

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Member for Policy and Resources
Date of Decision:	22 July 2010
Decision Title:	Policy and Resources budget monitoring 2010/11
Decision Reference:	1473
Report From:	County Treasurer and Chief Officers

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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 2010/11 as adjusted for the carry forward of an under spending from 2009/10.
- 1.2. This report is the first monitoring report for 2010/11 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.
- 1.3. At the end of June 2010, a number of budget pressures are being managed, particularly within corporately held land, the development account, sites for gypsies and travellers and the Coroners' Service. However, with the probable exception of the Coroners' Service which is outside the service cash limit, the overall position for Policy and Resources is forecast to be within cash limit. Business units are expecting to make a trading surplus or to accommodate any loss within accumulated surpluses.

2. Contextual information

- 2.1. Since the Policy and Resources revenue budget was approved by the County Council in February 2010, a number of changes have been made to reflect the carry forward of budget from 2009/10, transfers between services, allocations from central contingency and other sources of funding and also the reduction in Area Based Grant. The latest cash limited budget is set out in Appendix C.
- 2.2. In February 2010, 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 £199.8 million. The

latest capital programme for Policy and Resources, is set out in Appendix E.

3. Financial position as at 30 June 2010

- 3.1. The latest cash limit for 2010/11 is £75.8 million as set out in Appendix C. This includes the transfer of budgets from other services for the centralisation of IT staff (£2.9 million). There has also been a reduction of £85,000 in Area Based Grant for Safer and Stronger Communities and Community Call for Action funding, as part of the Government grant reductions announced in June.
- 3.2. In order to consider the detailed carry forward of over and under spending from 2009/10, an analysis of the variations against the final 2009/10 cash limit is given below:

	Overspending (+) Under spending (-) £'000	£'000
Chief Officer controlled budgets:		
Chief Executive:		
Chief Executive	-56	
HATs	-47	
Hantsdirect Contact Centre	-27	
Human Resources	-24	-154
Property Business and Regulatory Services:		
Departmental budget	-242	
County farms	-35	
Development account	+53	
Corporate estate	+84	
Sites for gypsies and travellers	+39	
Regulatory services	-28	
Registration	+22	
Castle restaurant	-33	-140
County Treasurer		-2
Other budgets:		
Members' support costs	-31	
Subscriptions to other bodies	-11	
Libel & slander insurance	-11	
County council elections	-137	
Audit fee	-9	
Grants to the voluntary sector	-9	
Other services	-64	-272
Total for Policy and Resources cash limit		-568
Coroners		+263

- 3.3. The Cabinet agreed in June 2010 that services can carry forward 50% of unplanned under spending in 2009/10 in accordance with the council's financial management policy. The current policy for carry forwards of under and over spending within Policy and Resources is based on the following assumptions:
- For Chief Officer controlled budgets, 50% of under spends and 100% of over spends are carried forward
 - For other budgets, that there should be no automatic policy of carrying forward either under or over spending unless an overspending is likely to lead to an under spending in the following year or vice versa.
- 3.4. Proposed amendments to the 2010/11 budget to reflect carry forwards of under spends are included in the latest cash limit and are as follows:

	Over spending (+) Under spending (-)	Reduction (-) Addition (+)
2010/11:	£'000	£'000
Chief Executive	-154	+77
Property, Business and Regulatory Services	-140	+70
County Treasurer	-2	+1
Allocated in accordance with financial management policy		<hr/> +148
Other budgets:		
Grants to voluntary organisations	-9	+9
Balance available for pilot apprenticeships programme		+127
Total carry forward		<hr/> +284

- 3.5. The total under spend on the Policy and Resources cash limit was £568,000, 50% of which is £284,000. Of this, £148,000 has been allocated as above and it is proposed that the remaining £136,000, relating to 50% of the under spend on other budgets, be used to enable 100% of the saving on Grants to voluntary organisations to be carried forward to 2010/11, and the balance used to contribute towards the £144,000 cost of the Apprenticeships programme. The Executive Member for Policy and

Resources agreed to provide funding for the additional cost of this pilot scheme in July 2009.

- 3.6. Comments on these proposals and on the monitoring of net expenditure up to the end of June 2010 are given below.

Chief Executive's Department

- 3.7. Current projections are that the Chief Executive's budget including Human Resources will be within the cash limit for 2010/11. The department is continuing the downward pressure on spending and maximising income generation opportunities in order to be in a position to address future financial pressures whilst maintaining delivery of core services.

