

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Member for Policy and Resources
Date of Decision:	14 April 2010
Decision Title:	Policy and Resources budget monitoring 2009/10
Decision Reference:	1436
Report From:	County Treasurer and Chief Officers

Contact name: Anne Hibbert

Tel: 01962 847533

Email: anne.hibbert@hants.gov.uk

1. Executive Summary

- 1.1. The purpose of this paper is to seek endorsement of the action being taken by officers to manage budgets within the cash limits for 2009/10.
- 1.2. This report is the final monitoring report for 2009/10 and provides an overview of the position on:
 - Policy and Resources own revenue cash limited budgets
 - Policy and Resources business units
 - Policy and Resources capital programme
 - The County Council's capital payments and sources of finance.

2. Contextual information

- 2.1. Since the Policy and Resources revenue budget was approved by the County Council in February 2009, a number of changes have been made to reflect the carry forward of budget from 2008/09, transfers between services, allocations from central contingency and other sources of funding as well as carry forward of 2009/10 budget into later years. The revised budget for 2009/10 was agreed by the Executive Member for Policy and Resources on 4 February 2010. Adjustments since then are shown in the latest cash limited budget as set out in Appendix C.
- 2.2. In February 2009, the County Council approved the Policy and Resources capital programme and the financing strategy for the overall County Council capital programme based on capital expenditure of £159 million. This was revised in February 2010 to £185.6 million. The latest capital programme for Policy and Resources, is set out in Appendix E.

3. Financial position as at 28 Feb 2010

- 3.1. The latest cash limit for 2009/10 is £71.9 million as set out in Appendix C. This includes the effect of alternative funding arrangements agreed with Improvement and Efficiency South East and allocations from the central contingency.
- 3.2. Comments based on the monitoring of net expenditure up to the end of February 2010 are given below.

Chief Executive's Department

- 3.3. Current projections show that the budgets for the Chief Executive's department, including Human Resources, will be contained within the cash limits for 2009/10.
- 3.4. Most election spending returns have now been received from District or Borough Councils, with currently two outstanding. Initial indications are that there will be an under spend of approximately £145,000. Following past experience in 2005 when the election budget was overspent by £112,000, this year a £100,000 contingency was included in the budget. This has remained unspent and in addition two authorities have spent less than originally forecast by approximately £45,000. There remains an outstanding issue relating to VAT on election expenses which may slightly increase the under spend once resolved.
- 3.5. It is also likely that there will be further small increases in the previously planned under spends on Members' Expenses, HATs and the Chief Executive's and HR departmental budget. This is due to reduced spending and increased income. Some of the additional income has been used to fund additional employee costs resulting in forecast employee costs just slightly over budget as shown in Appendix D.

Property, Business and Regulatory Services (PBRs)

- 3.6. The three largest budgets of Property Services, Office Accommodation and Repairs and Maintenance are all expected to be within cash limit.
- 3.7. A modest under spend is forecast on Property Services which will be able to offset remaining pressures on other minor budgets. Repairs and Maintenance is also expected to be at or close to cash limit with the exception of the winter maintenance contingency. This is largely because any remedial work required as a result of the harsh winter weather is best carried out in better weather during the Spring or Summer. To take account of this in previous years, any unspent balance has been carried forward in full. The unspent balance this year is currently expected to be in the region of £400,000 and a decision on carry forward will be made as part of the 2009/10 final accounts. The new budget grouping of Office Accommodation, Hampshire Workstyle and Facilities Management is also expected to be in balance.
- 3.8. The County Council has received grants of £1.373 million in 2009/10 from Improvement and Efficiency South East (IESE) towards projects that it is undertaking in respect of the construction theme. IESE receives its funding

from the Department for Communities and Local Government. In 2009/10 this has come in the form of 80% revenue grant and 20% capital grant, although little of the work being commissioned is of a capital nature. To assist the position of IESE, the County Council agreed to accept all of this funding in the form of capital grant. This was based on the undertaking that the funding could be applied to finance general capital expenditure in place of revenue contributions to capital. The County Council would therefore reduce revenue contributions to capital by the equivalent amount and make this revenue funding available for IESE projects. The revised cash limit included in Appendix C takes account of the relevant budget transfer. The allocation of £44,000 for anti-social behaviour remains unused and will be carried forward to 2010/11.

