

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Cabinet
Date:	4 February 2010
Title:	Revenue budget and precept 2010/11 Provisional budgets 2011/12 – 2012/13
Reference:	1302
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1. Executive Summary

- 1.1. This report proposes the recommendations to the County Council on the 2010/11 budget and council tax. Provisional budgets for 2011/12 and 2012/13 are also proposed. The budgets and council tax increases accord with the medium term financial strategy and the budget guidelines approved in December 2009.
- 1.2. The report takes account of the consideration of the guidelines by the relevant Executive members and the scrutiny arrangements through the Select Committees. Variations and proposed changes from the guidelines are set out in the report.
- 1.3. The proposed budget requirement, to be met by formula grant and council tax, for 2010/11 is £672.1m, which is £15.1m (2.3%) more than 2009/10. The precept, the amount met by council tax payers after deduction of grant, is £523.2m. That is a rise of £13.5m (2.6%). That results in a recommended council tax for 2010/11 of £1,038, which is about £20, or 1.9%, more than 2009/10.
- 1.4. The council tax rise is lower than the state pension increase of 2.5% for 2010/11, and within the current inflation rates (retail price index is 2.4%, and consumer price index is 2.9%). The current budget strategy will result in council tax rises of 1.9% for the four year period from 2009/10 to 2012/13.
- 1.5. The budget strategy remains to provide lower quartile council tax amongst county councils, with the best possible services. The Audit Commission has assessed the Council as “performing well in managing and using its resources to deliver value for money” with praise for “excellent financial management that has enabled the County Council to keep the council tax

low and making savings which can be reinvested in improved services.” These are key components in the Council’s financial stability and there are no real term reductions in spending on services for the four year period of 1.9% council tax rises. Demographic pressures on Adult Services and Children’s Services are offset by service growth and efficiency savings.

- 1.6. All services have prepared budgets within the cash limits set in the budget guidelines which gave priority to the demographic pressures identified above. Other services have been provided with base budget increases to match the continuing cost of services. All other pressures and priorities have been offset by efficiency savings and other changes.
- 1.7. Total efficiency savings producing a budget saving which are identified in the 2010/11 budget are £19.5m. In addition corporate efficiency savings of £15m are being planned for 2011/12, and £15m more in 2012/13, some of which will also meet the Government definition. The additional £30m over those two years is required to contain council tax rises at 1.9% in the light of anticipated public spending cuts from 2011/12. It is assumed that a Government grant reduction of 4% will occur each year in real terms, and that capital approvals will reduce by 50% by 2012/13. Financial stability and maintenance of front line services is highly dependent upon the achievement of these corporate efficiency savings and the prudent drawdown of balances and earmarked reserves to smooth the transition.
- 1.8. One-off savings of £4.4m are anticipated in the current financial year (2009/10) from savings on capital financing charges. Further one-off savings of £3m are anticipated in setting the 2010/11 budget. These arise from a higher council tax base, an additional surplus on council tax collection and lower interest rates.
- 1.9. These additional one-off resources provide for additional corporate contingencies in 2010/11:
 - to write off 50% of the projected overspend from Children’s Services in 2009/10 (£1.25m)
 - to meet the mid-point estimated costs of the recently proposed free personal care at home (£4.5m)
 - to underwrite the budgeted reduction in children looked-after in 2010/11 (£1m)
 - to procure 4,000 additional salt grit bins (£0.6m) to improve local community resilience based on the recent extreme winter events
- 1.10. There are no additional continuing resources compared with the budget guidelines, but some savings, earmarked reserves and the corporate policy fund will be used to meet the following additional priorities:
 - additional salt barns (£0.5m, with a further £0.5m from highways maintenance resources)
 - Hampshire Action Teams community chest (£0.7m) and staffing support (£0.3m)

- improving the educational outcomes of children in care (£0.25m)
 - rural strategy – pump priming (£0.2m)
 - management and leadership development and performance and workforce efficiency (£0.225m)
 - Mary Rose trust (£0.2m)
- 1.11. The local authority business growth incentive (LABGI) reserve will be used to fund additional staffing and build capacity in economic development over three years from 2010/11 (£1.5m).
- 1.12. The major risks remain the uncertainty around the public spending cuts anticipated from 2011/12 and the impact upon the amount of Government grant received. However grant is currently 22% of the net budget requirement which reduces the proportional impact upon the Council's spending and budget strategy. Higher inflation and interest rates may begin to impact in 2011/12. Other changes will occur in April 2011 with the County Council taking responsibility for concessionary fares (transferred from district councils) and learning disabilities (transferred from the National Health Service). The free personal care at home proposals, if enacted will require full year provision in 2011/12, not currently budgeted. The Council's response to the consultation on this pointed out the inadequate forecasting of the costs and the need to reconsider the options for distributing what grant is available to reflect the disproportionate impact upon areas like Hampshire with greater numbers of self funders. The other major risk for 2011/12 remains any settlement of equal pay claims and compensation which may still exceed the significant reserve set aside for this purpose. Actions proposed in this report to achieve corporate efficiency savings earlier during 2010/11 and to supplement these with additional planned efficiency savings, primarily from the re-negotiated waste contract and from IT Services, will provide further contingencies against these risks.
- 1.13. Balances are estimated at £21.6m at 31 March 2011. This shows a falling trend as the planned use of balances in support of council tax continues, using savings from previous years. The underlying level of balances is £16.9m (2.3% of net expenditure) based on the current risk assessment. Indeed the whole budget strategy is designed to provide financial stability into the difficult transitional period expected from 2011/12 onwards in the level of public expenditure.

2. Background

- 2.1. The summary in paragraph 1 sets out the main features of this budget. The rest of the report provides more analysis of the budget proposals and the changes since the guidelines were set. Full detail is contained in the appendices.
- 2.2. The Cabinet agreed a three year budget plan for 2009/10 to 2011/12 in February 2009. The key features of the plan are as follows:

- it makes allowance for increased demand for social care services and for projected higher costs of the waste management contract, but otherwise contains no provision for growth in service budgets
 - all service budgets are uplifted for inflation based on the assumption that increases in pay and prices would be contained within an average increase of 1.5% and 2.25% respectively per annum
 - income is to be maximised by reviewing charges in line with the average inflation on the related gross expenditure
 - it assumes that efficiency savings will be achieved to finance any proposed service developments, unfunded demand pressures or to cover excess inflation within the context of the Government's target for local government of annual efficiency savings of 4% per annum for 2010/11.
- 2.3. In order to maintain a three year financial plan, Cabinet agreed an updated medium term financial strategy in October 2009 to include 2012/13, based on similar assumptions.
- 2.4. Revenue budget guidelines, in rounded £m terms, for each service are:

Table 1: Service budget guidelines

	2010/11 £m	2011/12 £m	2012/13 £m
Adult Services	314.1	314.8	322.3
Children's Services	172.0	177.5	181.7
Culture, Community and Rural Affairs	34.5	35.4	36.1
Environment	114.2	116.1	117.7
Policy and Resources	67.5	68.5	69.8
Total service guidelines	702.3	712.3	727.6

- 2.5. These guidelines have subsequently been amended for changes in specific and area grants, transfers between services and contingency allocations. These changes do not affect the "bottom-line" of the budget requirement.
- 2.6. The medium term financial strategy is closely linked to the corporate strategy and the corporate improvement plan to ensure that priorities are affordable, provide value for money and that resources follow priorities. The priorities remain the demographic pressures for vulnerable children and adults, but also now to provide enhanced resilience for extreme winter events, and meet new imposed commitments from free personal care at home.

2.7. The remainder of the report consists of the following paragraphs:

- revised budget 2009/10 (paragraph 3)
- 2010/11 formula grant settlement (paragraph 4)
- 2010/11 service budget pressures met within growth in the budget guidelines, or from further savings and redeployments (paragraph 5)
- efficiency savings (paragraph 6)
- annual review of charges and maximisation of income (paragraph 7)
- workforce plan (paragraph 8)
- additional resources and budget proposals (paragraph 9)
- performance and risk management (paragraph 10)
- corporate efficiency savings (paragraph 11)
- earmarked reserves (paragraph 12)
- balances (paragraph 13)
- 2010/11 overall budget proposals (paragraph 14)
- 2011/12 to 2012/13 provisional budgets (paragraph 15)
- treasury management strategy and annual investment strategy for 2010/11 (paragraph 16)
- prudential and financial health indicators (paragraph 17).

