

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Policy and Resources
Date of Decision:	14 April 2011
Decision Title:	Policy and Resources budget monitoring 2010/11
Decision Reference:	2732
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 revised cash limits for 2010/11.
- 1.2. This report is the final 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 February 2011, the recruitment moratoria and other efficiency measures are beginning to take effect on the expected outturn which is forecast to be within the cash limit. This includes a reduction since September 2010 of £1.1 million in the forecast for pay costs across the whole of Policy and Resources, including business units. This is assisting in managing budget pressures, particularly within those budgets which are dependant upon internal or external income, and in line with the carry forward policy as amended by Cabinet in October any under spends are expected to contribute towards the costs of implementing efficiency measures in 2011/12. Business units are expecting to make a trading surplus or to accommodate any loss within accumulated surpluses. However, the cost of the Coroners' Service, which is outside the service cash limit, is currently forecast to exceed allocated funding.

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 several reductions in grants. The revised budget for 2010/11 was agreed by the Executive Member for Policy and Resources on 26 January 2011. Since this date the only change to the budget has been the reversal of a previous transfer to capital to fund the Scientific Services laboratory upgrade, which will now be funded from Business Services Group reserves rather than from a service under spending.

- 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. This was revised in February 2011 to £185.3 million. The latest capital programme for Policy and Resources, is set out in Appendix 2.

3. Financial position as at 28 February 2011

- 3.1. The latest cash limit for 2010/11 is £83 million as set out in the following table:

	£000
Revised budget	82,731
Reversal of previous transfer to capital from Scientific Services	297
	<u>83,028</u>

- 3.2. Comments on the monitoring of net expenditure up to the end of February 2011 are given below.

Chief Executive's Department

- 3.3. All budgets managed by the Chief Executive's Department, including Human Resources and Economic Development, will be within the cash limited budget for the year. As stated in previous reports the department has been actively managing resources to deliver an under spent budget at the end of 2010/11. This is the cumulative impact of action taken over recent years to manage vacancies, reduce management costs and drive down expenditure generally. Appendix 1 shows a forecast under spending on employee costs resulting from actual full time equivalent (FTE) staff numbers below the workforce plan. In addition the department has been successful in generating additional income from external organisations, most notably in Legal Services.
- 3.4. The aim has been, in anticipation of financial pressures now being faced, to put the department in the position to manage its share of the cost of change and finance a range of 'invest to save' initiatives to deliver further efficiencies in the future. This strategy has worked well so far and the ability to carry forward under spending has been

key to managing reductions whilst maintaining service delivery. The focus will now be on the financial year of 2012/13 which is likely to prove more challenging.

Property, Business and Regulatory (PBR) and IT Services Department

- 3.5. The PBR and IT forecast is to be within the cash limit, having provided for the cost of restructuring associated with the review of senior management and other departmental and corporate cost reduction programmes.
- 3.6. An under spend forecast for Property Services is as a result of better than expected income from internal and external customers and as a result of workforce remodelling and the recruitment moratoria. A forecast under spending on employee costs results from actual full time equivalent (FTE) staff numbers being below the workforce plan, as shown in Appendix 1. The position on the four smaller accounts included in this budget – County Farms, Sites for Gypsies and Travellers, Corporate Estate and the Development Account – has also improved significantly. In combination these budgets are now expected to be close to breaking even in 2010/11.
- 3.7. The Property Services forecast also includes the revenue repairs and maintenance budget. In previous years, approval has been sought to carry forward the winter maintenance contingency in line with previous practice. However, the severe winter weather in December has resulted in higher and earlier calls on this budget than in previous years and it is expected that this allocation will be fully committed by the year end.
- 3.8. An under spend expected against the Regulatory Services budget results from a combination of staff savings associated with the early implementation of savings plans and the recruitment moratoria.
- 3.9. The Resources and Improvement forecast under spend includes £221,000 of savings attributable to the Workstyle programme, which forms part of the overall funding strategy for the programme. These savings are expected to be carried forward to ensure the savings delivered through Workstyle are available to support delivery of the remainder of the accelerated programme. Other savings have mainly resulted from workforce remodelling in facilities management and administered services.

County Treasurer's Department

- 3.10. As a result of firm vacancy management illustrated in Appendix 1, and control of budgets, the County Treasurer's Department is forecast to meet the cash limit having provided for the costs in 2010/11 of the Senior Management and Audit Services restructuring reviews. Savings have been achieved which will contribute towards the costs of the Accountancy and Transactional review early in the new financial year.