Property, Business and Regulatory Services (PBRs) and IT

- 3.8. The four largest budgets are Property Services, Office Accommodation, Repairs and Maintenance and the Corporate IT budget which total £32.3 million and make up 80% of the total PBRs&IT cash limit.
- 3.9. At this early stage in the year it is expected that services will be delivered and net spending contained within the overall cash limit for the department.
- 3.10. Risks to this assumption are that many of the budgets are dependent on income (both internal and external) to achieve a balanced position. This could be affected by central government plans to reduce the national deficit and reduce customers' capacity to commit to spending.
- 3.11. Other services, such as Workstyle, Facilities Management and IT are being provided on a new basis meaning that information on historic cost or income behaviour has limited use in informing projections.

County Treasurer's Department

- 3.12. At this point in the year it is anticipated that the Treasurer's department will remain within the cash limit whilst continuing to seek and deliver on-going efficiency savings. The new County Treasurer joins the department in August as the budget planning process gets underway.
- 3.13. 2010/11 is the final year of the nationalisation of the Student Support service. It is hoped that the remaining staff will be redeployed to avoid redundancy costs.
- 3.14. There is a risk of loss of income from Further Education internal audit contracts with the changes in post 16 education.

Non-departmental Policy and Resources Budgets

- 3.15. No significant variations on non-departmental budgets for 2010/11 have been identified at this stage.
- 3.16. This part of the Policy and Resources budget includes the Members' grants budget totalling £780,000 for 2010/11. At the end of 2009/10 the unspent balance of £266,585 was carried forward into 2010/11 for one year only, making a total budget of £1,046,585 available for 2010/11. As at the end of June 2010 grants totalling £91,957 have been awarded.

Apprenticeships

- 3.17. The departmental costs of the pilot scheme of apprenticeship opportunities for young people within the County Council for 2010/11 is expected to be £144,000, it is recommended that £127,000 of this is funded by the balance on 2009/10 Policy and Resources under spend.
- 3.18. A balance of £37,600 remains of the £50,000 corporate funding for central costs of running the scheme identified in 2009/10. It is recommended that £17,000 of this balance is used to make up the remainder of the £144,000 required for the scheme in the year. The balance of £20,600 has been incorporated into the 2010/11 cash limit to cover the balance of the central scheme costs.
- 3.19. The cash limits for the affected Policy and Resources budgets have been adjusted to reflect these changes.

4. Property, Business and Regulatory Services Business Units

- 4.1. The Business Services trading units are Hampshire County Council Catering Services (HC3S), Hampshire Transport Management, Hampshire Printing Services, Corporate Procurement and County Supplies (CPCS) and PBR Cleaning Services. The combined target surplus for 2010/11 is £692,000 on a total turnover for all the business units of £41.5 million. Several issues are expected to impact on this forecast.
- 4.2. The decision not to apply a price increase to school meals from 1 April 2010 was taken after the HC3S trading accounts were produced and will have the effect of reducing turnover and surplus. The impact of this has been offset in part by lower direct costs including food and net improvements to overhead costs. As a result of all of these factors the expected surplus for HC3S has been reduced from £447,000 to £315,000.
- 4.3. The forecast for HTM is based on the original target. The change from leasing to purchasing vehicles will be phased in over a number of years as existing leases expire and it is intended to pass savings on to customers through reduced hire charges.
- 4.4. As part of implementing the Corporate Services Review of Procurement a new centralised procurement team will be established during 2010/11 bringing together both the posts approved to support delivery of the £10 million savings target, and existing funding from both the CPCS trading unit and other cash limited budgets. These changes will be reflected as part of the autumn budget process.

IT

- 4.5. The IT trading account plans to undertake a number of invest to save initiatives to support projects which it is expected will both recover the initial investment costs and generate future income streams. Key examples of these are the Havant Public Service Village, partnership working with Dorset County Council on Disaster Recovery and piloting a package of

services for Westgate School. If the latter is successful this approach could be offered to other schools.