3. Revised budget 2009/10

3.1. There is no formal review of the revised budget. Budgets are monitored regularly by Executive members and Cabinet reviews the high risk and demand-led budgets, linking these to activity and performance, together with employee budgets and financial health indicators.

Adult Services

3.2. Initial pressures on the cash limit have been managed, partly by redeployments within the budget. A planned underspend is assumed which would be carried forward, subject to Cabinet approval, to keep the 2010/11 budget within the cash limit set. External pressures relating to demography and complexity, ordinary residence and continuing health care continue, and an increase of 991 (5.8%) in client care packages need to be managed from 2009/10 into 2010/11.

3.3. £750,000 of Adults' contingency has been allocated for its winter plan, but it is anticipated that the remaining contingency (£2.9m) will be sufficient to cover any existing or future pressures.

3.4. It is the intention to maximise the underspend in 2009/10 in order to provide the flexibility required to manage budget pressures and risks in 2010/11, and Cabinet is also requested to allow the full carry forward of any remaining unused contingency at the year end into 2011/12.

Children's Services

- 3.5. The Schools Budget will be at the cash limit but there is a forecast year end overspend of £2.5m on the non-schools cash limit. A number of management actions are being taken which should reduce this further. Subject to those actions it is planned to write-off £1.25m (50%) of the current projected overspend, subject to the review of the actual outturn at the year end. Allowing for past outturn experience, the management action being taken and possible cautious projections, this write-off may be very close to the final position, releasing capacity for Children's Services in 2010/11 to not have to set aside resources to repay the overspend from 2009/10.
- 3.6. This action is recommended because of an increase in the number of children and young people supported in the activity-led budget areas such as free home to school transport and a sustained increase in the overall number of children in the care of the County Council since the 2008/09 financial year.

Culture, Communities and Rural Affairs (CCRA)

- 3.7. It is anticipated that a balanced budget position will be achieved as a result of budget management action to offset pressures, especially in the Library and Information Service, from reduced income and employee budgets.

Environment

- 3.8. Transitional savings of £900,000 on street lighting in advance of the successful private finance initiative are recommended for carry forward to cover implementation costs and risks in 2010/11. Overall expenditure in public transport is expected to be £100,000 below the cash limit and it is therefore proposed that this sum be carried forward to help manage the anticipated future pressures during 2010/11.

Policy and Resources (P&R)

- 3.9. Savings on senior management posts and additional income in Chief Executive's amounts to £447,000, and it is proposed to carry £247,000 forward to 2010/11 and £200,000 to 2011/12. An additional one-off provision was made of £400,000 in the 2009/10 budget for the final stages of the roll-out of services to Hantsdirect, but it has been possible to manage without using this provision in 2009/10, allowing a further carry forward to 2010/11. Other savings in Hampshire Action Teams (£150,000), consultation and community involvement and the corporate performance system (£196,000 in total) have arisen. There is also a projected underspend of £380,000 on Human Resources from budget management actions.
- 3.10. Additional income and efficiency savings will result in a planned underspend of £250,000 from County Treasurer's.
- 3.11. Property, Business and Regulatory Services has created additional income of £250,000 and it is proposed to carry forward £200,000 of this to 2011/12. Other savings include re-phasing the initial investment in the

carbon reduction commitment (£147,000), and other carry forwards (£110,000).

- 3.12. It is also planned to carry forward £100,000 from strong and safe communities grant for use in 2010/11, together with savings on members' expenses (£90,000) and grants to voluntary organisations (£120,000)
- 3.13. Planned underspendings in 2009/10 are therefore £2.6m (£1,193,000 on Chief Executive's, £380,000 on Human Resources, £250,000 on County Treasurer's, £457,000 on Property, Business and Regulatory Services and £310,000 on other budgets). In anticipation of future financial pressures the Chief Executive's department has, for the last two years, been actively managing its budget. The department is unlikely to need to use in 2010/11 the designated underspending reserve that is holding £0.5m of underspends from 2007/08 and 2008/09.
- 3.14. The overall position on service cash limits can be summarised as follows:

Table 2: 2009/10 service carry forwards

	2009/10 Cash limit £m	Carry forward request £m
Adults	303.9	-1.0
Children's Schools	805.2	0
Other	169.5	2.5
CCRA	34.2	0
Environment	112.9	-1.0
P&R	73.1	-2.6

- 3.15. The requested carry forward of planned underspendings for services is £4,590,000 offset by an anticipated planned overspend of £2,499,000 on Children's Services, subject to the proposed 50% write-off in the budget and consideration of any remaining balance when the outturn is known.

Capital financing charges

- 3.16. Lower borrowing than planned in 2008/09, which was apparent when the final accounts were approved in June 2008, will result in savings in capital financing charges of £1.5m in 2009/10.
- 3.17. When the budget was set in February 2009 a cautious approach to interest rates was adopted because of the previous volatility and uncertainty with the credit crisis. It is now estimated that the pooled interest rate in 2009/10 will be lower than forecast, as it assumed base rate of 1.5%, saving £2.9m.
- 3.18. The capital financing assumptions in the 2009/10 budget allowed for possible additional prudential borrowing to reflect deferred and lower value capital receipts and external contributions than assumed, because of the impact of the recession. It is proposed to transfer £4.8m to revenue contributions to capital to repay prudential borrowing on corporate projects

that have arisen as a result of these lower than forecast property values and external contributions

- 3.19. The one-off savings on capital financing are summarised in table 3:

Table 3: other one-off savings in 2009/10

	£m
Lower borrowing than planned in 2008/09	1.5
Lower interest rate in 2009/10	<u>2.9</u>
Total available "one-off" resources	<u>4.4</u>

Winter maintenance

- 3.20. The recent adverse weather conditions in January has resulted in an estimated cost of £1.5m to £1.8m. The winter maintenance budget is £3.2m, and an overspending of about £2m might arise if there were average levels of salting activity during the rest of the financial year. This cost will be dealt with at final accounts, either from underspendings on other non-cash limited budgets or from balances.

4. 2010/11 local government grant settlement

- 4.1. There have been no changes to the provisional settlement and formula grant for 2010/11 remains as fixed for the final year of the three year grant settlement for the period from 2008/09 to 2010/11.
- 4.2. The formula grant for 2010/11 is £146.8m, a 1.5% floor grant increase in cash terms over 2009/10.
- 4.3. There are no grant figures for 2011/12, or later years, so the certainty and predictability of future grant settlements has been lost for the Council in setting its provisional forward budgets for 2011/12 and 2012/13 which are based on projected grant cash reductions of 2% in each year (4% in "real terms").
- 4.4. In responding to the provisional settlement, the County Treasurer pointed out that the County Council's planning for future council tax amounts had been severely undermined by the proposals in the Government's consultation paper on "Personal Care at Home". This was likely to cause difficulties for councils with social care responsibilities in meeting the Government's expectations about council tax increases in 2010/11. The County Council's concerns on financial grounds related to:
- the untested nature of the costings at national level
 - the assumption that local authorities will find efficiency savings in the cost of residential care to cover over one-third of the estimated cost which is unrealistic, both in terms of distribution (for lower cost authorities), and the requirement for efficiency savings to help offset demographic pressures and anticipated future reductions in grant
 - the unsatisfactory nature of the grant distribution options exemplified which have no regard to the higher costs in areas with a high

proportion of “self funders” – the complete opposite of the usual deprivation, needs based funding formula

- shifting the burden from those currently paying for care onto the council tax payer, just in advance of substantial reductions in public spending.
- 4.5. There has been no response to any of these points, and it is hoped that the Council’s formal response to the personal care consultation, together with those of other similar authorities will have some impact in reducing the extra cost burden that will otherwise arise, or possibly to delay its implementation into 2011/12.
- 4.6. The usual comments have been made by Government ministers about the use of capping powers for 2010/11, pointing out that three police authorities which were designated in 2009/10 have had council tax limits of 3% imposed for 2010/11. On average the Minister expects council tax rises to be below the 3% increase in 2009/10. At 1.9% the County Council should be well within any capping limit.

