

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member – Environment and Transport
<b>Date:</b>	11 September 2012
<b>Title:</b>	2012/13 Quarter 1 Revenue Budget Monitoring
<b>Reference:</b>	4208
<b>Report From:</b>	Director of Economy, Transport and Environment

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#### 1. Executive Summary

- 1.1. This report outlines the budget monitoring position as at the end of quarter 1 (30 June 2012).
- 1.2. The projected outturn for budgeted services for 2012/13 is a saving of £392,000 or 0.4% of the total budget. The variance reported by each service stream board and group is set out below.

	<b>Current budget</b>	<b>Quarter 1 forecast variance</b>	<b>Variance as % of budget</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Highways, Traffic & Transport	63,770	(392)	(0.6)
Waste, Planning & Environment	40,557	0	0
Economic Development	845	0	0
Departmental & Corporate Services	5,700	0	0
<b>Total</b>	<b>110,872</b>	<b>(392)</b>	<b>(0.4)</b>

- 1.3. The position on Concessionary Fares continues to be complex. Significant risks remain around payments to bus operators both from outstanding 2011/12 appeals and the possibility of new appeals in 2012/13. A provision

has been set aside in central contingencies to offset this risk and the 2012/13 forecast also assumes some further appeals may be successful.

- 1.4. As previously reported the activities of the Safer Roads Partnership are now funded from income received by Hampshire Constabulary. After allowing for a contribution of £95,000 to Village 30 initiatives and the return of the remaining partnership balances the forecast saving for the year in this area is £302,000.
- 1.5. Vacancy savings in Highways, Traffic and Transport together with successes in bidding for additional capital funding resulting in higher levels of fee income than previously forecast are partly offset by additional forecast spend on agency staff. The net saving currently anticipated for 2012/13 is £300,000.
- 1.6. At this early stage in the year the highways maintenance budgets are planned to be spent in full. As always, delivery can be affected by a number of factors including adverse weather conditions and the impact of these will be factored in as the year progresses. Recent integrated transport service improvements, supported by LSTF funding awards, have resulted in emerging pressures on the maintenance budget and options to fund these will be worked up as part of the 2013/14 budget strategy. The net current pressure on the maintenance budget for 2012/13 is £210,000. It is expected that technological innovation will reduce this pressure in the medium to long term.
- 1.7. Spend against the waste contract is determined by a number of factors including waste volumes and inflation. To reflect the extent that many of these factors are outside of the control of the department the total spend is managed across the Economy, Transport & Environment cash limit and a central contingency. Forecasts rely on information being provided by the contractor and partner authorities. At this early stage in the year no impact on the department's cash limit is expected from the waste contract. The call on the central contingency will be estimated once all the first quarter data is available.
- 1.8. A major restructure for the Economic Development service was agreed in 2011/12 and provision to support these changes was included in the amounts carried forward from the previous financial year. Appointments to the new structure will take place during the course of 2012/13 and the timing and outcome of this process will be key in determining the outturn position.
- 1.9. The quarter one cash limit does not include any of the cost of change provision carried forward from 2011/12 and the outturn forecasts exclude any costs to be funded from this source.

1.10. Significant variances for the end of quarter 1 are summarised as follows:

	<b>Forecast variance this quarter £000</b>
<b>Staffing and Operational Support – Highways, Traffic &amp; Transport</b>	<b>(300)</b>
Net vacancy savings forecast for 2012/13 across the Highways, Traffic and Transport Service Stream	
<b>Safer Roads Partnership</b>	<b>(302)</b>
Savings resulting from the change to funding arrangements and further returns of partnership balances.	
<b>Highways Maintenance</b>	<b>210</b>
Additional annual maintenance costs associated with major service improvements.	

1.11. Specific service area issues are highlighted in the following sections of this report. In addition the following information is shown as appendices to this report:

1. Adjustments to Economy, Transport and Environment cash limits.
2. Progress on Achievement of Efficiency Savings

## 2012/13 Revenue Budget

### 2. Highways, Traffic and Transport (HT&T) Service Stream

2.1. The current forecast for the Highways, Traffic and Transport Service Stream is for a saving for the year of £1.032 million (1.6% of the net cash limited budgets).

