget produced a budget requirement of £642.7m. This represented an increase of £27.3m (4.4%) on the adjusted budget for 2007/08. Provisional budgets were agreed for 2009/10 and 2010/11 incorporating spending increases of £20.8m and £23.1m respectively, resulting in council tax increases of 3.5% in each year. The increase in 2008/09's budget is summarised in the table below:

	£m	£m
2007/08 budget	598.2	
Function changes related to:		
Assimilation of specific grants into Revenue Support Grant and changed responsibilities	17.2	
2007/08 adjusted budget		615.4
Full year effect of 2007/08 inflation		-1.1
2007/08 budget at November 2007 prices		614.3
Increased spending on services:		

	£m	£m
Service cash limited spending:		
Pupil numbers and other changes in schools base budget	-2.8	
Waste volumes and infrastructure	-1.1	
Higher running costs arising from implementation of capital programme	0.7	
Costs absorbed or avoided as a result of improvements in efficiency	4.9	
Deletion of additional spending financed from underspendings in 2007/08's budget and other non-recurring spending	-0.8	
Excess inflation costs absorbed	-0.1	
Additional expenditure on Schools, for other services within budget guidelines or financed from efficiency improvements	26.6	
Additional spending financed from under spending carried forward from 2007/08	2.4	
Financed from Dedicated Schools grant	-6.9	
Other budgets:		
Capital financing charges	0.1	
Revenue contributions to capital	0.3	23.3
 Efficiency improvements		
Costs absorbed or avoided	-4.9	
Efficiency and other savings within service budgets	-9.9	
SAP benefit realisation	-0.2	-15.0
 Contributions to reserves and balances:		
Variation in use of balances (-£2.7m) and earmarked reserves (£2.1m)		-0.6
2008/09 budget at November 2007 prices		<u>622.0</u>
 Provision for future inflation:		
Allocations made to services – pay 2.5%, non-pay 2.5%, increased pension contributions, social care and highway maintenance prices.	29.6	
Financed from Dedicated Schools grant	-12.3	
Retained centrally:		
Inflation on waste management contract (including landfill tax)	3.2	
Business rates	0.2	
		<u>20.7</u>
2008/09 Budget requirement		<u><u>642.7</u></u>

- 3.3 The increase in the budget over the adjusted 2007/08 budget can be summarised as follows:

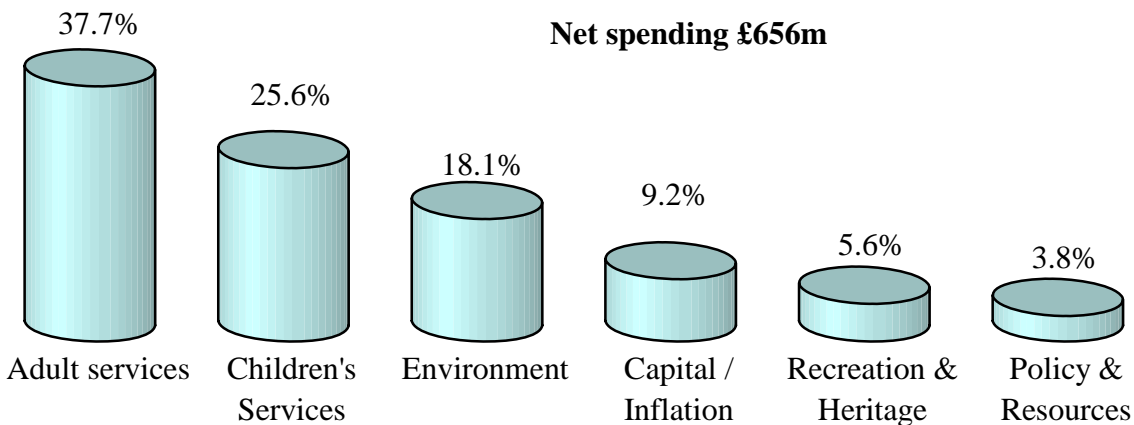
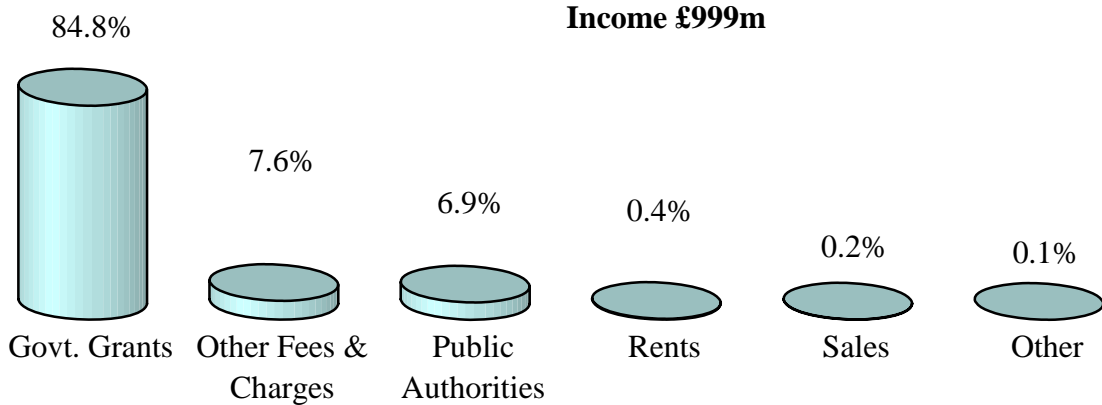
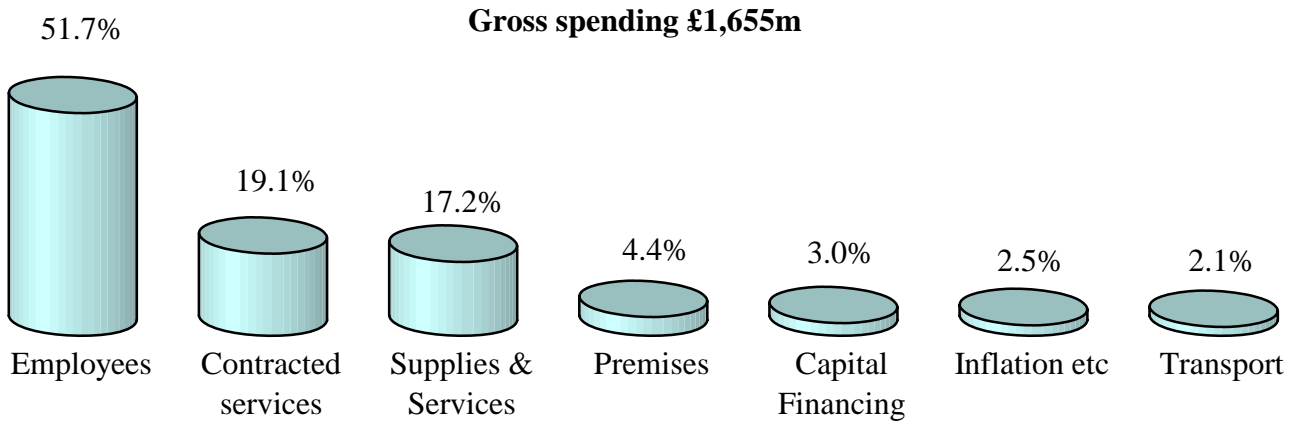
	£m	%
Cost increases due to inflation	19.6	3.2
Increased spending on services	23.3	3.8
Efficiency improvements	-15.0	-2.5
Variation in use of reserves and balances	-0.6	-0.1
	<hr/> 27.3	<hr/> 4.4

4 Council tax implications

- 4.1 The County Council's council tax at Band D is £999.00, an increase of £43.38 or 4.5% on the 2007/08 tax. Further council tax increases of 3.5% are forecast in 2009/10 and 2010/11 on the basis of the provisional budget.
- 4.2 Hampshire's tax in 2008/09 is £37 below the average for county councils with combined fire authorities and is the 5th lowest out of the 21 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 £1,307 to £1,402 with an average of £1,363. This is 4.8% above the 2007/08 average of £1,302.
- 4.3 The comparative figures are summarised in Appendix 2.