5. 2010/11 budget – service guidelines

- 5.1. Executive members have presented budgets within the cash limits set by the budget guidelines summarised in Table 1 (paragraph 2.4). The Policy and Resources budget proposals are subject to the approval of the Executive member on 4 February 2010.
- 5.2. Full details of the proposals for additional spending, and redeployment of resources and efficiency savings to contain these costs within the approved budget guidelines are set out in Appendix 2.

Adult Services

- 5.3. Total pressures are estimated at £22.9m. The main components are:
- the extra costs arising from increased dependency and the demographic pressure of more clients (£12.8m)
 - the implementation of the “Hampshire Model” (£3.8m), which includes free crisis care, transformation of services for learning disabilities and increased self directed support
 - safeguarding clients (£0.3m)
 - other operational pressures (£6.0m).
- 5.4. These pressures are offset by total cashable efficiency savings including promotion of independence, reablement and tight gatekeeping of eligibility criteria, savings on commissioning and procurement and other operational efficiencies.
- 5.5. This leaves a net growth increase of £8m which will be met by the £7m provided for growth within the cash limit and the proposed carry forward of the planned underspend of £1m in 2009/10.

Children’s Services – schools budget

- 5.6. The total schools budget is £829.8m for 2010/11, funded by dedicated schools grants and other specific grants. Within this budget there remains about £4.4m of additional headroom, or growth, for allocation. The Schools Forum agreed to meet ongoing pressures and service developments of £2.1m in 2010/11, mainly for school business rates (£750,000), out county placements (£700,000), deprivation for the single early years funding formula (£190,000), free school meals (£170,000) and building schools for the future (£100,000). This leaves £2.35m available in 2010/11 and Schools Forum agreed that approximately £1.7m of this would be carried forward to meet pressures in 2011/12.

Children's Services – non schools budget

- 5.7. Growth proposals totalling £6.6m have been met. These include:
- increased home to school transport contracts (£1.1m), especially for special educational needs and for those pupils in the Education inclusion service
 - £1m for the increased number of children looked after, which rose by 6% in 2008/09, but has remained relatively stable during 2009/10 at an average of 1,083 children. The proposal for £1m growth is based on a target to reduce the total number of children to 1,020 by the end of March 2011
 - increased investment in foster care (£550,000)
 - other children's social care services (£1m)
 - repayment of the invest-to-save foster care investment of £1.4m received in 2008/09
 - other operational pressures and reduced interest on school balances.
- 5.8. The guidelines provided for growth of £1.3m which left net growth of £5.3m to be found from redeployment proposals, including savings on purchased foster care (£600,000), additional income (£370,000), family group conferences (£375,000), subsidy to school network lines (£750,000), the balance of area based grant on extended schools (£818,000), efficiency reviews of support services and business costs (£1m), other departmental efficiencies (£472,000) and use of grant flexibility (£492,000).

Culture, Communities and Rural Affairs (CCRA)

- 5.9. Services within CCRA are identifying efficiency savings of £620,000 (about 2% on budgets) to redeploy for new growth proposals. These include £240,000 for libraries (prioritising the Peoples Network and other IT systems), with the balance of £380,000 to be secured first before use to support new pump priming initiatives.

Environment

- 5.10. Total service pressures of £1.8m include £0.9m for transitional costs on the new PFI contract (met by savings brought forward from 2009/10) and

£485,000 for the estimated higher costs arising from retendering and de-registration of bus services, offset by the rolling programme of reviews and service configuration (£385,000) together with the saving of £100,000 from 2009/10.

Policy and Resources

- 5.11. Growth of £1m is proposed. The main components are an extra £0.5m for economic development, to be met by a proposed contribution from the local authority business growth incentive reserve (subject to Cabinet approval) and £465,000 for the corporate procurement efficiency review, met by top slicing the early savings arising from the review, and a contribution from the County Supplies business unit reserve.

Total service budget guidelines

- 5.12. Full details of all these growth items, and the redeployments and savings proposed to meet pressures above the budget guidelines are set out in Appendix 2. The next table summarises the position of each service:

Table 4: Summary of 2010/11 spending pressures and savings

	Met by guideline growth £m	Met by redeployment and savings £m	Pressures and growth £m
Adults	7.0	15.9	22.9
Children's*	1.3	5.3	6.6
CCRA		0.6	0.6
Environment		1.6	1.6
P&R		1.0	1.0
Total new spending	8.3	24.4	32.7

- 5.13. Children's* in table 4 excludes the Schools Budget, funded by grant. Total growth for schools is £10.1m, with £8m on delegated budgets and £2.1m for non delegated budgets. The principal growth areas are:

	£'000
• general deprivation funding	4,039
• pay and benefits	2,070
• extended early years	470
• school business rates	750
• other delegated items	689
	<hr/>
	8,018
• 14 to 19 provision	750
• out county special schools	700
• other non delegated	684
	<hr/>
Total growth	10,152

6. Efficiency savings

6.1. Cashable efficiency improvements producing a budget saving and meeting the Government's definition of efficiency are summarised in Appendix 4. The Government's assumption for 2010/11 is now 4% per annum in cashable terms. This is assumed in the grant settlement and no further reductions are required on the budget.

6.2. Appendix 4 identifies

- cashable efficiency improvements producing a budget saving which do meet the Government's definition of efficiency
- cashable efficiency improvements producing a budget saving but which do not meet the Government's definition
- cashable efficiency improvements not producing a budget saving which arise where the efficiency is avoiding an unbudgeted cost

6.3. The following paragraphs identify the savings by service which meet the Government's definition of a cashable efficiency saving.

Adult Services

6.4. Total savings are £14.9m, from initiatives on dependency and demography (£3.9m), commissioning and procurement (£3.9m), the impact of the Hampshire Model (£0.9m) and other operational efficiencies (£6.1m).

Children's Services

6.5. £3.1m has been identified in Children's Services, from the review of support service structures and business limits (£1m), other departmental efficiency targets and absorbing inflation pressures (£756,000), purchasing foster care placements (£600,000), additional income (£370,000) and the delivery model for family group conferences (£375,000).

Culture, Community and Rural Affairs

6.6. £620,000 assumed from a 2% target across all services.

Environment

6.7. £411,000 cashable savings identified.

Policy and Resources

6.8. No savings identified which meet the definition, but total efficiency improvements are £1.2m.

Total efficiency savings

6.9. The total efficiency improvements on services in 2010/11 are £23.6m, 3.3% of the budget, excluding corporate efficiency improvements. These are summarised by service in the next table:

Table 5: Cashable efficiency savings 2010/11

	Cashable budget saving £m	Cashable, but not a budget saving £m	Total £m	
Adults	14.9	0.5	15.4	5.0%
Children's	3.1	0.6	3.7	2.2%
CCRA	0.6	0.4	1.0	2.9%
Environment	0.9	1.4	2.3	2.0%
P&R	-	1.2	1.2	1.7%
Total	19.5	4.1	23.6	3.3%

- 6.10. The total cashable budget saving of £19.5m (2.9%) is included in the total redeployments and savings of £24.4m shown in Table 4 (paragraph 5.12). The overall savings are close to the target of 4% for 2010/11, and the cumulative total to 2010/11 from 2008/09 should exceed the Government's assumptions because higher percentage savings were achieved in earlier years.
- 6.11. In addition to the efficiency savings identified within service cash limits, a further £8.6m of cashable efficiency savings are planned in 2010/11 in advance of the target of £15m set for 2011/12. These are set out in paragraph 11.
- 6.12. Efficiency savings at service level are also identified in the provisional budgets for 2011/12 and 2012/13. This continues the sound financial management practice of redeploying resources to meet new pressures and higher priorities within set cash limits agreed in the budget guidelines.