- 4.6. In addition to these, IT will continue to roll out HPSN2 in 2010/11 and is expecting to incur transitional costs relating to the need for dual running of HPSN1 and HPSN2 during migration.
- 4.7. A new departmental structure has been recently implemented for 2010/11. This has centralised the cost and management of some IT staff who previously reported directly to departments. In addition, some staff have transferred from IT to other departments within the Policy & Resources group.
- 4.8. This change to departmental structure has taken time to implement and establish. Therefore, in order to achieve the anticipated savings of £1.15 million, there has been an increase in the forecast deficit in 2010/11 for the IT Trading unit from the original £8,000 to £268,000. The Trading Unit has sufficient reserves to meet this level of in year deficit and it is expected that these annual savings will be achieved in full by 2012/13 allowing the Trading Unit to return to a surplus annual position.

5. HM Coroners' Service

- 5.1. Funding for the Coroner's Service is no longer included within the Policy and Resources cash limit, as the County Council has little control over the level of spending. Forecast spending in 2010/11 is £1.314 million, which is £41,000 (3.3%) above the level of actual spending in 2009/10.

6. Policy and Resources capital programme

- 6.1. The Policy and Resources capital programme for 2010/11 amounts to £56.9 million, as set out in Appendix E. This includes the carry forward of schemes not started in 2009/10 and the 2009/10 unallocated cash limit. In accordance with the recommendation of the Buildings, Land and Procurement Panel on 23 March 2010 and the subsequent approval by the Executive Member for Policy and Resources on 14 April 2010, £950,000 of cash limit for the capital repairs for schools has been carried forward to 2011/12. This is subject to approval by the Schools' Forum.
- 6.2. The capital repairs programme, including New Deal for Schools, totals £36.8 million and is controlled on an expenditure basis. Other projects totalling £19.5 million are controlled on a starts basis. The balance of £0.6 million is currently unallocated.
- 6.3. As at the end of June 2010, committed expenditure on the capital repairs programme was £10.7 million and schemes to the value of £4.96 million had started, representing an overall commitment of £15.66 million.

7. Overall capital payments and sources of finance

- 7.1. The capital financing approved by Cabinet in February 2010 was based on capital expenditure of £199.8 million. It is too early in the year to be able to forecast with any certainty the likely outturn level of capital expenditure, but

based on previous capital expenditure profiles and actual payments at 30 June 2010, it is likely that the outturn will be within the original estimate.

- 7.2. The forecast of capital receipts for 2010/11 reported to Cabinet in February 2010 was £13 million. As at the end of June 2010 actual capital receipts were £1.7m.

8. Conclusion

- 8.1. At the end of June 2010, a number of budget pressures are being managed, particularly within corporately held land, the development account, sites for gypsies and travellers and the Coroners' Service. However, with the probable exception of the Coroners' Service, the overall position for Policy and Resources is to be within cash limit. Business units are expecting to make a trading surplus or to accommodate any losses within accumulated surpluses.

9. Recommendation

- 9.1. That the action being taken by officers to manage revenue budgets within the cash limits for 2010/11 be endorsed.
- 9.2. To agree the proposed amendments to the 2010/11 budget to reflect the net under spend of £284,000 carried forward from 2009/10.

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> Policy & Resources Revenue Budget 2010/11, 2011/12, 2012/13	<u>Reference</u> 1111	<u>Date</u> 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