Corporate Estate, Development Account and Sites for Gypsies and Travellers

- 3.9. There are remaining pressures in the Corporate Estate budget which have been adversely affected by the slowdown in the property market and the consequent delays in disposing of properties. These pressures should be contained within the overall cash limit for the service, being offset against small under spends on other budget areas.

Regulatory Services

- 3.10. Regulatory Services covers Trading Standards, Hampshire Scientific Service, the Accredited Community Safety Officer Service and the Registration Service. These budgets are expected to be balanced overall with vacancy management savings in Trading Standards expected to offset pressures from reduced income in the Scientific Service. Appendix D shows the actual employee spend and actual FTEs as being below planned levels for PBRs. The Registration Service outturn is still expected to be at cash limit despite a further budget transfer to reflect higher volumes of services provided through Hantsdirect.
- 3.11. The exception to the balanced budget position relates to two posts added to Regulatory Services to provide effective corporate leadership and coordination of our activities around accredited community safety officers and the wider community safety agenda. It is proposed to meet a funding shortfall for these posts (£40,000 in 2009/10), by using £40,000 of the existing contingency that related to the former Homebuy schemes. This leaves a balance of £75,000 that can be transferred to the Corporate Policy Reserve. From the residual £75,000, the Leader has recommended that further support of £15,000 be provided to junior community teams in 2010/11.

County Treasurer's Department

- 3.12. The County Treasurer's department has already declared a planned under spend of £250,000 during 2009/10. This has been carried forward to 2010/11 to manage the transfer of the Student Support service and to meet the challenges of the 2010/11 budget. For 2009/10 the department is anticipating an outturn close to its revised cash limit.

Non-departmental Policy and Resources Budgets

- 3.13. No significant variations on non-departmental budgets for 2009/10 have been identified at this stage.
- 3.14. This part of the Policy and Resources budget includes the Members' grants budget totalling £780,000 for 2009/10. The scheme has now closed for the financial year and authorised grants of £513,415 have been processed for payment. The unspent balance this year is £266,585 to be carried forward for the year 2010/11 only.

Apprenticeships

- 3.15. The Executive Member for Policy and Resources agreed in July 2009 to provide funding from the Policy and Resources budget for a pilot scheme of apprenticeship opportunities for young people within the County Council. This funding would supplement that already allocated to departments in 2004/05 to develop apprenticeships. The pilot scheme, covering 21 apprenticeships, was launched in November 2009 for a 16 month period. Allocations to the Chief Executive's Department, to PBRS and to Culture, Communities and Rural Affairs (CCRA) totalling £27,000 in 2009/10 are proposed from the initial corporate funding of £50,000 identified in the previous report.

Policy and Resources cash limited budgets summary

- 3.16. At the end of February 2010, a number of budget pressures are being managed, particularly within corporately held land and scientific services. Overall for Policy and Resources under spends are currently anticipated as below:

Budget	Forecast underspend £000
Elections expenses	145
Members' expenses	30
HATs	20
HR department	50
Repair and Maintenance of buildings - Winter maintenance contingency	400
Members' grants	267

Total	912
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4. Property, Business and Regulatory Services Business Units

- 4.1. The group of business units including Hampshire County Council Catering Service (HC3S), Hampshire Transport Management (HTM), Hampshire Printing Services, Corporate Procurement and County Supplies (CPCS) and PBR Cleaning Service has a combined revised target surplus for 2009/10 of £567,000 on a total turnover of £41 million. Trading results to the end of February 2010 have been good despite lost income in HC3S due to school closures during the cold weather in January. Both HTM and CPCS are forecasting an increased surplus by year end.
- 4.2. The improved position for CPCS will allow the release of the full £0.5 million earmarked to fund investment costs this year, an increase of £53,000 over the planned transfer. This investment is expected to deliver £10 million of corporate procurement savings over five years. After the transfer of the full £0.5 million this would leave an outturn surplus of £660,000 for Business Services, £93,000 in excess of the target.
- 4.3. HTM is seeking to change the way in which it obtains vehicles by moving from leasing to buying. Initial research indicates that savings of around 4% annually could be achieved by this change which would benefit HTM's customers through reduced hire charges. It is intended to apply the change retrospectively for 2009/10 and the impact could result in a further part-year improvement in the HTM and overall business forecast. The cost of vehicles originally planned to be operationally leased in 2009/10, after manufacturer rebates, is £1.3 million. Original estimates for 2010/11 are £2.3 million before rebates are received from manufacturers. It is proposed to fund this expenditure through prudential borrowing. This is in line with the Council's established policy under the Prudential Code with the cost of borrowing funded by capital charges to the HTM trading account and recovered in charges to vehicle users.