	<b>Current budget</b>	<b>Quarter 1 forecast variance</b>	<b>Variance as % of budget</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Highways Maintenance	31,064	210	0.7
Engineering Consultancy	(105)	0	0
Public Transport	18,968	0	0
Staffing and Operational Support	11,259	(300)	(2.7)
Road Safety	2,423	(302)	(12.5)
Traffic Surveys	256	0	0
Parking Services	(95)	0	0
<b>Total</b>	<b>63,770</b>	<b>(392)</b>	<b>(0.6)</b>

2.2. The forecast position for highways maintenance assumes the contingency will be fully spent. The forecast pressure relates to the additional maintenance costs of recent transport service improvements. Options for funding these and other maintenance costs likely to arise from other service improvements such as those funded from the Better Bus Fund will be worked up as part of the 2013/14 budget process. The budget also includes £4.754 million provision for winter maintenance: the extent to which this is under or overspent in year is dealt with corporately. The calculation of the annual budget is based on a rolling four year average spend and increases required under this approach is found from the ETE locally resourced capital programme.

2.3. There continue to be a number of known risks relating concessionary fares and payments to bus operators and the current forecast assumes a worst case outcome.

- 2.4. Staffing and operational support budgets are predicted to make a saving of £300,000 in 2012/13. Additional income from capital and other sources together with vacancy savings are partly offset by additional agency staff costs.
- 2.5. The forecast saving of £302,000 on the road safety budget results from the change in the funding basis for the activities of the Safer Roads partnership, a further return of partnership balances offset by an allocation for Village 30 initiatives.
- 2.6. Engineering Consultancy is currently expected to meet its net income target but the final position will be influenced by any changes to the volume of work on capital schemes and the corresponding impact on professional fee income.
- 2.7. As part of the 2011/12 final accounts process a sum of £0.5 million was set aside in the cost of change reserve towards the cost of the new highways term contract IT system. This sum has not yet been brought into the 2012/13 cash limit and the corresponding costs have also therefore been excluded although it is expected that the majority of spend relating to this project will occur in 2012/13.
- 2.8. Significant variances for the end of quarter 1 are summarised as follows:

	<b>Forecast variance this quarter £000</b>
<b>Road Safety</b>	<b>(302)</b>
Savings against the Safer Roads Partnership resulting from the change to funding arrangements and further returns of partnership balances	
<b>Staffing and Operational Support</b>	<b>(300)</b>
Net saving resulting from vacancy savings across the Service Stream and higher fee income from capital schemes partly offset by higher agency staff costs.	
<b>Highways Maintenance</b>	<b>210</b>
Additional annual maintenance costs associated with major service improvements.	

### 3. Waste, Planning and Environment (WP&E) Service Stream

3.1. The forecast variance at the end of quarter 1 for the Waste, Planning and Environment Service Stream is for a balanced position against the overall cash limit.

	<b>Current budget</b>	<b>Quarter 1 forecast variance</b>	<b>Variance as % of budget</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Waste Contract	36,304	0	0
Staffing and Operational Support	2,959	0	0
Waste Non-Contract	1,115	0	0
Chichester Harbour Conservancy	179	0	0
<b>Total</b>	<b>40,557</b>	<b>0</b>	<b>0</b>

3.2. Expenditure relating to the waste management contract services is currently expected to be contained within the total County Council 2012/13 provision including the centrally held contingency. The latter is used to fund inflation and variations in volumes. The call on the contingency for the first quarter of 2012/13 will not be calculated until the end of July when the full data for the first quarter becomes available.

3.3. As part of the 2011/12 final accounts process a sum of £302,000 has been set aside in the cost of change reserve to support the review of the Household Waste Recycling Centre reviews. This sum is not yet included in the cash limit but it is anticipated that the majority of this funding will be required to meet appropriate spending in 2012/13 (e.g. support for the recently agreed workstream trials).

#### 4. Economic Development

4.1. The forecast variance for Economic Development at the end of quarter 1 is for a balanced position against the cash limited budget.

	<b>Current budget</b>	<b>Quarter 1 forecast variance</b>	<b>Variance as % of budget</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Economic Development	644	0	0
Tourism	200	0	0
<b>Total</b>	<b>844</b>	<b>0</b>	<b>0</b>

4.2. The service is undergoing a period of major review and restructuring extending into 2013/14. A sum of £497,000 carried forward from 2011/12 is held in the cost of change reserve to support the implementation and at this stage it is envisaged that the majority of this money is likely to be required in 2013/14.

#### 5. Departmental and Corporate Services

5.1. The forecast variance at the end of quarter 1 is for a balanced position against the cash limited budget with vacancy savings offset by agency staff costs.