Non-departmental Policy and Resources Budgets

- 3.11. Significant under spends are expected on budgets for Members' support costs and on County Council Elections as a result of refunded costs from the last election.
- 3.12. 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 17 March 2011 grants totalling £869,458 had been awarded, but some further grants have still to be processed.
- 3.13. A small under spend is predicted on the Audit Fee budget due to the removal of the CAA inspection and a recently announced rebate of 3.5% on 2010/11 scale fees. The final costs will depend on the actual audit activity required to sign off grant claims, however the current forecast indicates that this budget will under spend by £47,500.

4. Property, Business and Regulatory Business Units

- 4.1. The revised business unit trading account for the year was reported in January 2011 as part of the revised budget which set out an improved overall forecast surplus of £839,000, against an original forecast surplus of £692,000. Monitoring since then has shown a further improvement and the latest outturn forecast anticipates a combined surplus of £888,000 across the PBR business units.
- 4.2. The trading environment for HC3S has continued to improve during the course of 2010/11. The unit has made considerable progress in implementing the strategy agreed in 2009 to return the business to a viable trading position by the end of the School Lunch Grant period. The forecast now is for a surplus of £574,000 and this has allowed the school meal price to be retained at the current level of £2.00 in 2011/12.
- 4.3. Corporate Procurement and County Supplies is also forecasting an improved outturn, despite inflationary pressures on many of the items supplied from the warehouse. This is due mainly to tight control of overhead costs together with signs of improving income levels since the autumn forecast.
- 4.4. During 2010/11, Hampshire Printing Service (HPS) has experienced the emergence of new trends in customer requirements as departments seek to minimise non-essential spending and work within a tightening financial environment. As a result, total income for the financial year is expected to be more than 15% lower than the original projection, and the unit is now forecasting a deficit of £23,000. Trends show that high levels of HPS income falls in March, so the extent to which this continues will determine the final outturn.
- 4.5. Hampshire Transport Management (HTM) and PBR Cleaning Services are both still expected to achieve results close to the

revised forecast. With effect from 1 April 2011 the cleaning team will cease to be a trading unit and will be fully integrated within the department's Facilities Management service.

- 4.6. During 2011/12 the Scientific Services and Asbestos teams will join the PBR Business Services Group, as they take on new work from outside organisations, in order to generate additional income. As a result, the capital investment required to upgrade the laboratory facility will now be partially funded from business group reserves, where it was previously to be partially funded from a transfer from cash limited revenue budget of £297,000. The revenue budget for PBR and IT has therefore been reimbursed to reflect this change. An additional contribution of £120,000 is to be made by the Police Authority. This change has been reflected in the capital programme budget.

IT Services

- 4.7. The forecast outturn for IT business unit is a deficit of £69,000, a small improvement on the planned and forecast deficit of £93,000 in the revised budget. During the last quarter income has declined by £600,000, but this has been mitigated by reduced spend on hardware and externally purchased services and from vacancy management to ensure that finances stay in balance.

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. The spend on this service for 2010/11 is now expected to be £1,320,300, this is £63,000 higher than the revised budget allocation and 3.8% (£48,000) higher than the outturn for 2009/10. This is as a result of £50,000 additional costs of a judicial review.

6. Policy and Resources capital programme

- 6.1. The Policy and Resources capital programme for 2010/11 amounts to £63.4 million, as set out in Appendix 2. 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. The Policy and Resources capital repairs programme and other schemes, including New Deal for Schools, are controlled on an expenditure basis and totals £35.9 million. This includes the effects of re-profiling £1.06 million of capital repairs for schools to 2011/12, as agreed earlier in the year, and which has now been approved by Schools Forum. Other projects totalling £26.8 million are controlled on a starts basis and the balance of £0.7 million is currently unallocated.

- 6.3. As at the end of February 2011, committed expenditure on the capital repairs and coastal conservation programmes was £27.8 million and schemes to the value of £25.64 million had started, representing an overall commitment of £53.4 million.

7. Overall capital payments and sources of finance

- 7.1. The revised capital financing approved by Cabinet in February 2011 was based on capital expenditure of £185.3 million.
- 7.2. Based on previous capital expenditure profiles and actual payments as at the end of February 2011 indications are that capital expenditure will be slightly under the revised forecast payments.
- 7.3. The revised forecast of capital receipts for 2010/11 reported to Cabinet in February 2011 was £13.1 million. As at the end of February 2011 capital receipts were £12.0 million.

8. Carry forward of 2010/11 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 schemes carried forward will be reported to Cabinet in June in the report on the 2010/11 final outturn.

