

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Executive Member for Policy and Resources
Date of Decision:	28 October 2010
Decision Title:	Policy and Resources budget monitoring 2010/11
Decision Reference:	2006
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 second 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 September 2010, a number of budget pressures are being managed, particularly within those budgets which are dependant upon internal or external income. 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.
- 1.4. A range of activity is taking place across Policy and Resources departments to contribute towards the corporate efficiency agenda. At this stage it is too early to see the impact of the recruitment freeze on the number of full time equivalent (FTE) staff, as shown in Appendix D chart 2. However, the forecast spend for the year in chart 1 of Appendix D demonstrates the expected impact of the freeze on employee costs.

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 as well as reductions in grants. 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 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 September 2010

- 3.1. The latest cash limit for 2010/11 is £75.2 million as set out in Appendix C. This includes the transfer of budgets of approximately £2.8 million from other services for the centralisation of IT staff. This cash limit incorporates a reduction of £85,000 in Area Based Grant as part of the Government grant reductions announced in June. There have also been reductions to cash limits of £532,000 for savings identified through corporate efficiency programmes.
- 3.2. Comments on the monitoring of net expenditure up to the end of September 2010 are given below.

Chief Executive's Department

- 3.3. The department is seeking to maximise its under spend in the current financial year from previous vacancy management and now the recruitment freeze, as demonstrated in the forecast spend in chart 1 of Appendix D. Opportunities are also taken to maximise income wherever possible by selling services to external organisations.
- 3.4. At this stage it is difficult to be precise about the amount of under spend as there will be costs associated with some of the plans for reducing expenditure in the longer term.

Property, Business and Regulatory Services (PBRs) and IT

- 3.5. The main budget areas are summarised in the table below and incorporate further base budget transfers concerning the centralisation of IT, corporate savings targets in the current year and other more minor changes agreed since the previous report in July. It is still expected that services will be delivered and net spending contained within the overall cash limit for the department.

Budget	£'000
Office accommodation/Workstyle/FM	8,957
Resources & Improvement	6,350
Repairs and maintenance ⁽¹⁾	5,032
Other property budgets	(792)
Regulatory Services ⁽²⁾	5,773
Other budgets	682
Corporate IT	13,988
Total	39,990

(1) Excludes repairs and maintenance funded by schools of £11.9 million.

(2) Includes the Registration Service.

- 3.6. The main risk to this assumption continues to be the dependence of many of the budgets on internal and external income to achieve a balanced position and the reductions anticipated as a result of funding cuts across the public sector.

County Treasurer's Department

- 3.7. The County Treasurer's department is working to deliver a planned under spend for 2010/11, recognising the expenditure reductions and efficiency savings required for 2011/12 onwards across the council. These savings for 2010/11 will arise largely as a result of firm vacancy management at all levels of the department from the management team down.
- 3.8. The new County Treasurer is reviewing the structure and functions of the department to deliver future expenditure reductions.

Non-departmental Policy and Resources Budgets

- 3.9. No significant variations on non-departmental budgets for 2010/11 have been identified at this stage.
- 3.10. 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 September 2010 grants totalling £237,102 had been awarded.
- 3.11. A small under spend is predicted on the Audit Fee budget due to the removal of the CAA inspection. The final costs will depend on the actual audit activity required to sign off grant claims.

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 adjusted original forecast for 2010/11 is a combined surplus of £692,000 on a total turnover for the business units of £41.5 million. The following issues are expected to impact on this forecast.
- 4.2. School meal numbers for the Summer Term were consistently ahead of target and the improvement in forecast income together with reduced cost projections have resulted in a significant improvement in the projected surplus for the year. This is particularly encouraging in view of the expected loss of £1.2 million School Meals Grant from April 2011 and leaves HC3S on track to achieve a sustainable financial position without grant support from 2011/12 onwards.
- 4.3. In Corporate Procurement and County Supplies lower costs from both vacancy management and other non-pay savings have contributed to an improvement of £102,000 in the surplus forecast.

