

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Cabinet
<b>Date:</b>	28 February 2011
<b>Title:</b>	2010/11 Budget monitoring update
<b>Reference:</b>	2662
<b>Report From:</b>	County Treasurer

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#### 1. Executive Summary

- 1.1. This report reviews the budget monitoring position at the end of the third quarter. This provides an update on the data reported to Executive members in January on the 2010/11 revised budget, alongside the approval of the 2011/12 budget. The report also reviews the first three quarter's monitoring of high risk/demand led budgets, overall employee budgets, savings plans and financial health indicators to provide an overall corporate context to budget monitoring.
- 1.2. Previous monitoring reports indicated that substantial management action would be required in both Adult and Children's Services to continue to manage budget pressures, and good progress has continued to be made in containing budget pressures in the current year. Culture, Communities and Rural Affairs, Environment and Policy and Resources are all planning to achieve underspendings on the current year to assist in financing restructuring costs incurred either in 2010/11 or 2011/12.
- 1.3. The Cabinet agreed in June 2010, following the announcement of the substantial Children's Services in-year grant reductions, that some corporate support would be required by Children's Services in 2010/11. The Cabinet agreed that providing Children's Services achieved the savings required to match the in-year reduction by 31 March 2011, that corporate support would be provided in respect of any savings shortfall in 2010/11, including the initial cost of any staff restructuring. The Children's Services revised budget for 2010/11 indicates that savings of approximately £8m are expected to have been delivered by 31 March 2011, both to reflect the in-year grant reductions and budget pressures associated with higher than forecast numbers of looked after children. Corporate support of £3.7m is forecast to be required to cover redundancy and other restructuring costs associated with 2010/11 savings proposals.

- 1.4. Though spending on demand led Adult Services budgets remains significantly higher than budgeted, the position has stabilised since the first quarter. As a result of additional income, savings on non-demand led budgets and the impact of NHS partnership funding of £4.2m for social care services which also benefits health, it is anticipated that overall spending can be contained within the cash limit.
- 1.5. As reported to the Cabinet on 11 February, spending on winter maintenance is expected to be at least £2.2m above the budget, based on average spending in the last four years. Taking into account the cost of the recent replenishment of salt stocks, spending is likely to be at least £2.2m higher than budgeted, even if there is no further major snowfall this winter. However the cost of providing corporate support to Children's Services and of higher winter maintenance spending will be largely offset by savings in capital financing costs. In addition the third quarter's data on waste volumes indicates that there is likely to be a saving against the waste contract contingency.
- 1.6. The previous monitoring report also highlighted the impact on CCRA's countryside budget of dealing with applications for Village Green status in Gosport associated with the Bus Rapid Transit Scheme. It is proposed that the additional costs be financed from the corporate policy reserve and that the level of required support be actioned when the accounts for 2010/11 are closed commensurate with actual expenditure.

## **2. Service cash limited expenditure**

### **Adult Services**

- 2.1. The executive member for Adult Services received a report on the 2011/12 budget in January, identifying that the net projected budget pressure, estimated at £3.2m at the end of September 2010, had reduced to £2.2m at the end of October. Further management action has reduced the projected overspending to £1.1m at the end of the third quarter. The impact of additional demands for services has continued to be a significant budget issue, and the average client numbers at the end of the third quarter are higher by about 0.4% than at the end of the second quarter. However additional Health funding in 2010/11 of £1.1m announced in October 2010 for developing reablement capacity and of £3.2m in January 2011 for social care spending benefiting health will have a positive impact on the management of winter pressures in 2010/11, and on the prospect for achieving a balanced outturn in 2010/11.

### **Children's Services**

- 2.2. At the end of the second quarter an in year funding gap of £2.0m was forecast on the non-schools Children's Services budget, excluding the impact of one-off costs associated with planned staffing reductions in 2010/11. It is now anticipated that savings will be delivered in 2010/11 to cover the in-year grant reductions and underlying budget pressures, mainly affecting the number of looked after children, totalling approximately £8m.

Corporate support in 2010/11 will then be limited to the cost of the redundancy programme which, excluding the cost of voluntary enhancement, is estimated at £3.7m.