IT

- 4.4. The IT trading forecast outturn has improved slightly over the last quarter, and the end of year surplus is now expected to exceed £300,000. This is in part due to service growth including services to external partners, as well as some deferred expenditure. Expenditure in some areas has increased marginally as a result of growth. Overall, the financial position remains consistent with the plans at the start of the year.
- 4.5. IT is heavily involved in a number of key corporate initiatives, including Hampshire Workstyle, the Hampshire Public Services Network (HPSN2), HantsFile and other programmes. This work is progressing well, but some slippage on IT expenditure may improve the 2009/10 outturn further, but with a consequential and equal impact in 2010/11. Notably, the HPSN2 programme is targeting cashable savings over the period of the programme in excess of £1 million.

- 4.6. The primary focus for IT during the final quarter of the year has been the implementation of the Corporate Services Review of IT. A complete top-to-bottom re-structure of the service over a six month period will end in April 2010, and is on track to deliver savings in excess of £1 million per annum when the full effect is felt during 2010/11 and onwards.

5. HM Coroners' Service

- 5.1. This budget no longer forms part of the Policy and Resources cash limit. It has been removed from service cash limits during 2009/10 as agreed by Cabinet due to the limited scope to influence the level of spending. The current monitoring position against the revised budget indicates a forecast overspend of £273,000. This is driven mainly by the continuing high costs of mortuary fees and special analyses and examinations.

6. Policy and Resources capital programme

- 6.1. The Policy and Resources capital programme for 2009/10 amounts to £51.0 million, as set out in Appendix E. This includes the carry forward of schemes not started in 2008/09 and the 2008/09 unallocated cash limit. Following the recommendation from the Buildings, Land and Procurement Panel (an earlier item on the agenda), £4.5 million of capital repairs provision has been re-profiled to later years.
- 6.2. The programme also includes £1.2 million to cover the initial investment for the Hampshire Public Services Network contract (HPSN2). Approval for the Chief Executive and the County Treasurer in consultation with the Leader to award the contract on behalf of the County Council and place an initial order through the framework contract was given by the Executive Member Policy and Resources on 9th April 2009. The initial order was placed in August 2009 resulting in forecast capital expenditure in 2009/10 of £1.2m. This will be funded from the IT Services accumulated reserve. A forecast shortfall in reserve funding this year of £0.5m can be covered by the unused balance of prudential borrowing agreed for IT investment in December 2006.
- 6.3. The capital repairs programme, including New Deal for Schools, totals £42 million and is controlled on an expenditure basis. Other projects totalling £8.6 million are controlled on a starts basis. The balance of £0.4 million is currently unallocated.
- 6.4. As at the end of February 2010, committed expenditure on the capital repairs programme was £20.7 million and schemes to the value of £5.4 million had started, representing an overall commitment of £26.1 million.

7. Overall capital payments and sources of finance

- 7.1. The revised capital financing approved by Cabinet in February 2010 was based on capital expenditure of £185.6 million.

- 7.2. Based on previous capital expenditure profiles and actual payments as at the end of February 2010 indications are that capital expenditure will be slightly under the revised forecast payments.
- 7.3. The revised forecast of capital receipts for 2009/10 reported to Cabinet in February 2010 was £11.5 million. As at the end of February 2010 capital receipts were £7.1 million.