- 4.4. As part of implementing the Corporate Services Review of Procurement a new centralised procurement team will be established during 2010/11. This will bring together 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 unit is investing in a number of programmes which will reduce costs and generate income in future years. Key examples of these are the Havant Public Service Village, partnership working with Dorset County Council on a shared Disaster Recovery system and the development of a managed service for schools which has been successfully trialled at Westgate School. This service will now be offered to other schools in Hampshire. A slightly higher deficit in 2010/11 than originally planned is now anticipated, but this can be accommodated within the accumulated brought forward surplus of £935,000 from 2009/10.
- 4.6. In addition to these programmes, IT continues to roll out HPSN2 in 2010/11. This major programme covers the installation of data circuits, the implementation of integrated voice, video and text and the replacement of the web filtering system. Details on the costs of this capital programme are outlined in the section of this report on capital. There will also be some transitional costs resulting from the requirement for dual running of HPSN1 and HPSN2 during migration.
- 4.7. The forecast financial position for all trading units is summarised in the table below:

	Adjusted Original Target	Forecast	Difference
	£000	£000	£000
HC3S	447	580	133
HTM	61	61	0
HPS	37	32	(5)
CPCS	151	253	102
PBR CS	(4)	0	4
IT	(268)	(352)	(84)
Total	424	574	150

5. HM Coroners' Service

- 5.1. Funding for the Coroner's Service is no longer included within the Policy and Resources cash limit, because the County Council has little control over the level of spending. Forecast spending for 2010/11 is £1.332 million, which is £60,000 (4.7%) above the level of actual spending in 2009/10. The increase in expected costs is as a result of increased costs associated with judicial reviews.

6. Policy and Resources capital programme

- 6.1. The Policy and Resources capital programme for 2010/11 amounts to £62.2 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, as well as an increase of £6.4 million for the IT Services project on HPSN2.
- 6.2. Work taking place on the HPSN2 project during 2010/11 is summarised in the following table. It is expected that IT Services surpluses will fund £550,000 of the project. There remains existing prudential borrowing approval of £5.33 million. In order to meet the full cost of the scheme, IT Services will require prudential borrowing approval for an additional £520,000. The additional prudential borrowing will be financed from the IT trading account and therefore does not affect the Council's scope to use prudential borrowing for other purposes.

	Total capital spend in 2010/11 £000
Data circuits	1,118
Voice Video and Text	3,900
Web filtering	1,381
Total	<u>6,399</u>

- 6.3. Once the network is fully installed and in use by the Council, partner organisations and schools, HPSN2 will generate savings of around £1.08 million per year, which form part of the corporate efficiency programme. This is after allowing for the financing of prudential borrowing costs.
- 6.4. At the end of 2009/10 a core network of data circuits was completed at a total cost of £1.1 million, which was funded from the trading account surplus. During 2010/11 circuits will be installed to connect the core network to approximately 200 individual sites, resulting in greater band width for increased internet speed and resilience. The roll out of Voice, Video and Text across the HPSN2 network will reduce the cost of telephony across the council as well as supporting the Hampshire Workstyle programme. The capital investment will fund the purchase of handsets, licences and telephony components. The contract for the Council's existing web filtering provision expires in March 2011. A tendering process has been undertaken using the Virgin Media framework agreement and a supplier has been chosen.
- 6.5. The total Policy and Resources capital repairs programme, including New Deal for Schools, totals £35.7 million and is controlled on an expenditure basis. This includes the effects of re-profiling £1.06 million of capital repairs for schools to 2011/12, as recommended in an earlier item on the agenda. This will be subject to approval by Schools Forum.
- 6.6. Other projects totalling £25.9 million are controlled on a starts basis and the balance of £0.6 million is currently unallocated. £600,000 has been transferred from the budget for Advance and Advantageous Land

purchases to contribute to the Ringwood Gateway project, in accordance with a recommendation earlier on the agenda.

- 6.7. As at the end of September 2010, committed expenditure on the capital repairs programme was £17.02 million and schemes to the value of £25.18 million had started, representing an overall commitment of £42.2 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. Based on previous capital expenditure profiles and actual payments as at 30 September 2010 it is expected that the outturn will be slightly below the original estimate. This is partly due to some reductions in capital grants resulting in lower capital spending by departments.
- 7.2. The forecast of capital receipts for 2010/11 reported to Cabinet in February 2010 was £13 million. As at the end of September 2010 actual capital receipts were £3.3 million.

8. Conclusion

- 8.1. At the end of September 2010, a number of budget pressures are being managed, particularly within those budgets which are dependant upon internal or external income. 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. A range of activity is taking place within Policy and Resources departments to identify savings and contribute towards the corporate efficiency programme. Business units are expecting to make a trading surplus or to accommodate any loss within accumulated surpluses.