### **Culture, Communities and Rural Affairs (CCRA)**

- 2.3. An underspending of £0.4m is being targeted in 2010/11 to contribute to the one-off cost of staffing reductions in 2010/11 and 2011/12. Costs of approximately £60,000 have already been incurred in dealing with applications for Village Green status associated with the implementation of the Bus Rapid Transit scheme in Gosport compared with funding of £14,000 per annum transferred from the Chief Executive's budget when CCRA took over responsibility for the Commons Registration function in 2008. As this represents a significant burden on the Countryside budget associated with a major corporate project, it is proposed that the additional costs associated with these applications be funded from the corporate policy reserve, with the amount to be determined when the 2010/11 accounts are closed.

### **Environment**

- 2.4. The latest budget monitoring report estimates that an underspending of approximately £1.4m on cash-limited expenditure will be achieved in 2010/11 to be carried forward to 2011/12 to support the cost of the change programme, in accordance with the revised financial management policy.

### **Policy and Resources**

- 2.5. Each of the central support services are planning to achieve underspendings in the current year mainly in order to provide funding for the costs associated with the implementation of the senior management reviews in 2010/11 and 2011/12.

### **Corporate budget monitoring**

- 2.6. In addition to service based budget monitoring, a corporate monitoring process is undertaken across all services on a quarterly basis, focussing on high risk/demand led budgets, overall employment trends, the achievement of budget savings and the monitoring of financial health indicators.

### **High risk/demand led budgets**

- 2.7. Appendix 1 summarises the monitoring of high risk/ demand led budgets based on data at the end of the third quarter, which are mainly focused on Adults and Children's Services. Spending on these budgets is projected to be £8.3m (2.0%) higher than budgeted, by £8.1m on Adult Services and by £0.1m on Children's Services (net of a saving of £2.0m within the schools block), and £0.1m on the Coroners Service. This compares with the £10.1m at the end of the second quarter and £13.5m at the end of the first quarter, indicating that management action has had a progressive impact on the spending projections. As indicated in paragraph 2.1, savings on

other Adult Services budgets substantially offset the higher spending projected on high risk/demand led budgets.

### **Employee budgets**

- 2.8. The overall non-schools workforce, inclusive of business unit employees, fell by 217 FTEs between 30 September and 31 December, as the recruitment controls have taken effect. Overall spending on employees in 2010/11 is forecast at £352.4m, £1.6m lower than projected at the end of the second quarter.

### **Savings plans**

- 2.9. The 2010/11 budget included planned savings of £21.5m to finance one-off and recurring budget pressures in 2010/11. In addition further savings of £5.9m in Children's Services were required to compensate for in year grant reductions. Good progress has been made in implementing plans to achieve the budgeted savings, with savings forecast to be achieved as planned to cover 90% of the savings target, as set out in the table below:

	£m	%
Planned savings in the 2010/11 budget	27.4	100
Forecast savings in the areas planned	24.8	90.5
Alternative savings identified to comply with the cash limit	2.6	9.5

### **Financial Health Indicators**

- 2.10. A set of financial health indicators were incorporated in the budget proposals in the 2010/11 budget, designed to provide an early warning of when action may need be required to protect the County Council's financial health. Appendix 3 contains a summary of the targets for 2010/11 and either the latest full year projection or data for the first three quarters.
- 2.11. The income collection indicators for the percentage of outstanding debt under 60 days and over six months old are marginally outside the target range, but the proportion of over 12 month debt is well within the indicator. The forecast capital financing requirement of 31 March 2011 has been amended to reflect the latest prudential indicator recently approved by the County Council, the increase reflecting the updated financing plan for 2010/11's capital expenditure.

### **Non cash limited budgets**

- 2.12. The revised budget reported to the last meeting of the Cabinet included an allowance for higher spending of £2.2m on winter maintenance in 2010/11 as a result of the heavy snow earlier in the winter and the need to replenish salt stocks. However reduced capital financing costs of £5.3m enable this additional cost to be financed, together with the projected in-year funding

short fall of £3.7m on Children's Services with a call of only £0.6m on the County Council's balances.