8. Carry forward of 2009/10 capital schemes not started as at 31 March

- 8.1. The County Council's policy is to allow the carry forward of capital schemes not started by 31 March subject to the cost of the schemes carried forward being contained within the programme limit. Approval is sought for the carry forward of schemes on this basis. Details of the scheme carried forward will be reported to the Cabinet in June in the report on the 2009/10 final accounts.

9. Conclusion

- 9.1. The Policy and Resources cash limited budgets are likely to be under spent overall at the year end by £912,000. Business Units are expecting to improve on the overall level of trading surplus by end of year. However, the County Council will be required to fund additional expenditure of HM Coroner's Service currently forecast at £273,000. Capital expenditure is forecast to be lower than planned, partly reflecting the severe winter weather.

10. Recommendation

- 10.1. That the action being taken by officers to manage revenue budgets within the cash limits for 2009/10 be endorsed.
- 10.2. That prudential borrowing estimated at £1.3 million in 2009/10 and £2.3 million in 2010/11 is approved for the purchase of vehicles by HTM.
- 10.3. That the allocation of £40,000 to fund community safety posts from the former Homebuy contingency in 2009/10 be approved, with the balance of £75,000 being transferred to the Corporate Policy reserve, from which £15,000 be made available to provide funding for junior community teams in 2010/11.
- 10.4. That the principle be approved to carry forward schemes in the 2009/10 capital programme that are not started by 31 March 2010, subject to the cost of the schemes being accommodated within the approved programme limit.

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

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

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Policy and Resources budget monitoring 2006/07		6 December 2006
Hampshire Public Services Network Contract	436	9 April 2009
Policy and Resources Revenue Budget 2009/10, 2010/11 and 2011/12	544	29 January 2009
Policy and Resources budget monitoring 2009/10	820	23 July 2009
Policy and Resources budget monitoring 2009/10	940	19 October 2009
Policy and Resources Revenue Budget 2010/11, 2011/12 and 2012/13	1111	21 January 2010
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

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

2. Impact on Crime and Disorder:

- 2.1. The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime. The proposals in this report have no adverse impact on the prevention of crime

3. Climate Change:

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

The proposals in this report do not have a specific impact on carbon footprint/energy consumption