7. Annual review of charges and maximisation of income:

- 7.1. Fees and charges have been raised where there is scope to do so in policy and financial terms, and the inflation allocation has been calculated on the basis that charges are increased in line with the allowance for inflation on gross expenditure, averaging 2.1%.
- 7.2. Details of income reviews and charges were set out in the budget reports for Executive members and in the summary below:

Table 6: Income from fees and charges 2010/11

	Mandatory charges £m	Discretionary charges £m	Total £m
Adults	42.5	10.4	52.9
Children's	2.8	4.2	7.0
CCRA	-	7.3	7.3
Environment	0.2	12.3	12.5
P&R	1.1	13.8	14.9
Total income	<u>46.6</u>	<u>48.0</u>	<u>94.6</u>

8. Workforce plan

- 8.1. The workforce plan will be developed in the context of the corporate strategy and the budget. Appendix 5 summarises changes in the overall workforce supported by the budget, total workforce costs and the average full time equivalent (FTE) staff actually in post.
- 8.2. The overall budgeted variation in workforce costs and FTE numbers in relation to growth, savings and redeployment proposals is shown next:

Table 7: Summary of changes in workforce costs and numbers relating to growth and redeployment proposals

	Costs £m	Numbers (FTE)
Adults	-0.1	-4
Children's	-0.1	8
CCRA	-0.3	-13
Environment	-	3
P&R	0.3	7
Total Services	<u>-0.2</u>	<u>1</u>
Schools – grant funded		<u>190</u>
Overall total		<u>191</u>

- 8.3. In addition the base budget allows for an increase of 108 FTEs, so that the overall increase in staffing levels contained in service budget proposals is 299 FTEs. 189 of these are in schools and 77 in Children's Services business units which primarily provide services which are funded by schools, with the balance of 33 relating to other services.

9. Additional resources and budget proposals 2010/11

- 9.1. There are few changes from the provisional budget for 2010/11. This part of the report identifies the changes and proposes new additions to spending, met from anticipated additional one-off resources in 2010/11 and the use of other savings and earmarked reserves.

One-off changes and other savings in 2010/11

Collection fund (£0.5m)

- 9.2. The collection fund surplus notified by district councils in January 2010 is £0.5m more than budgeted. However this still results in a total surplus which is about 20% lower than the equivalent surplus in January 2009.

Taxbase (£1.6m)

- 9.3. The estimated increase in the taxbase notified in January 2010 for 2010/11 is 0.3% higher than the estimated 0.4% increase included in the provisional budget. The overall taxbase rise is therefore 0.7% for 2010/11 compared with 0.6% in 2009/10. This increase is surprising in the context of the recession but it suggests that there is a delay in the reduction in new household properties becoming available as a result of the credit crisis and recession (in other words completions were still in progress). However it would be risky to assume that taxbase will continue to grow into 2011/12 at such a rate so the extra increase in 2010/11 of £1.5m is being treated as a one-off increase.

Capital financing charges (£0.9m)

- 9.4. The lower pooled interest rate is forecast to produce an additional £0.9m saving on a one-off basis in 2010/11, but interest rates are anticipated to rise again in 2011/12.

Available one-off savings (£7.4m)

- 9.5. The available one-off savings in 2010/11 can be summarised as follows, together with £4.4m added from the one-off savings in 2009/10 (shown in table 3, paragraph 3.19):

Table 8: Available one-off savings

	£m	£m
From 2009/10 (table 3)		4.4
From 2010/11		
• collection fund	0.5	
• higher tax base	1.6	
• capital financing	0.9	3.0
Total available		<u>7.4</u>

Use of available one-off savings

Children looked after (£1m)

- 9.6. The Children's Services budget provides £1m growth to meet the additional costs from more children looked after. The plan is to manage down that number from the current 1,083 to an average total of 1,043 in 2010/11. It is proposed to set aside a central contingency to underwrite an average of 1,066 children looked after in 2010/11 should it take longer to see a reduction in the numbers following the peak increase after the Baby Peter inquiry.

Free personal care at home (£4.5m)

- 9.7. There is a strong possibility that legislation will be enacted to implement the Government's proposals to implement free personal care at home from October 2010. There is not enough certainty on costs or timing to budget for the cost at this relatively late stage in budget preparation. It is also possible that the Government will heed the Council's response to the consultation, both as to the unwelcome change in policy compared with the Hampshire Model, and the financial implications of doing so.
- 9.8. Government will provide an area based grant towards the costs of implementation but expects the County Council to find over 33% of the costs from additional efficiency savings in the cost of residential care. Paragraph 4.4 of the report summarised the difficulties around the costings prepared by Government (which appear to be heavily understated), the achievement of even more efficiency savings and the unsatisfactory nature of the proposed grant distribution which does not reflect the higher costs of areas with more "self funders". A full report, and a response to the consultation was considered by Cabinet on 25 January 2010.
- 9.9. It is difficult to estimate costs precisely because it depends upon the number of clients with critical care needs who will also meet the additional requirement of at least four activities of daily living (a range between 41% and 70% has been used in the financial modelling). It also depends upon the number of self funders (that is clients who currently pay for their personal home care) who will take up the new free service, and indeed attempt to move from residential care to free care at home. Costings for 2010/11 are based on 50% of self funders moving to free care.
- 9.10. On the basis of those assumptions the part-year costs of the new Government policy, if enacted from October 2010, could be between £2m and £7m, net of additional Government grant for 2010/11 of an estimated £4.7m. The eventual full year cost could be around £20m, or over 3.5% extra on the council tax. The provisional budgets for 2011/12 onwards do not yet include any provision towards these costs.
- 9.11. A central contingency of £4.5m is proposed however for 2010/11 which is at the mid-point of the estimated cost range of between £2m and £7m in 2010/11.

Salt bins (£0.6m)

- 9.12. The Cabinet on 25 January 2010 considered the provision of up to 4,000 additional grit bins to support local communities in adverse weather conditions. This will require County Council leadership in streamlining arrangements for the initial provision of the bins and for refilling. A review of the arrangements to reinforce the use of the bins by the public and a suitable management regime was recommended. £0.6m will provide the funding for the initial procurement of most of these bins, subject to that review and the adoption of appropriate measures to support local community resilience.

Children's services – overspend in 2009/10 (£1,250,000)

- 9.13. Paragraph 3.5 referred to the projected overspend on Children's Services of up to £2.5m in 2009/10. It is proposed to set aside an additional contingency equivalent to 50% of that amount to avoid the requirement to make additional savings with a tight cash limit during 2010/11 to repay the overspend carried forward. The actual amount will depend upon the outturn reported to Cabinet in June 2010.

Use of additional one-off resources in 2010/11 (£7.4m)

- 9.14. It is therefore proposed to use all the additional one-off resources for central contingencies towards the risks and proposals identified in the previous paragraphs, as summarised in the next table:

Table 9: Use of available one-off resources in 2010/11

	£m
Contingencies for	
• children looked after	1.0
• free personal care at home	4.5
• salt bins	0.6
• write-off of Children's 2009/10 overspend	1.3
Increased contingency	7.4

Other proposed changes in assumptions**Pay awards (£1.8m)**

- 9.15. The local government employers on 20 January 2010 announced a pay freeze for 2010/11 in response to a union request for a 2.5% pay award. It remains to be seen if this decision will hold, or some increase might still be paid. The Government has announced its intention to set a ceiling on public service pay awards of 1% in 2011/12 and 2012/13, but has not made clear its position for 2010/11 (a number of three year pay settlements, for example on policing and teachers, continue into 2010/11 at above 2%).
- 9.16. The budget was prepared using a 1.5% pay assumption. There will be no saving on pay awards funded by specific grant, particularly within schools, as far as council tax is concerned.
- 9.17. However given the employers' announcement it would now be appropriate to reduce cash limits for pay increases to zero. In doing so it would be prudent to retain a contingency provision of 1%.
- 9.18. The local government pay award for 2009 was agreed at 1%, which was 0.2% below the allowance made in service cash limits for 2009/10. If cash limits are adjusted based on an assumed pay freeze in 2010 it would be possible to reduce cash limits by an amount equivalent to 1.7% of the pay bill. That would result in a reduction of about £4.4m. Making contingency provision for a possible 1% cost eventually in 2010/11 would require £2.6m, leaving £1.8m to be transferred as a contribution to reserve

towards the pay and productivity target within the overall corporate efficiency target of £15m for 2011/12. £1.4m of this addition to the corporate efficiency savings reflects the lower pay assumption with the remaining £0.4m being additional income. The extra income results from continuing to assume pay inflation in accordance with the original budget assumptions for the purposes of setting targets for increased income.