9. Recommendations

- 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 approve the increase in the capital programme for HPSN2 of £6.4 million and extend approval for prudential borrowing by £520,000 in order to fund the project.

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 & Resources Revenue Budget 2010/11, 2011/12, 2012/13	1111	21 January 2010
Policy and Resources budget monitoring 2010/11	1473	22 July 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.

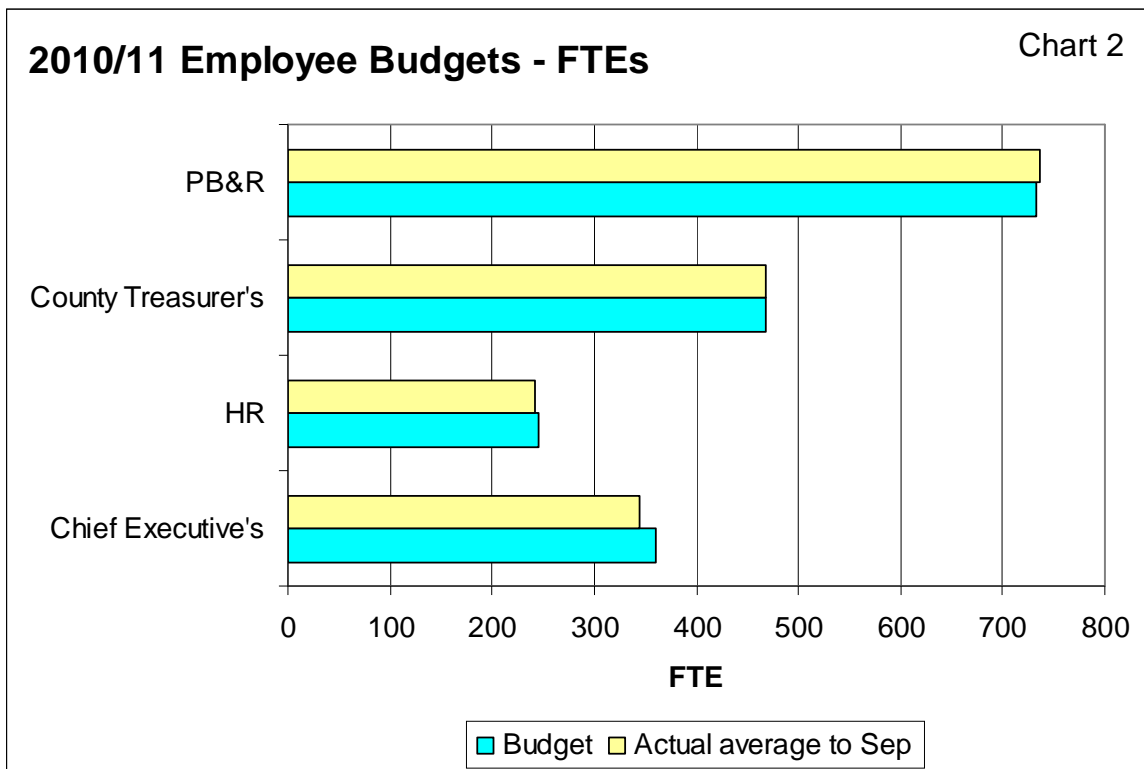
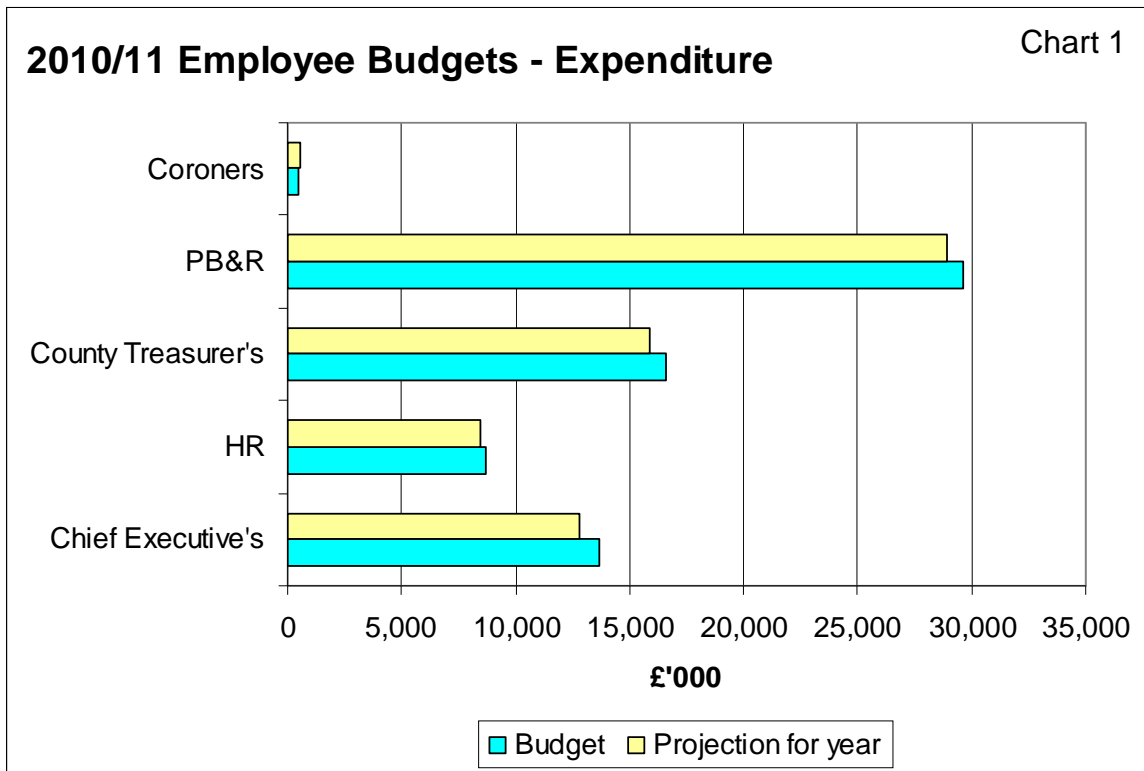
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