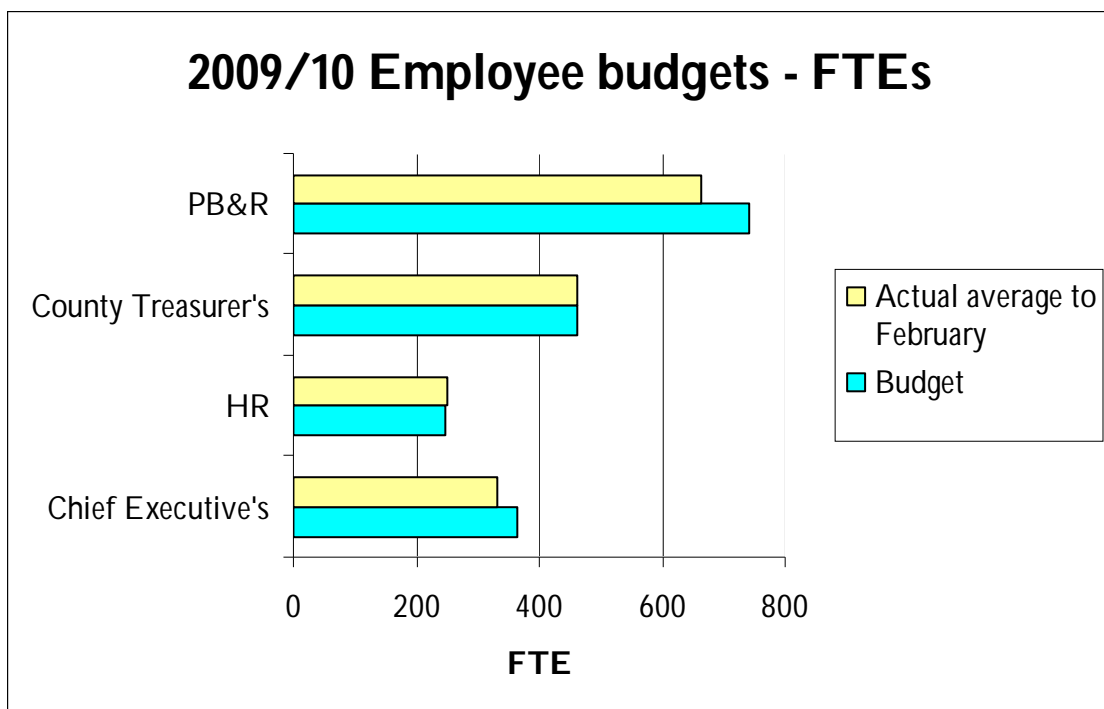
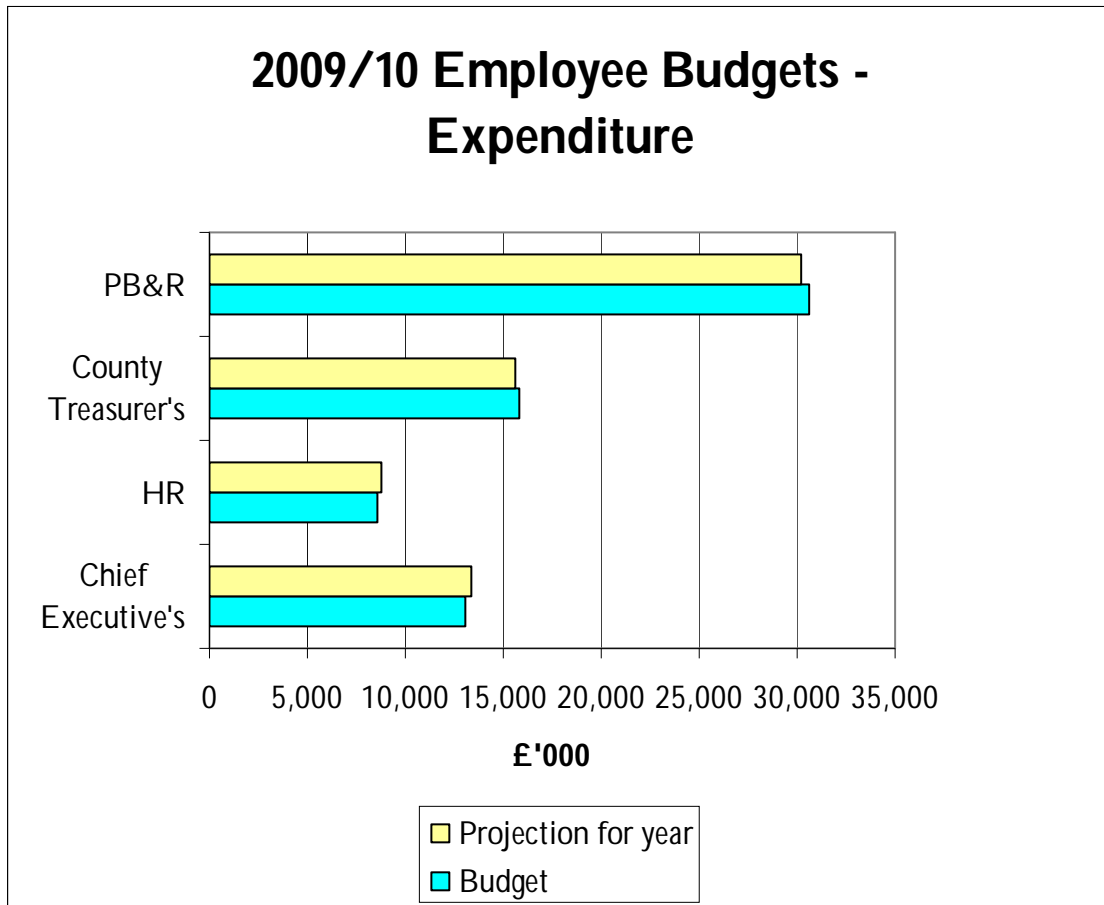
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