Waste and other contingency items (£4m)

- 9.19. The anticipated call on the waste contract contingency set aside for 2010/11 in the provisional budget is much reduced. These release efficiency savings as the result of the original contract arrangements and the negotiated changes made early in 2009. The main contributions are:
- a reduction in the retail price index at the date set for uplift in 2010/11 – so that no inflation increase is now required
 - a reduction in the volumes of household waste in 2009/10 and a lower future rate of increase than previously anticipated
 - the renegotiated terms of the contract have set an agreed proportion of income from commercial waste streams which is now available to the Council, reducing further the contingency required for increased waste costs during 2010/11.
- 9.20. Net of other additional costs, principally for estimated extra Coroner's costs, about £4m can be released from the contingency as a contribution towards future corporate efficiency savings.

Leader's proposals

- 9.21. The Leader has considered a number of issues arising from his meetings with Executive members during the Autumn budget round, and other issues within Policy and Resources. These additional priorities are set out in the following paragraphs, and will be met from the corporate policy fund reserve, unless indicated otherwise.

Improving the educational outcomes for children in care (£250,000)

- 9.22. A number of projects are proposed to improve the education outcomes for children in care and it is proposed to allocate £250,000:
- to improve reading and numeracy skills
 - for peer mentoring
 - to improve the transition of children in care from primary to secondary education
 - to train designated teachers
 - and to extend the rights, respect and responsibilities work into the lives of children in care.

Rural strategy (£200,000)

- 9.23. After the success of the pump priming resources in 2009/10, it is proposed to set aside another £200,000 for 2010/11 only to continue new initiatives, subject to external match funding being attracted.

Mary Rose Trust (£200,000)

- 9.24. It is proposed to make a final contribution of £200,000 (£1m in total) to the Mary Rose Trust, subject to this being matched by new external funding over and above that already pledged with the initial County Council support.

Hampshire Action Teams – community chest (£700,000)

- 9.25. It is proposed to set aside £0.7m to enable grants to be made by the seven new Hampshire Action Teams (HATs). The use and success of this initiative will be reviewed before continuing funding is confirmed in 2011/12.
- 9.26. The basis of allocation between the HATs has been modelled largely on the basis of a 40% weighting for population and 60% for deprivation with the following recommended outcome:

Table 10: allocation of community chest between HATs

HAT	£'000
Basingstoke	70
Fareham and Eastleigh	110
Hart and Rushmoor	95
East Hampshire, Havant and Winchester	200
New Forest	70
Test Valley	55
Gosport	100
Total community chest	<u>700</u>

- 9.27. It is proposed to fund the community chest in 2010/11 as follows:

Table 11: funding of community chest

	£'000
Policy and Resources grants (carry forward from 2009/10)	120
Local strategic partnership fund (£10,000 per district)	110
Forecast underspend on members' expenses in 2009/10	90
Corporate policy fund reserve	380
Funds applied to community chest	<u>700</u>

HATs – staffing support (£300,000)

- 9.28. It is proposed to set aside £300,000 in the Chief Executive's department to support the HATs arrangements, for the period from 2010/11 to 2012/13. This will be met in 2010/11 by the carry forward of vacancy savings of £150,000 from 2009/10 and by the use of the corporate policy fund (£150,000 in 2010/11, £300,000 in 2011/12).

Human Resources (£225,000)

- 9.29. The Leader proposes to set aside £75,000 towards management and leadership development, with Human Resources asked to match fund that by use of its carry forward savings or from additional income to provide an annual programme of up to £150,000.
- 9.30. A further £150,000 is proposed to provide support to improve performance and develop the workforce efficiency programme, with business cases to be approved to demonstrate additional savings possible from the investment.

Salt barns (£500,000)

- 9.31. Cabinet also decided at its meeting on 25 January 2010 to increase the capacity of its salt stocks to improve winter resilience. Two new salt barns are proposed to be sited strategically within the County. The estimated cost is £1m and it is proposed to set aside £500,000 in a central contingency pending the development of the business case and firmer costings. A further £500,000 will be found from existing highways maintenance resources, as supplemented by any future share of the local public services agreement reward grant to be considered at the Cabinet meeting on 22 February 2010.

Economic development (£500,000)

- 9.32. It is also proposed to set aside £500,000 for three years for additional staffing and to build capacity for economic development including skills, apprenticeships, the economic assessment duty, new economic partnerships and priorities.
- 9.33. The cost of £1.5m over three years will be met by the use of the balance on the local authority business growth incentives (LABGI) reserve.

Summary of additional spending proposals

- 9.34. The changes set out in paragraphs 9.15 to 9.33 are summarised in the next table:

Table 12: planned use of contingencies and reserves in 2010/11

	Use of corporate policy fund £'000	Other funding/ changes £'000
Reduced pay award		-1,823
Reduced waste contingency		-4,051
Earmarked towards corporate efficiencies		5,874
		-
Improving educational outcomes of children in care	250	
Rural strategy	200	
Mary Rose Trust	200	
HATs community chest	380	320
HATs staffing	150	150
Met by other P&R savings		-470
		-
Management and leadership development	75	
Performance and efficiency improvement	150	
Salt barns	500	
Economic development		500
Use of LABGI reserve		-500
	1,905	-
Met by corporate policy fund reserve	-1,905	-
Net cost	-	-

10. Integrated planning, performance and risk management

- 10.1. The budget recognises the priorities set in the corporate improvement plan and reflects the overall corporate strategy, particularly ensuring value for money, improving capacity and that resources follow priorities. The performance management framework provides for the overall integration of services, work force and financial planning.
- 10.2. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (the County Treasurer) to report to the County Council when setting its council tax on:
- the robustness of the estimates included in the budget
 - the adequacy of the financial reserves in the budget
- 10.3. The County Council is required to have regard to this report in approving the budget and council tax. It is appropriate for this report to go first to Cabinet and then to be made available to the County Council in making its final decision. The full report is set out in Appendix 9.
- 10.4. The main areas of risk are:
- equal pay claims – this is dealt with by the equal pay reserve and no further provision is proposed this year. Capitalisation directives will also be applied for, to spread the cost over a number of years. This

means additional borrowing and no provision has been made in the 2011/12 provisional budget. The transfer out of the reserve is not now expected until 2011

- grant loss – there is certainty for 2010/11, but great uncertainty across all specific grant, area based grant, and formula grant for 2011/12, pending decisions on public spending cuts after the election. The planned use of the grant equalisation reserve continues in line with Cabinet’s decision in October 2008. This protects the council tax payer from the lower grant received as the floor is unwound. Annual “real terms” reductions of 4% in the general formula grant are assumed in the provisional budgets for 2011/12 and 2012/13. Similar reductions in area based grant may need to be managed, and exit strategies have been prepared within the budget plans for known time limited and transitional specific grants. Any other variations in specific grants will need to be met by equivalent reductions in spending.
- risks from the budget assumptions – the downward pressures on pay awards has been dealt with earlier in the report. There is a greater risk of price inflation and rising interest rates emerging from 2011/12 onwards
- other impacts of the recession – reduced land values and lack of selling opportunities – were dealt with in the 2009/10 budget
- free personal care at home – a risk for 2010/11 if implemented, but covered by contingency as set out in the report, but a greater unbudgeted risk in 2011/12, and perhaps up to £20m in a full year
- other contingencies have been set aside to underwrite risk to the Children’s Services budget in respect of an overspend in 2009/10 and continued higher levels of children looked after into 2010/11
- the uncertainty in 2011/12 will be compounded by two transfers into the County Council for concessionary fares (from district councils) and for learning disabilities (from the National Health Service). It will be important to lobby for appropriate base line adjustments to the floor to ensure that the Council’s base grant support is uplifted for the actual cost of these new responsibilities
- future cash limits reduce the amount of growth budgeted for Adult Services to about 1% in real terms, so plans need to be followed through to live within a more restricted cash limit
- the budgets for 2011/12 and 2012/13 are based on achieving additional £15m of corporate efficiency savings in each year. The sooner savings can be ‘banked’ in 2010/11, the less the risk of under-achievement in cash terms
- overachievement of corporate efficiency savings by 2011/12, and underlying budgeted contributions to reserves, will be available to meet the costs of other risks identified above.