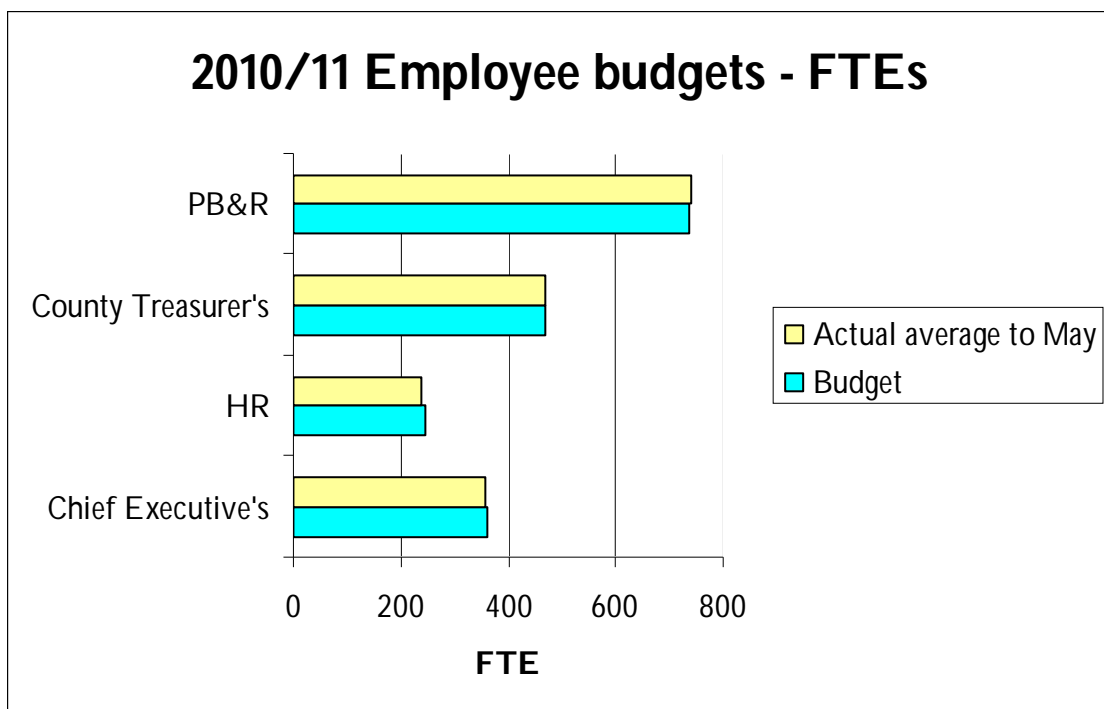
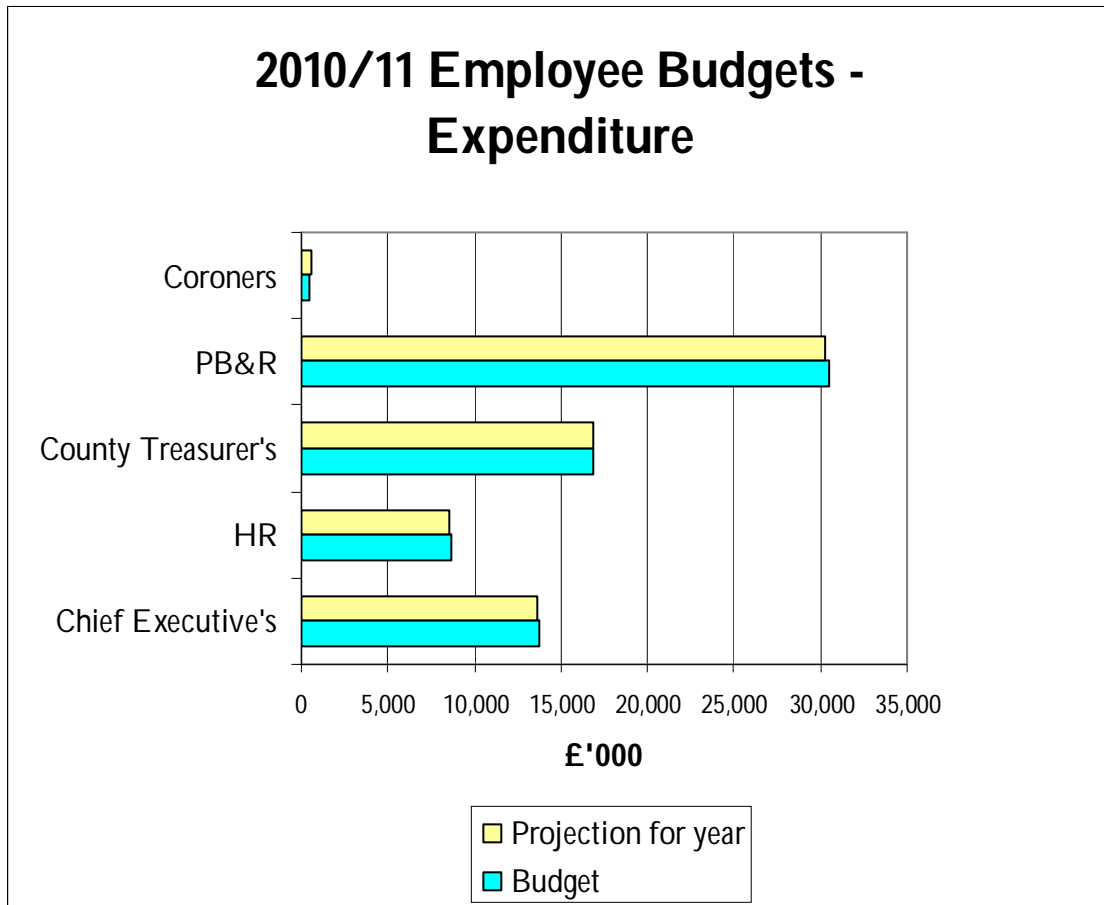
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