The proposals in this report do not have a specific impact on climate change

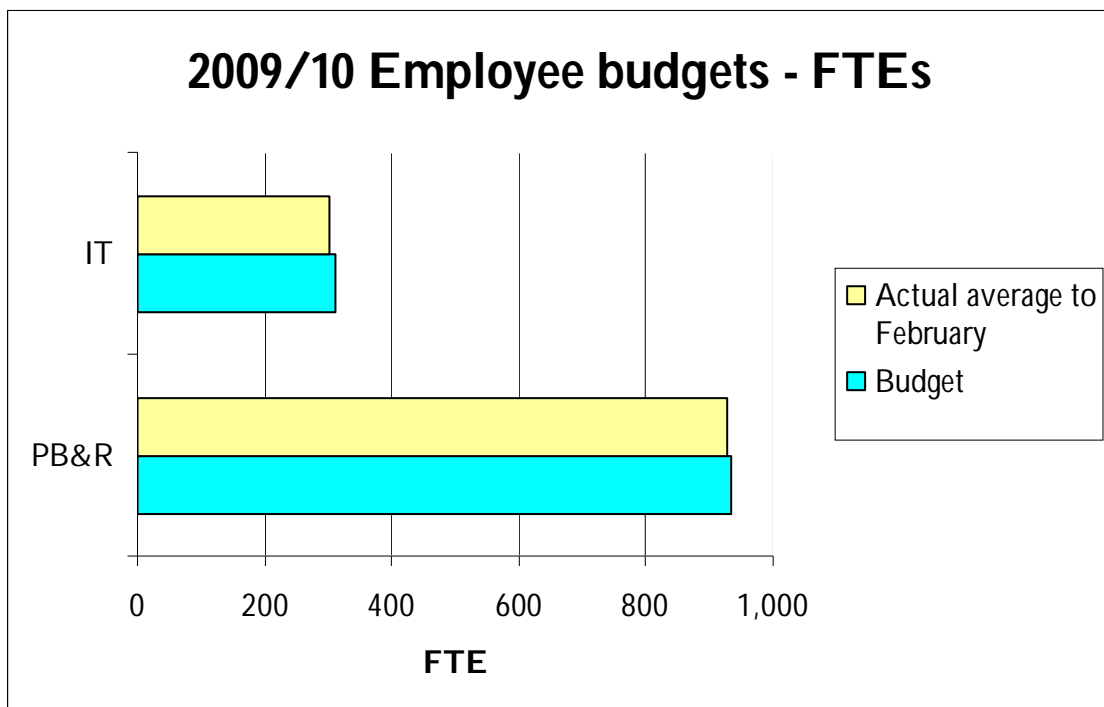
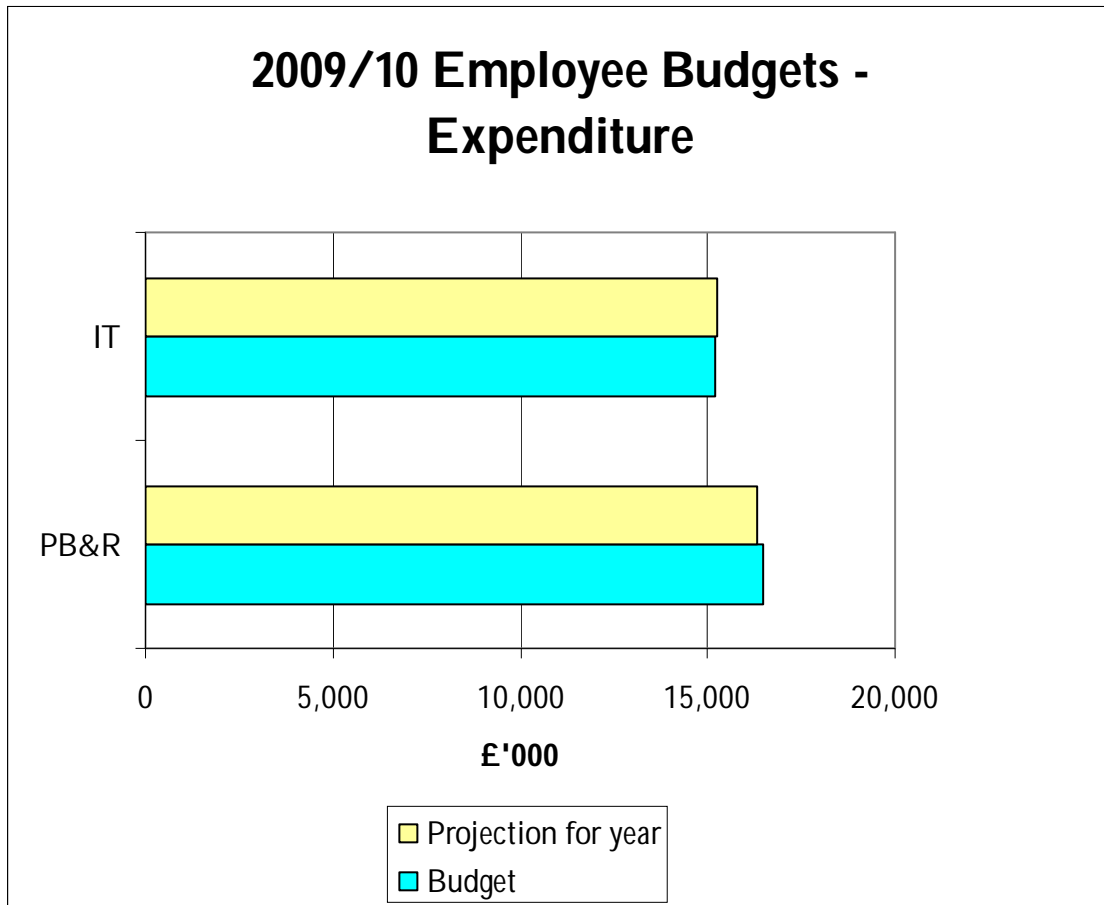
Policy and Resources revenue budget – changes to 2009/10 cash limit