- 10.5. The detailed risk assessment is set out in Appendix 9 and indicates a prudent level of underlying balances at around £17m (about 0.9% of gross expenditure, or 2.3% of net expenditure).
- 10.6. Balances at around this level, as proposed, together with the earmarked reserves mainly to cover the risks in paragraph 10.4, will be sufficiently robust for the County Treasurer's assurance required by the 2003 Act.

11. Corporate efficiency targets

- 11.1. The corporate efficiency target, to underwrite the planned council tax rises of 1.9% in 2011/12 and 2012/13 are £15m in each of these years (£30m over two years to avoid cuts in services or cash limits in the provisional budgets set for both years). These are on top of the usual £15-20m of efficiency savings redeployed with service cash limits each year.
- 11.2. Good progress is being made in scoping the savings to be achieved for 2011/12. the targets are:

Table 13: Corporate efficiencies – targets

	2011/12	2012/13	Total
	£m	£m	£m
• Pay and productivity	5.0	5.0	10.0
• Procurement	5.0	5.0	10.0
• Income	2.5	2.5	5.0
• General efficiencies	2.5	2.5	5.0
	15.0	15.0	30.0

- 11.3. It would be prudent to achieve and bank savings in advance during 2010/11, both to underpin the targets and to create the momentum for over-achievement to provide greater flexibility for achievement in 2012/13 in particular. This will provide scope corporately for additional demographic pressures (Adults and Children Looked-After) and free personal care at home, from 2011/12 onwards. In addition the budget forecasts may also be susceptible to even greater reductions in revenue support grant than projected. The Efficiency Panel will monitor the achievement of these savings.

Pay and productivity

- 11.4. It is proposed to implement the planned reduction in mileage rates to 40p from 1 April 2010, (subject to the completion of union negotiations and a slightly higher rate for some lower grade staff). The intended saving in 2010/11, a year in advance, is £1m per annum.
- 11.5. Other savings are expected from lower pay awards than budgeted, premium payments and reducing the costs of agency staff. No firm proposals have been agreed in the latter two areas yet, but the pay freeze in 2010/11 provides the opportunity to bank £1.4m a year earlier in 2010/11 (paragraph 9.18).
- 11.6. Taken together this produces savings of £2.4m, just under half of that required by 2011/12.

Procurement

- 11.7. Savings of £10m over the two year period are planned for procurement. The proposed profile, net of investment in additional staffing to secure the savings is cumulatively:
- £0.3m in 2010/11
 - £4.4m by 2011/12
 - £6.7m by 2012/13
 - £9.3m by 2013/14
- 11.8. The full target of £10m will not be achieved by 2012/13, and there will also be a slight shortfall with £4.4m projected against the £5m target by 2011/12.

Income

- 11.9. PricewaterhouseCoopers (PwC) has been engaged for the provision of their revenue income optimisation (RIO) model. It is anticipated that this work will create opportunities to secure the targeted returns of an extra £2.5m of income in each of 2011/12 and 2012/13.
- 11.10. Earlier savings of £0.4m can be banked in 2010/11 by requiring charges to assume 1.5% pay awards, despite a lower pay award outcome in 2010/11 (paragraph 9.18).

General efficiencies

- 11.11. These savings are currently being progressed in detail but have not been fully agreed or identified at this stage. These will include the more sustainable use of energy, travel and other corporate office expenses such as printing, stationery and postage.

Achievement of savings – earmarked reserve

- 11.12. As savings are identified in detail the plan is to reduce cash limits by the agreed amounts for each service, creating the savings of £15m required by 2011/12 to support the current budget plans. Generally it is too early to reduce cash limits in the provisional 2011/12 budget but progress could be made for savings identified earlier in 2009/10. In order to retain these for future use it is proposed to set up a new corporate efficiency reserve. £15m will be drawn down from that reserve in 2011/12, and a further £15m in 2012/13. To the extent that any surplus remains it can then be used to provide flexibility against the uncertainties surrounding 2011/12 and to supplement the corporate policy fund reserve.

Additional savings

- 11.13. In addition to the workstreams identified by the Efficiency Panel, further savings can be used to underwrite and support the search for corporate efficiencies.

11.14. These include:

- change in pay award assumptions for pay and productivity (£1.4m) and for income (£0.4m)
- deletion of the waste contingency because of lower inflation costs, volumes and a greater share of income (£4.0m)
- corporate services review of IT Services which is expected to achieve savings of £1.1m for 2010/11, by integrating central and departmental IT resources and other staffing savings
- implementation of the new Hampshire Public Services Network (HPSN) contracts, which will produce efficiency savings of about £1.1m from 2011/12
- return of the corporate contributions made towards the street lighting private finance initiative scheme, because of the improved efficiency obtained (£0.3m on a one-off basis in 2010/11, with the potential of a further one-off £0.3m later in 2010/11).

Savings to be banked in the corporate efficiency reserve

11.15. Subject to Cabinet's approval the following savings can be built into service budgets and contingency items, and banked in the corporate efficiency reserve to underpin and supplement the savings of £15m targeted in each of 2011/12 and 2012/13:

Table 14: Corporate efficiency savings

	2010/11	2011/12	2012/13
	£'000	£'000	£'000
Lower mileage rates	1,000	1,000	
0.7% pay saving in 2010/11	1,378	1,378	
Income	445	445	
Net saving on waste management costs	4,051	4,051	
Corporate procurement (net of £0.9m additional costs in P&R budget)	295	4,110	2,385
Street lighting PFI	300		
Corporate services review of IT HPSN	1,150	1,150	1,080
Total banked	8,619	13,214	2,385

11.16. This means that £8.6m can be added to the corporate efficiency reserve – securing 57% of the target of £15m a year in advance. However of the savings identified in 2010/11 only £2.4m (pay and productivity), £0.3m (procurement) and £0.4m (income) match the anticipated targets. These figures remain the same for 2011/12 but £4.1m out of the £5m procurement savings will have been met by cash limit adjustments.

11.17. On that basis a further £2.6m on pay and productivity, £0.9m on procurement, £2.1m on income and £2.5m on general efficiencies is still

targeted - £8.1m in total. If that residual target can be met, total savings in 2011/12 would be £21.3m, some £6.3m in excess of the amount for that year. However, all but £2.4m of the £15m target for 2012/13 still has to be achieved.

12. Earmarked reserves – budgeted at 31 March 2011

Schools (£37.2m)

- 12.1. The Schools reserve is lower than that budgeted but at the same level as the actual reserve at 1 April 2009. The budget assumes that schools spending matches their delegated budgets in 2009/10 and 2010/11. The reserve is only available to each relevant school.

Designated underspendings (£2.8m)

- 12.2. This covers the planned carry forward of underspendings from earlier years to assist service budget pressures in 2010/11 and 2011/12.

Invest to save/modernisation (£7.5m)

- 12.3. This remains to provide investment against business cases for further service improvements. It has increased to £7.4m because of a budgeted contribution of £1.8m per annum.

Trading Units (£8.1m)

- 12.4. These are the total surpluses available within the Council's various trading activities, including the former direct service organisations (£2.0m), services to schools (£2.1m), supplies (£1.7m), printing (£0.8m), IT services (£0.1m), and children's centres (£0.5m) amongst others detailed in Appendix 6.

Insurance (£9.4m)

- 12.5. No major claims have occurred and the reserve remains at the same level as at 1 April 2009.

Equal pay (£41.6m)

- 12.6. No claims against the reserve have arisen in 2009/10. The reserve has grown from £38.4m to £41.6m with accrued interest.

Grant equalisation (£18.7m)

- 12.7. The County Council will have remaining damping grant of £21m at 31 March 2010. It is anticipated that the remainder of the grant damping will be lost with the planned spending cuts from 2011. It is planned to use £3.7m in 2010/11 and £4.5m in 2011/12 from the grant equalisation reserve to help cover the anticipated grant loss.

- 12.8. The balance on the reserve will be £14.7m at 31 March 2012 and £9.7m by 31 March 2013 as it continues to be wound down on the agreed profile.

Local Authority Business Growth Incentive (LABGI) reserve (£1.1m)

- 12.9. The reserve was set up for future allocation to longer term contributions towards economic prosperity, well being and regeneration and other

capital investment projects. It is planned to use £0.5m each year from 2010/11, winding this reserve down to zero by 31 March 2013.