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

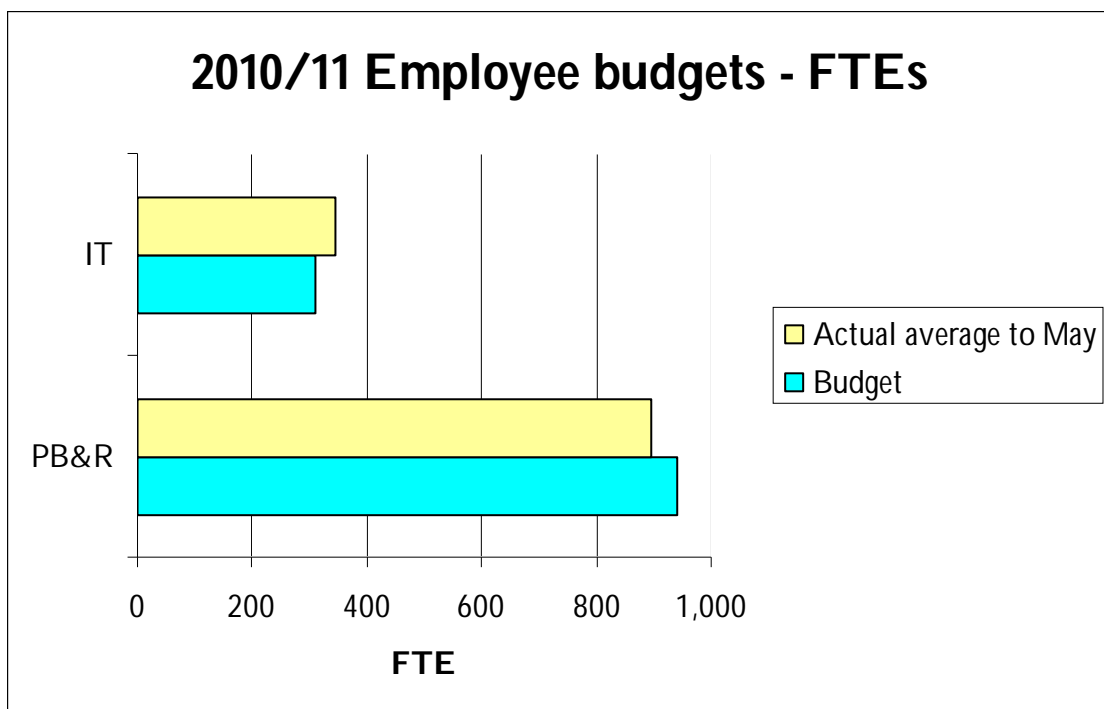
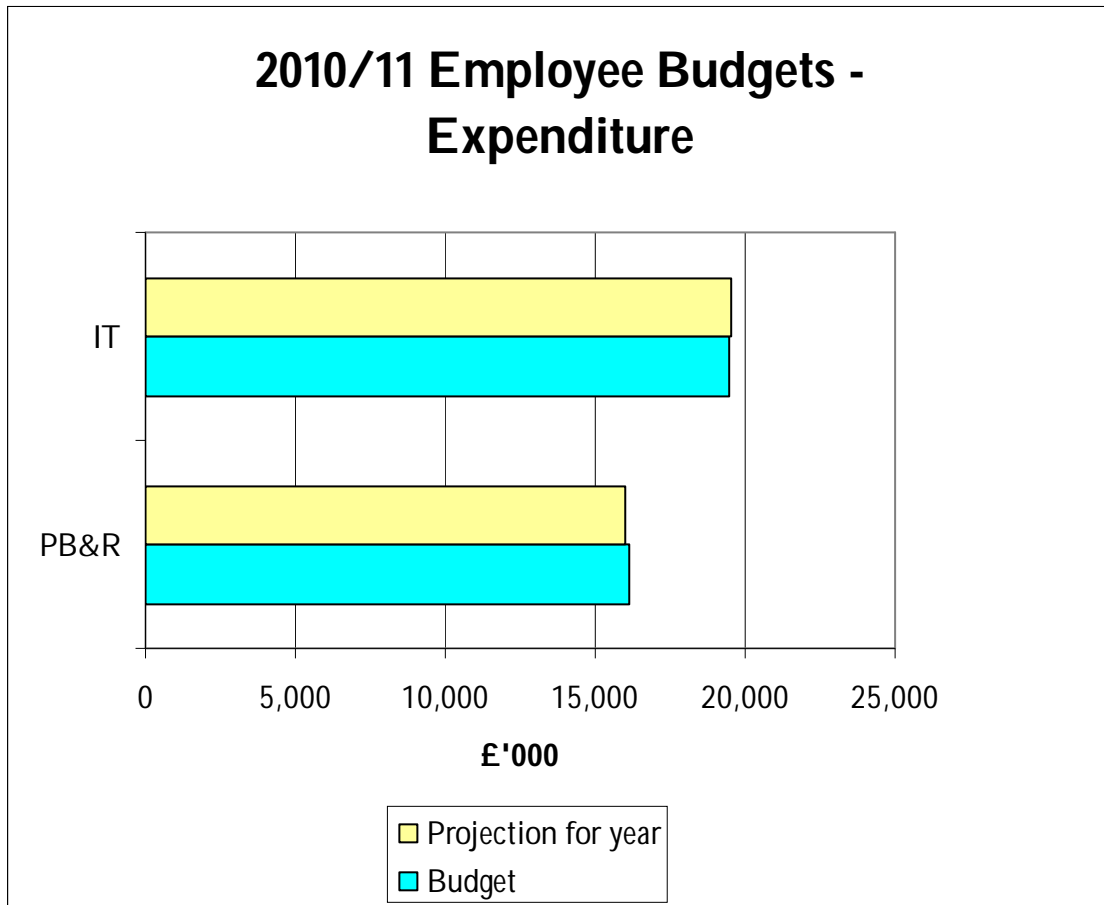
Policy and Resources revenue budget – latest 2010/11 cash limit