9. Conclusion

- 9.1. At the end of February 2011, the effects of efficiency measures can be seen as savings have been achieved to contribute towards the costs of implementing efficiency measures in 2011/12. However this is before allowing for the provision required for restructuring costs which will be incurred during 2011/12 but for which an agreed business plan is already in place. Compliance with accounting standards requires the council to reflect this liability in the accounts in 2010/11.
- 9.2. Business units are expecting to make an overall trading surplus. However, the cost of the Coroners' Service, which is outside the service cash limit, is forecast to exceed allocated funding.

10. Recommendations

- 10.1. That the action being taken by officers to manage revenue budgets within the cash limits for 2010/11 be endorsed.
- 10.2. That approval be given to use Business Services Group reserves to partially fund the upgrade of the Scientific Unit.
- 10.3. That approval be given to the principle of carrying forward schemes in the 2010/11 capital programme that are not started by 31 March 2011, 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 & Resources Revenue Budget 2010/11, 2011/12, 2012/13	1111	21 January 2010
Policy and Resources Budget Monitoring 2010/11	1473	22 July 2010
Policy and Resources Budget Monitoring 2010/11	2006	28 October 2010
Policy and Resources Revenue Budget for 2011/12	2467	26 January 2011
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:

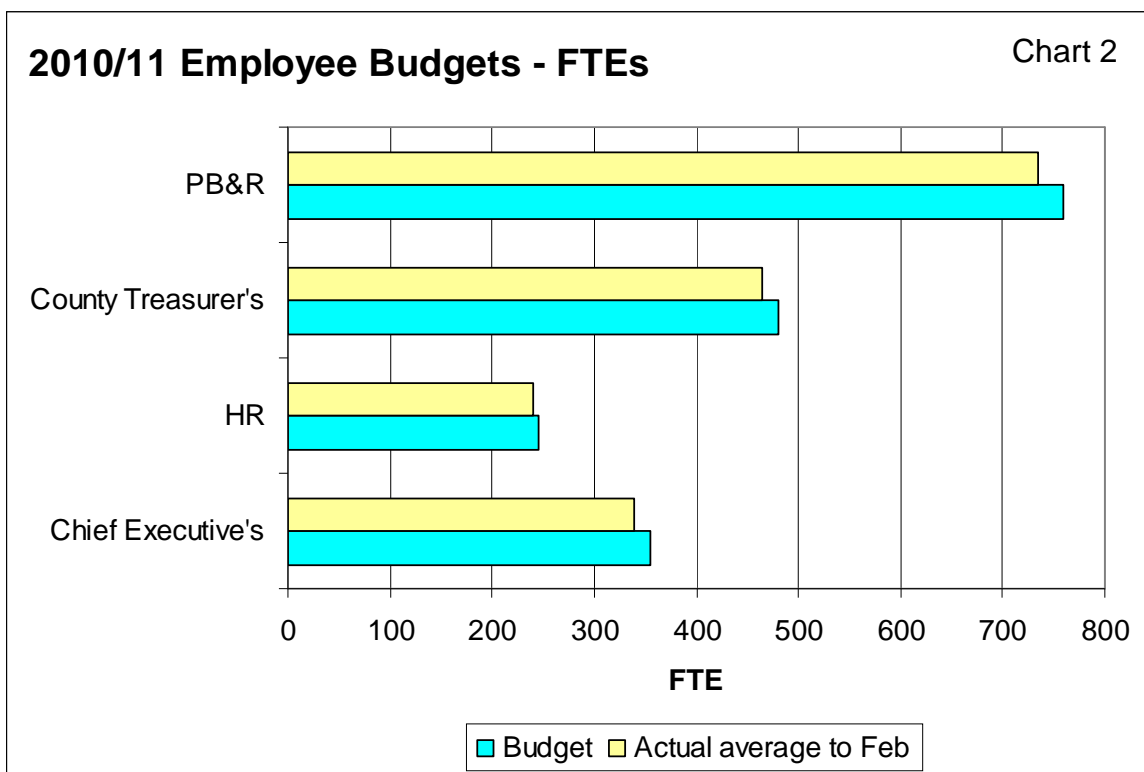
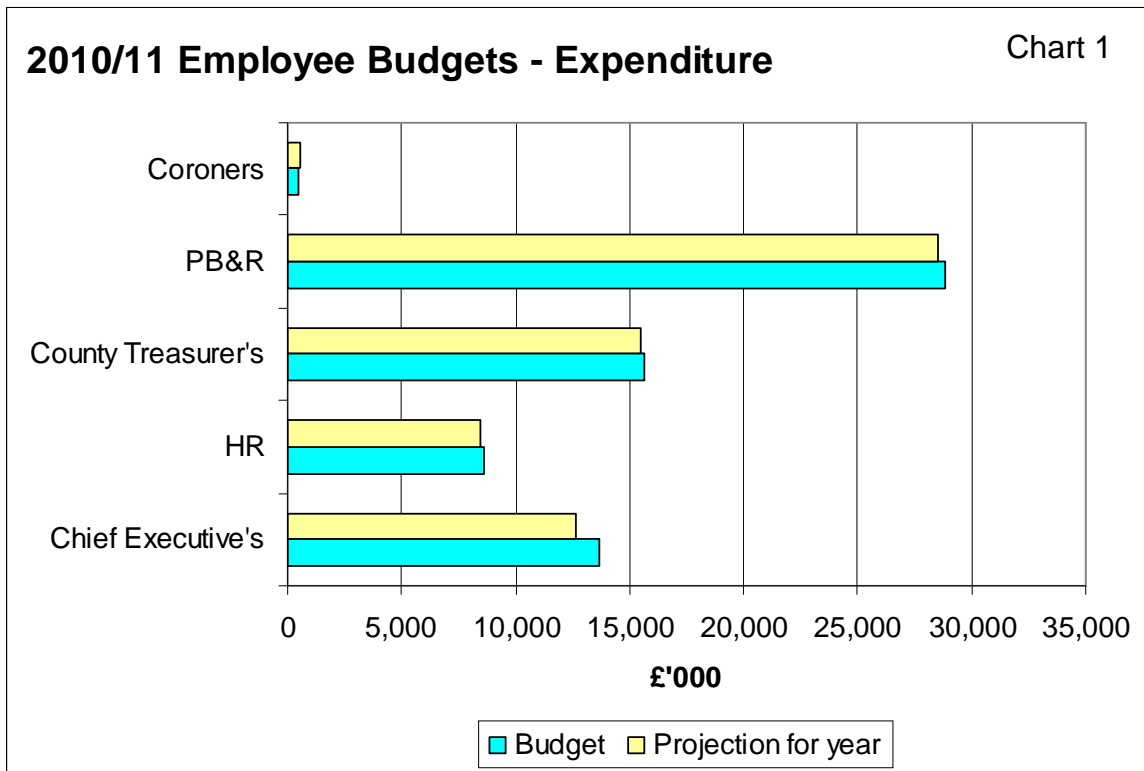
- a) How does what is being proposed impact on our carbon footprint / energy consumption?