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

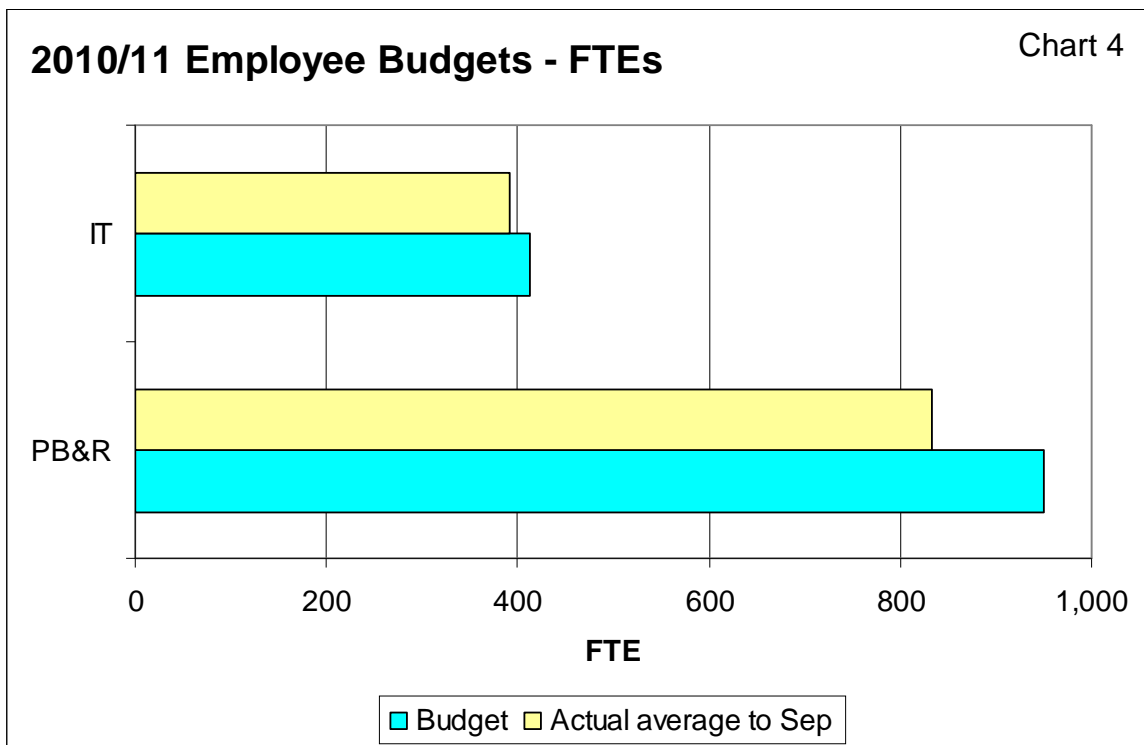
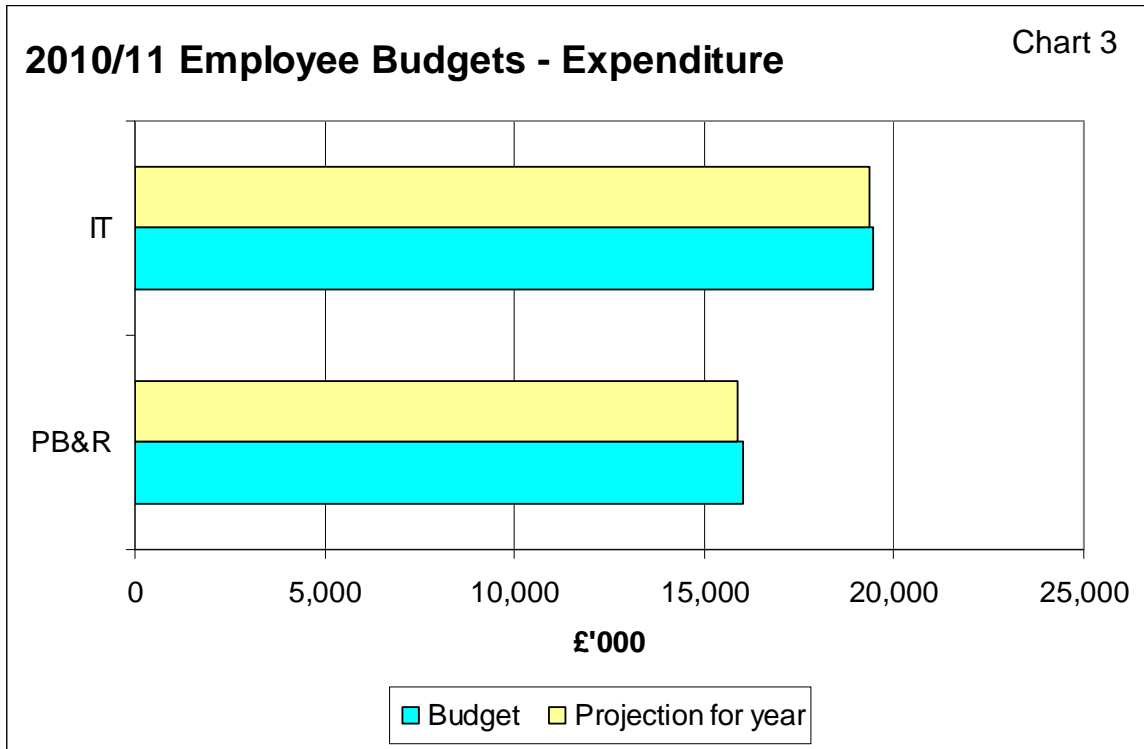
Policy and Resources revenue budget – latest 2010/11 cash limit

	£000
Budget as per budget book	69,859
Re-profiling of projects from 2009/10	1,230
Carry forward of 09/10 unplanned under spend	244
Transfers for ABG Safe & Strong Communities	-332
Transfer from Adult Services for Facilities Management	388
Transfer from services for centralisation of IT staff	2,838
Transfer Older Persons Wellbeing to Adult Services	-108
Transfer of procurement support staff from Environment	66
Transfer from Rural Strategy contingency	10
Transfers between services	-3
Transfer from capital for Hampshire Workstyle	500
Transfer from capital for Smart Meters	40
Funding from contingency for grant to Mary Rose	300
Transfer from contingency for Corporate Community Safety	59
Transfers from Corporate Policy Reserve to finance grants	520
Contribution to Talented Athletes Scheme & Olympic Fund	19
Mileage efficiency savings	-221
Corporate Procurement savings	-311
Funding from reserves for Income Generation Project	150
	<u>75,248</u>

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
Transfer to revenue for Smart Meters	-40
HPSN2 project increase	6,399
Re-profiling of capital repairs (schools) to 2011/12	-1,060
	<u>62,217</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 (schools) carried forward to 2011/12	-1,060
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	953
Schemes controlled on an expenditure basis:	<u>35,678</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	2,687
Contribution towards Ringwood Gateway	600
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
HPSN2	6,399
Schemes controlled on a starts basis:	<u>25,862</u>
Unallocated	677
Policy and Resources Capital Programme 2010/11	<u><u>62,217</u></u>