Overview of the 2008/09 revenue budget

- This page provides an overview of the 2008/09 budget, which is set out in detail in sections A and B.
- The County Council is budgeting to spend £1,655m on services in 2008/09.
- Income of £999m 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 £656m.
- In addition, a net contribution of £13m from reserves produces a budget requirement of £643m.
- The split of net spending between services is shown below. Figures for each service exclude revenue contributions to capital; these are shown separately.



Appendix 1

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 improve on its current score of three for the financial aspects of the Comprehensive Performance Assessment, aiming to achieve level four.

A. Financial planning

Overall financial planning and budget strategy

- Budget strategy related to corporate priorities, as reflected in corporate business 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 transitional costs of implementing Pay and Benefits proposals associated with equal pay compensation
- 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 line with increases in the national spending plans

- Set service budget guidelines to provide an annual increase of at least 4.3% in the Adult Services guideline from 2008/09 to 2010/11
- 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
- Set a Schools budget in consultation with the Schools Forum based on specific grants allocated by the Government
- 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

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 increments
- Seek to deliver efficiency gains in line with the Government target of 3% annually
- 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, with the aim of setting a tax in the lowest quartile of County Council council taxes.

6 Capital programming

- Review capital strategy on an annual basis and prepare a three year capital programme 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

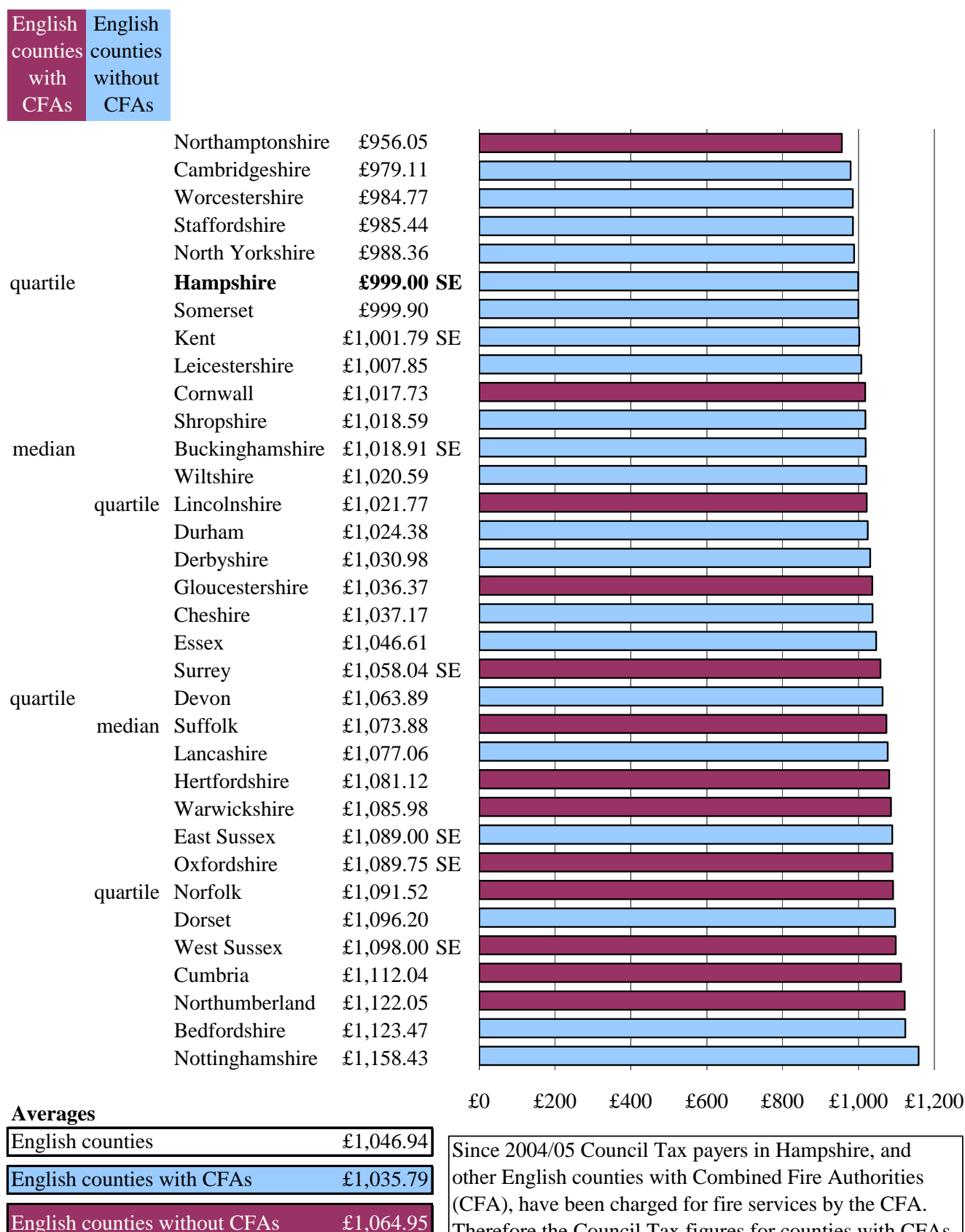
- assess the need for training in financial skills in line with the practices required by Investor in People status, and arrange delivery and evaluation of that training
- recognise the statutory and corporate finance roles of the County Treasurer in ensuring lawful and financially prudent decision-making 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 Statement of Internal Control
- 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 2008/09