	£000
Revised budget	70,465
Improvement & Efficiency South East (IESE) transfer from Capital	1,373
Additional funding for community safety from contingency	40
Apprentices funding transferred to CCRA	-6
	<hr/>
	71,872
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Policy & Resources - Employee information for non-business units



Policy and Resources - Employee information for business units



Policy and Resources 2009/10 capital programme

1. Latest programme limit:	£000
Total programme as per budget book	30,707
Carry forward schemes from 2008/09	19,050
Unallocated cash limit from 2008/09	472
Transferred to CCRA for Basingstoke Discovery Centre	-225
Brought forward schemes from 2010/11	4,284
Area Based Grant transferred to revenue	-48
Transfer from Environment following appropriation of land at Wetherbed Lane Segensworth	145
Transfer from non-school capital repairs to revenue for Hantsfile	-75
Reprofiling of non-school capital repairs	-2,426
Reprofiling of school capital repairs	-2,036
Transfer from IT Services reserve	1,200
	<u>51,048</u>
2. Analysis of 2009/10 programme including carry forwards from 2008/09:	
Capital repairs	3,957
- capital repairs carried forward from 2008/09	3,332
Capital repairs – schools	9,425
- capital repairs (schools) carried forward from 2008/09	1,794
Capital repairs Sure Start Early Years	453
- capital repairs (Sure Start) carried forward from 2008/09	258
New Deal for schools (NDS) condition schemes	7,712
- NDS carried forward from 2008/09	9,798
- NDS brought forward from 2010/11	4,284
Smart meters for schools	1,000
Schemes controlled on an expenditure basis:	<u>42,013</u>
Office accommodation	600
Economic Development	157
Coastal Conservation	307
Regulatory Services	34
Advance fees	1,358
Disposal of site fees	633
Merton Rise Infrastructure	1,037
Advance and Advantageous Land purchases	2,788
Fort Gilkicker	100
County Farms – Church Farm House, Mattingley	212
County Farms – Bull Farm, Kings Worthy	91
County Farms – capital improvement programme	10
Land at Woolston Road, Leigh Park	50
HC3S	50
IT Services HPSN2	1,200
Schemes controlled on a starts basis:	<u>8,627</u>
Unallocated	408
Policy and Resources Capital Programme 2009/10	<u>51,048</u>