	<b>Current budget</b>	<b>Quarter 1 forecast variance</b>	<b>Variance as % of budget</b>
	<b>£000</b>	<b>£000</b>	<b>%</b>
Staffing and Operational Support	2,673	0	0
Centrally managed	3,027	0	0
<b>Total</b>	<b>5,700</b>	<b>0</b>	<b>0</b>

## **6. Efficiency Savings**

- 6.1. Appendix 2 summarises the Economy, Transport and Environment Department's phase 3 efficiency savings proposals in 2012/13 showing that 89% (£5.425m) has already been secured with the remaining 11% (£0.679m) at a high confidence level of being achieved.
- 6.2. The majority of the required savings result from the full year impact of plans put in place during 2011/12

## **7. Recommendations**

- 7.1. That the forecast position at the end of quarter one be noted.
- 7.2. That approval be given to implement the following £288,000 budget reallocation proposals to utilise the forecast £392,000 underspend position at the end of the first quarter
  1. £63,000 'one off' re-allocation to meet an unallocated 2012/13 expenditure for the BRT opening and marketing
  2. £25,000 'one off' re-allocation to meet the marketing proposals for wider BRT and Phase 1 BRT.
  3. £80,000 'one off' re-allocation to seek to employ temporary resource (via the TRF) for the highway service to meet service pressures (ie, high PEM demand due to inclement weather, IT system implementation.)
- 7.3. Approval in principle for a £120,000 'one off' reallocation to Area Office revenue budgets (£40,000 per area). Subject to contract resources being available.

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

<b>Hampshire safer and more secure for all:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	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.)**

Document

Location

None

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

1.1 The proposals in this report have been developed with due regard to the requirements of the Equality Act 2010, including the Public Sector Equality Duty and the Council's equality objectives. Assessments of the impacts in these service areas can be found at :

<http://www3.hants.gov.uk/equality/equality-impact-assessments/cx-pu-eqimpact-envi.htm>

It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.

### **2. Impact on Crime and Disorder:**

2.1. It is considered that the proposed decision will have no impact on crime and disorder.

### **3. Climate Change:**

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

As this is a general report covering the monitoring of the budget, performance and workforce for the department, it cannot set out detailed climate change implications. However, climate change implications of specific departmental issues would be reflected in individual service plans and project reports where appropriate.

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

As above.

## Reason for budget movement between original budget and quarter one

Reason	Change £000
<b>Original budget</b>	<b>107,676</b>
<b>Contingencies</b>	
Waste contract base budget adjustment	3,071
Park and Ride	70
Concessionary Fares	(640)
<b>Grants</b>	
LPSA Reward Grant	428
Cycle Training Grant	100
Flood & Water Management Act	120
Asset Management	60
<b>Inter Departmental transfers</b>	
Office accommodation (Sun Alliance House) to P&R	(15)
Remove recharge	41
FM photocopying	33
Finance posts to P&R	(65)
Workforce development post	20
<b>Spending met by reserves</b>	
Community Transport Vehicle Replacement	(27)
<b>Quarter 1 budget</b>	<b>110,872</b>

## Budget movement between original budget and quarter one by Service Stream

Group	Original budget	Movement			Budget as at Quarter 1
		Expense	Income	Net	
		Cash limit	Cash limit	Cash limit changes	
	£000	£000	£000	£000	£000
Highways, Traffic & Transport	63,912	(142)	0	(142)	63,770
Waste, Planning & Environment	37,315	3,242	0	3,242	40,557
Economic Development	897	(52)	0	(52)	845

<b>Departmental &amp; Corporate Services</b>	5,552	148	0	148	5,700
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<b>Grand Total</b>	<b>107,676</b>	<b>3,196</b>	<b>0</b>	<b>3,196</b>	<b>110,872</b>
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## Progress in achievement of efficiency savings

### Status Summary of 2012/13 Efficiency Savings as at 30 June 2012

Blue		Green		Amber		Red		Total	
£000	%	£000	%	£000	%	£000	%	£000	%
5,425	89	679	11	0	0	0	0	6,104	100

#### Key

Red	Low Confidence - Serious actual or forecast problems with containment plans still being developed
Amber	Medium Confidence - Some problems but containment plans in place that lower risk
Green	High Confidence - No problems or problems significantly mitigated by containment plans
Blue	Secured (Guaranteed) saving.