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. Therefore the Council Tax figures for counties with CFAs are not directly comparable to those without CFAs.

SE indicates counties in the South East

Council Taxes in Hampshire 2008/09

Authority	Council Tax 2008/09 (including parish averages) £ per band D	Increase over 2007/08 Council Tax %	Budget 2008/09 (including parish averages) £ per band D	Increase over 2007/08 budget %	Total Council Tax 2008/09 £ per band D	Increase of Total Council Tax over 2007/08 %
	(1)	(2)	(3)	(4)	(5)	(6)
Basingstoke & Deane	113.92	3.4%	271.99	3.6%	1,306.69	4.8%
East Hampshire	179.69	1.8%	308.52	2.1%	1,372.46	4.5%
Eastleigh	178.60	2.7%	356.37	3.3%	1,371.37	4.6%
Fareham	136.53	3.0%	283.27	2.4%	1,329.30	4.7%
Gosport	197.87	3.8%	463.21	3.3%	1,390.64	4.7%
Hart	196.19	4.5%	297.48	4.5%	1,388.96	4.8%
Havant	185.58	4.9%	414.34	2.8%	1,378.35	4.9%
New Forest	209.03	4.2%	369.43	3.2%	1,401.80	4.8%
Rushmoor	174.57	2.9%	399.66	3.2%	1,367.34	4.6%
Test Valley	139.38	4.5%	291.59	3.9%	1,332.15	4.9%
Winchester	179.00	5.0%	326.44	3.8%	1,371.77	4.9%
District average	170.74	3.8%	337.40	3.3%	1,363.51	4.8%
Hampshire County Council	999.00	4.5%	1,291.66	4.4%		
Portsmouth	1,094.94	4.8%	2,530.38	6.0%	1,288.71	5.1%
Southampton	1,174.47	3.5%	2,647.40	5.1%	1,368.24	3.9%
Isle of Wight	1,238.99	3.8%	2,273.60	7.9%	1,374.53	4.2%
Hampshire Fire and Rescue	58.23	3.9%	103.91	3.4%		
Hampshire Police Authority	135.54	8.1%	435.08	4.3%		

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 2007/08.

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 2007/08, the County Council's 4.4% is adjusted for function and funding changes, the unadjusted increase would be 7.4%.

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 £135.54, the Fire and Rescue Authority's Council Tax of £58.23, and for the districts, the County Council's tax of £999.00.

Column (6) shows the percentage change in the total Council Tax compared with 2007/08.