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

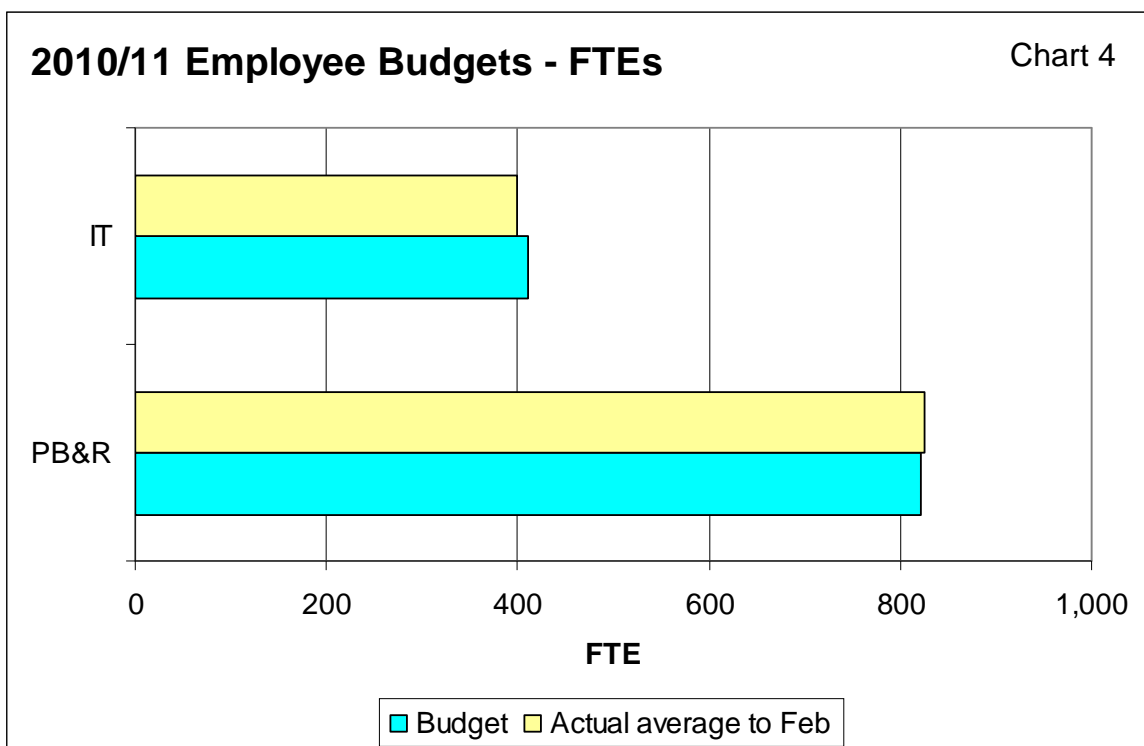
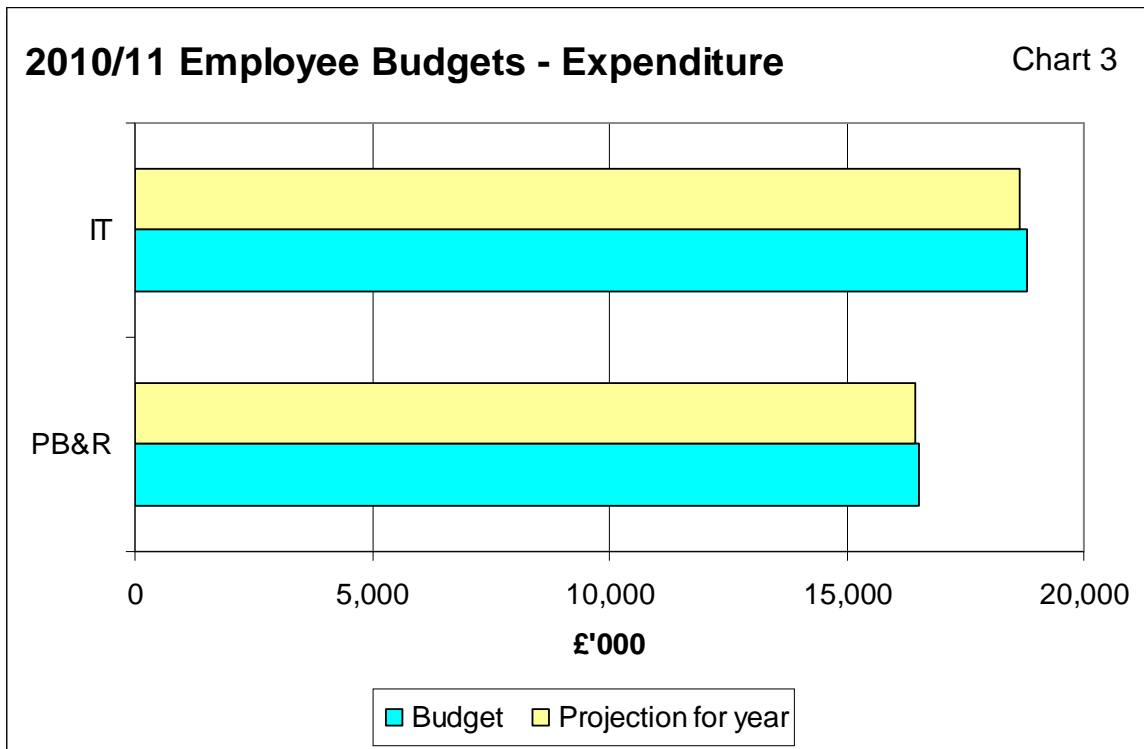
- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

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

Policy & 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
Developer contribution to Havant Day Services Access Road	59
Transfer from revenue for advanced boiler controls	500
Funding from BSG reserve for the scientific services laboratory	297
Contribution from Hampshire Constabulary	120
Coastal Conservation – brought forward unspent balance	246
	63,439
2. Analysis of 2010/11 programme including carry forwards from 2009/10:	
Capital repairs	3,947
- 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
Coastal Conservation	412
Havant Day Services access road	59
Schemes controlled on an expenditure basis:	35,929
Office accommodation	732
Economic Development	159
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
Advanced Boiler Controls	500
Scientific Services Laboratory refurbishment	637
HPSN2	6,399
Schemes controlled on a starts basis:	26,833
Unallocated	677
Policy and Resources Capital Programme 2010/11	63,439