Landfill allowances (£6.4m)

- 12.10. The reserve is available to offset future council tax rises, bearing in mind past investment in waste infrastructure, and to finance future waste infrastructure costs. There was no use of the reserve in 2009/10 and none is currently planned in 2010/11. Any use of the reserve is split 60% to general aid of the council tax and 40% to reinvest into new infrastructure for waste as required. £2.2m remains free for general use as withdrawals have been made in earlier years.

Corporate policy fund (£1.4m)

- 12.11. This is a newer reserve created in 2009/10 to provide additional resources for future investment as public expenditure constraints tighten, and to provide in year flexibility towards new, emerging front-line service priorities.
- 12.12. It is secured by the SAP benefit realisation savings with an annual budgeted contribution of £2.5m. Proposed use of this reserve in 2010/11 is set out in table 12 (paragraph 9.34).

Corporate efficiencies reserve (£8.6m)

- 12.13. This is a new reserve created with the budget to capture efficiencies achieved during 2010/11 so that these can be “banked” and used to minimise the risk of underachieving the planned targets of £15m set for 2011/12 and again in 2012/13 (£30m in total) to underwrite the current budget strategy. The use of this reserve and the corporate policy fund are closely related. Any eventual surplus on corporate efficiencies will be available to meet any further reductions in grant support, not already planned for in 2011/12, or to supplement the corporate policy fund to meet additional spending pressures particularly for demography on looked after children and adults, or the implementation of free personal care at home in 2011/12.

Summary of earmarked reserves (£109.1m)

- 12.14. Full details of each reserve, showing budgeted movements from 31 March 2010 to 31 March 2013 are set out in Appendix 6. The main reserves as estimated at 31 March 2011 are summarised next:

Table 15: Summary of estimated earmarked reserves

	31 March 2011 £m
Schools	37.2
Designated underspendings	2.8
Invest to save / modernisation	7.5
Trading units	8.1
Insurance	9.4
Equal pay	41.6
Grant equalisation	18.7
LABGI	1.1
Landfill allowances	6.4
Corporate policy fund	1.4
Corporate efficiencies reserve	8.6
Other reserves	3.5
Total earmarked reserves	109.1

12.15. Total earmarked reserves, excluding schools, at 31 March 2011 are therefore £109.1m compared with actual reserves of £122.8m at 1 April 2009, and budgeted reserves of £94.5m at 1 April 2010.

13. Balances

- 13.1. Budgeted balances at 31 March 2010 are £29.8m. Balances were increased by previous years underspends in support of council tax in 2010/11 and 2011/12.
- 13.2. The estimated balance will reduce to £21.5m by 31 March 2011 with the use of the 2007/08 and 2008/09 underspend to support council tax in 2010/11.
- 13.3. The underlying level of balances, adjusted for other changes between years, is £16.9m or 2.3% of net expenditure, which remains the prudent level of balances given the risks and uncertainties until the scale of public spending cuts from 2011/12 is apparent.
- 13.4. There is a budgeted contribution of £854,000 to balances in 2011/12 and 2012/13 towards the higher risks in these years.

14. 2010/11 overall budget proposal

- 14.1. Taking all these changes into account the final budget proposals for 2010/11, compared with 2009/10 are:

Table 16: Service cash limits 2010/11

	2009/10	2010/11	Underlying increase	
			(Excluding grant)	(Including grant)
	£'000	£'000	%	%
Schools	800,103	829,833	-	3.7
Adults	302,203	314,497	4.1	3.9
Children's	165,933	171,746	0.8	4.3
CCRA	34,283	34,010	-0.5	-0.5
Environment	111,365	114,577	-	-
P&R	71,843	69,859	-2.1	-2.1
	<u>1,485,730</u>	<u>1,534,522</u>	<u>1.6</u>	<u>3.2</u>

14.2. Other budgets compared with 2009/10 can be summarised as follows:

Table 17: Other budgets 2010/11

	2009/10	2010/11
	£'000	£'000
Revenue contributions to capital	30,753	29,018
Contingency	6,134	13,474
Contribution to (from) earmarked reserves	-6,769	126
Contribution to (from) balances	-4,826	-8,346
Capital financing	47,309	42,501
Dedicated schools grant	-694,343	-720,378
Other specific grants	-163,070	-145,532
Area based grant	-45,133	-74,460
Other budgets – flood protection, landfill allowances, coroner's etc.	1,224	1,204
	<u>-828,721</u>	<u>-862,393</u>

14.3. Bringing all these budgets together results in an overall budget requirement of £672.1m which is a 2.3% increase on the 2009/10 budget of £657.0m

Table 18: 2010/11 budget requirement

	2009/10	2010/11
	£'000	£'000
Service budgets	1,485,730	1,534,522
Other budgets	-828,721	-862,393
2010/11 budget requirement	<u>657,009</u>	<u>672,129</u>

14.4. The budget requirement will be met, as shown in the next table, compared with 2009/10 figures:

Table 19: 2010/11 precept met by council tax payers

	2009/10	2010/11
	£'000	£'000
Budget requirement	657,009	672,129
Revenue support grant	-27,154	-18,618
National non-domestic rates	-117,643	-128,217
Net surpluses on collection funds	-2,513	-2,062
Precept	<u>509,699</u>	<u>523,232</u>
Tax base Band D equivalent dwellings	500,603	504,135
Council tax per Band D	£1,018.17	£1,037.88
Increase over previous year	1.9%	1.9%

- 14.5. It is anticipated that the overall council tax bill for 2009/10 will increase by about 2% (assuming an average district council tax rise of say 2%) as follows:

Table 20: Provisional council tax bill 2010/11

	2009/10	2010/11	Increase
	Band D	Band D	
	£	£	%
Hampshire County Council	1,018.17	1,037.88	1.9
Hampshire Police Authority	142.11	146.25	2.9
Hampshire Fire and Rescue Authority	60.30	61.38	1.8
Average district	<u>175.90</u>	<u>179.46</u>	<u>2.0</u>
Average Band D in Hampshire	<u>1,396.48</u>	<u>1,424.97</u>	<u>2.0</u>

- 14.6. The trends in spending plans, budgets and council tax are as follows:

Table 21: Percentage increases in council tax compared with spending plans, grant and budget

	Government	County Council		
	National Grant	Grant	Budget	Council Tax
	%	%	%	%
2004/05	5.3	6.0	5.9	4.7
2005/06	5.3	5.0	4.7	3.5
2006/07	3.8	2.0	5.2	4.7
2007/08	3.7	2.7	5.4	4.9
2008/09	3.5	2.0	4.4	4.5
2009/10	2.8	1.75	2.6	1.9
2010/11	2.6	1.50	2.3	1.9
2011/12	N/A	-2.0	1.2	1.9
2012/13	N/A	-2.0	1.3	1.9

- 14.7. Provisional comparisons with other County Councils suggest that Hampshire County Council has:

- the lowest County Council formula grant per head in 2010/11 (after floor damping)
- the lowest relative needs grant per head
- council tax which remains below average and within, or close to, the lowest quartile target
- council tax rise below average

15. 2011/12 to 2012/13 provisional budgets

- 15.1. The guidelines for 2011/12 and 2012/13 follow those provisionally set in February 2009 for 2011/12, and in October 2009 for 2012/13, subsequently confirmed in December 2009. Priority has been given to Adult Services, and Children’s Services to reflect demographic and cost pressures. Other services remain at base budget level.
- 15.2. Full year effects of savings and growth, variations in reserves and use of balances are built into the plan. No assumptions have been made about the level of the schools budget beyond 2010/11 for which there is no information available on Government grant.
- 15.3. The provisional budget requirements for 2010/11 and 2011/12 are estimated as follows:

Table 22: Provisional budget limits 2011/12 and 2012/13

	2011/12 £'000	2012/13 £'000
Service cash limits		
Schools budget	829,833	829,833
Adults	311,376	320,875
Children’s	177,246	181,433
CCRA	34,928	35,655
Environment	115,445	117,263
P&R	67,841	68,553
Total service guidelines	1,536,669	1,553,612

- 15.4. Other budgets are provisionally estimated as set out in Table 23:

Table 23: Other budgets 2011/12 and 2012/13

	2011/12	2012/13
	£000	£000
Revenue contributions to capital	24,605	29,106
Contingency	5,061	-4,628
Contribution to earmarked reserves	2,031	108
Contribution to (from) balances	-3,773	854
Capital financing	45,497	40,833
Dedicated Schools grant	-720,378	-720,378
Area based grants	-73,890	-73,890
Other specific grants	-136,991	-137,885
Other budgets-		
Flood protection, Landfill allowances etc.	1,204	1,204
Total other budgets	<u>-856,634</u>	<u>-864,676</u>

15.5. The budget requirements for each year are therefore:

Table 24: 2011/12 and 2012/13 budget requirements

	2011/12	2012/13
	£'000	£'000
Service cash limits	1,536,669	1,553,612
Other budgets	<u>-856,634</u>	<u>-864,676</u>
Total budget requirements	<u>680,035</u>	<u>688,936</u>

15.6. The budget requirement in each year will be met as set out next:

Table 25: 2011/12 and 2012/13 precepts met by council tax payers

	2011/12	2012/13
	£'000	£'000
Provisional budget requirement	680,035	688,936
Formula grant	-143,898	-141,020
Surplus on collection funds	<u>-1,500</u>	<u>-1,500</u>
Precept	<u>534,637</u>	<u>546,415</u>
Tax Base Band D equivalent dwellings	505,396	506,659
Council tax, Band D	£1,057.86	£1,078.47
Increase over previous year	1.9%	1.9%

15.7. Adjusted for changes in specific grants and in the use of earmarked reserves and past underspendings and allowing for anticipated contingency allocations for the waste contract and business rates, the following table summarises the underlying changes in spending within the budget requirement:

Table 26: Percentage cash changes in 2011/12 and 2012/13 budgets

	2011/12 %	2012/13 %
Service cash limited expenditure:		
Adult Services	3.5	3.4
Children's Services	3.9	2.8
Environment (including waste contract)	3.5	3.5
Policy and Resources	1.2	2.4
Culture, Communities and Rural Affairs	2.8	2.2
	----- 3.3	----- 3.1
Other Budgets	-18.8	-19.7
Budget requirement	----- 1.2	----- 1.3

Financial Planning framework

15.8. Appendix 7 sets out the County Council's current financial management policies.

16. Treasury management strategy and investment strategy for 2010/11

16.1. The County Council is required to adopt a treasury management strategy and an annual investment strategy for 2010/11 and these are set out in Appendix 8 for approval. The Appendix summarises:

- the strategy for the management of the long-term debt portfolio relative to forecast trends in long and short term interest rates
- the arrangements for the investment of surplus cash funds during the year
- the investment strategy for submission to the County Council for approval, conforming with the prudential code for financial management.

17. Prudential and financial health indicators

17.1. The prudential code ensures that:

- capital programmes are affordable in revenue terms
- external borrowing and other long-term liabilities are within prudent and sustainable levels
- treasury management decisions are taken in line with professional good practice

17.2. Appendix 8 also contains the prudential indicators required by the code for the County Council, together with additional financial health indicators, which will now be submitted for approval by the full Council in setting the budget.

18. Appendices

18.1. Appendices to the report are:

1. Revised budget 2009/10 (salmon)
2. Proposals for growth and redeployment of resources in 2010/11 to 2012/13 (yellow)
3. Budget 2010/11 – detailed analysis, based on the budget guidelines set by Cabinet in December 2009 (green)
4. Efficiency improvements 2009/10 to 2012/13 (blue)
5. Workforce statement and summary of workforce budgets 2010/11 (pink)
6. Reserves and balances 2010/11 to 2012/13 (white)
7. Draft medium term financial management policies (salmon)
8. Treasury management and investment strategies, prudential and financial health indicators (yellow)
9. Treasurer's report on risks, reserves and balances (blue)

19. Recommendations

The following decisions are sought based upon the recommendations from the Leader and Cabinet to the County Council for the 2010/11 budget and council tax that:

1. The revised estimates 2009/10 (Appendix 1) be approved.
2. The anticipated underspendings of £4.6m from 2009/10 shown in Table 2 (paragraph 3.14) be carried forward to 2010/11 (£1m on Adult Services, £1m on Environment and £2.6m on Policy and Resources) and that any unused contingency within the Adult Services budget at the year end be carried forward to 2011/12.
3. The anticipated overspending of £2.5m in 2009/10 because of additional pressures on home to school transport and children looked after be noted; that management action continue to reduce the projection; that £1.25m of the overspend (50%) be written off now; and that consideration be given to write-off the final amount when the outturn is reported to Cabinet in June.
4. The additional pressures and growth proposals from Executive members totalling £32.7m for 2010/11 be approved (Table 4, paragraph 5.12).
5. The savings and redeployment proposals of £24.4m put forward by Executive members for 2010/11 be approved (Table 4, paragraph 5.12).

6. Cashable efficiency improvements, within service budgets, of £23.6m, (£19.5m in cashable budget savings) in 2010/11 be approved (Table 5, paragraph 6.9).
7. The annual review of charges, and the maximisation of income across services for 2010/11 be approved (Table 6, paragraph 7.2).
8. The workforce proposals for 2010/11 be agreed (Table 7, paragraph 8.2).
9. The use of available one-off resources in 2010/11 to provide contingencies to write of 50% of the Children's Services estimated overspend of £2.5m in 2009/10; to meet the cost of free personal care at home (£4.5m); to underwrite the budgeted reduction in children looked after (£1m); and to provide extra salt bins (£0.6m), be approved (Table 9, paragraph 9.14).
10. The planned use of contingencies and reserves in 2010/11 for additional spending and contribution towards the corporate efficiencies target be approved (Table 12, paragraph 9.34).
11. The targets for corporate efficiency savings of £15m in each of 2011/12 and 2012/13 be approved (Table 13, paragraph 11.2).
12. The planned £8.6m in corporate efficiency savings achieved earlier in 2010/11 and £1.1m additionally in 2011/12 be approved (Table 14, paragraph 11.15), with the 2010/11 savings added to the new corporate efficiency reserve for use from 2011/12.
13. The summary of earmarked reserves be agreed (Table 15, paragraph 12.14).
14. Estimated balances of £21.5m by 31 March 2011 be approved (Paragraph 13.2).
15. The budget for 2010/11 as summarised in Tables 16-19 and set out in detail in Appendix 3 be approved (paragraphs 14.1 – 14.4).
16. The provisional budgets for 2011/12 and 2012/13 summarised in Tables 22-26 (paragraphs 15.3 to 15.7) be approved.
17. It be a **recommendation to Council that:**
 - a) the Treasurer's report under Section 25 of the Local Government Act 2003 be taken into account when the Council determines the budget and precept for 2010/11 (Appendix 9)

- b) the revenue budget for 2010/11 (as set out in the attached draft budget book presented to County Council) and the provisional budgets for 2011/12 and 2012/13 be approved
- c) the **total budget requirement** for the general expenses of the County Council for the year beginning 1 April 2010 **be £672,129,000**
- d) the **County Council's Band D council tax** for the year beginning 1 April 2010 be increased by **1.9%** to be **£1,037.88**
- e) the County Council's council tax for the year beginning 1 April 2010 for properties in each tax band be:

	£
Band A	691.92
Band B	807.24
Band C	922.56
Band D	1037.88
Band E	1268.52
Band F	1499.16
Band G	1729.80
Band H	2075.76

- f) **precepts** be issued totalling **£523,232,038.57** on the billing authorities in Hampshire, requiring the payment in such instalments and on such dates set by them and previously notified to the County Council, in proportion to the taxbase of each billing authority's area as determined by them and as set out below:

Basingstoke & Deane Borough Council	63,578.00
East Hampshire	48,057.30
Eastleigh	44,087.61
Fareham	42,650.00
Gosport	27,599.90
Hart	37,915.60
Havant	42,823.00
New Forest	72,826.00
Rushmoor	31,409.87
Test Valley	45,496.00
Winchester City Council	47,692.11

- g) the treasury management and annual investment strategies, prudential and financial health indicators for 2010/11 be approved, in accordance with the recommendations in Appendix 8.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	Yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Improvement plan link number (if appropriate):	

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.)

DocumentLocation

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

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

No specific proposals.

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

No specific proposals affecting adaption to climate change.