	£000
Budget as per budget book	69,859
Re-profiling of projects from 2009/10	726
Transfer from reserves for re-profiled projects	257
Transfer ABG Safe & Strong Communities capital grant to revenue	179
Release anti-social behaviour grant from 2009/10	44
Hampshire Workstyle transfer from capital	500
HTST Pilot reprofiling	195
Transfer from services for CORVU funding adjustment	8
Transfer from Adult Services for Facilities Management	388
Funding from contingency for grant to Mary Rose	300
Transfer from reserve for capital grant to Step by Step, Aldershot	250
Transfer from services for centralisation of IT staff	2,672
Transfer from services for IT admin staff	231
Reduction in ABG Safe & Strong Communities and Scrutiny grants	-85
Funding from Second Homes contingency for Corporate Community Safety	59
Funding from 09/10 under spend for apprenticeships pilot (P&R only) and grants to voluntary organisations	97
Carry forward of 09/10 unplanned under spend	148
	<hr/>
	75,828
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Policy & Resources - Employee information for non-business units



Policy and Resources - Employee information for business units



Policy and Resources 2010/11 capital programme

1. Latest programme limit:	£000
Total programme as per budget book	34,404
Carry forward schemes from 2009/10	23,014
Transfer to revenue for Workstyles	-500
	<u>56,918</u>
2. Analysis of 2010/11 programme including carry forwards from 2009/10:	
Capital repairs	4,167
- capital repairs carried forward from 2009/10	2,841
Capital repairs – schools	11,719
- capital repairs (schools) carried forward from 2009/10	1,992
Capital repairs Sure Start Early Years	477
- capital repairs (Sure Start) carried forward from 2009/10	276
New Deal for schools (NDS) condition schemes	2,127
- NDS carried forward from 2009/10	12,186
Smart meters for schools carried forward from 2009/10	993
Schemes controlled on an expenditure basis:	<u>36,778</u>
Office accommodation	732
Economic Development	159
Coastal Conservation	166
Regulatory Services	35
Advance fees	860
Disposal of site fees	774
Advance and Advantageous Land purchases	3,287
County Farms – Church Farm House, Mattingley	212
County Farms – Bull Farm, Kings Worthy	91
County Farms – capital improvement programme	10
HC3S	50
Hampshire Transport Management	30
Havant Public Service Village – capital repairs	13,057
Schemes controlled on a starts basis:	<u>19,463</u>
Unallocated	677
Policy and Resources Capital Programme 2010/11	<u>56,918</u>