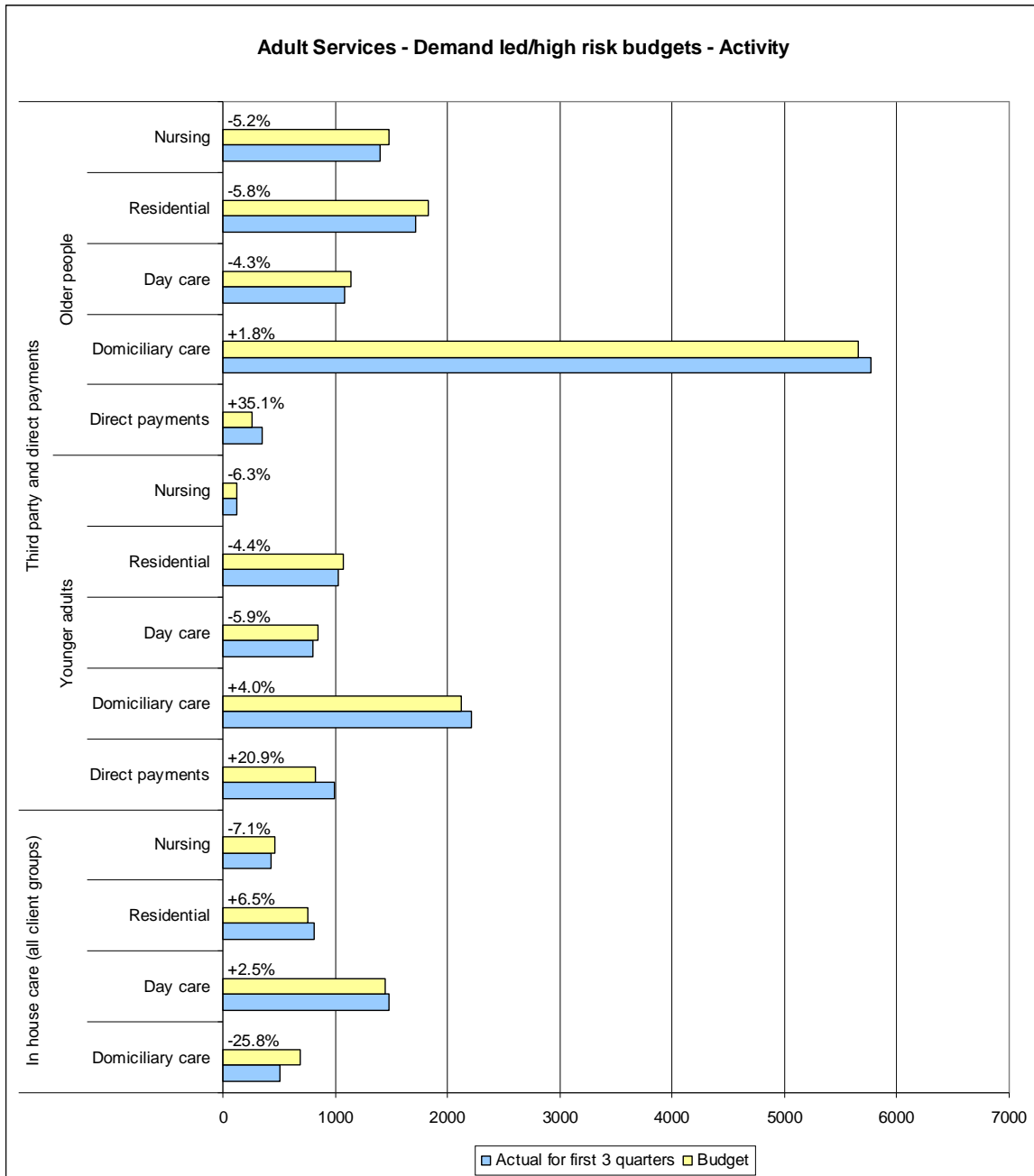
- 2.13. The third quarter's data on waste volumes confirms that the favourable downward trend is continuing, with overall waste volumes being 1.6% lower in the first three quarters of 2010/11 than in the comparable period in 2009/10. The cost of the waste management contract over the first three quarters has been £303,000 lower than budgeted. Based on current trends, it is anticipated that none of the original contingency sum of £800,000 will be utilised during 2010/11 and that there is likely to be a further under spending against the waste contract budget at the year end, depending on actual waste volumes during the final quarter.

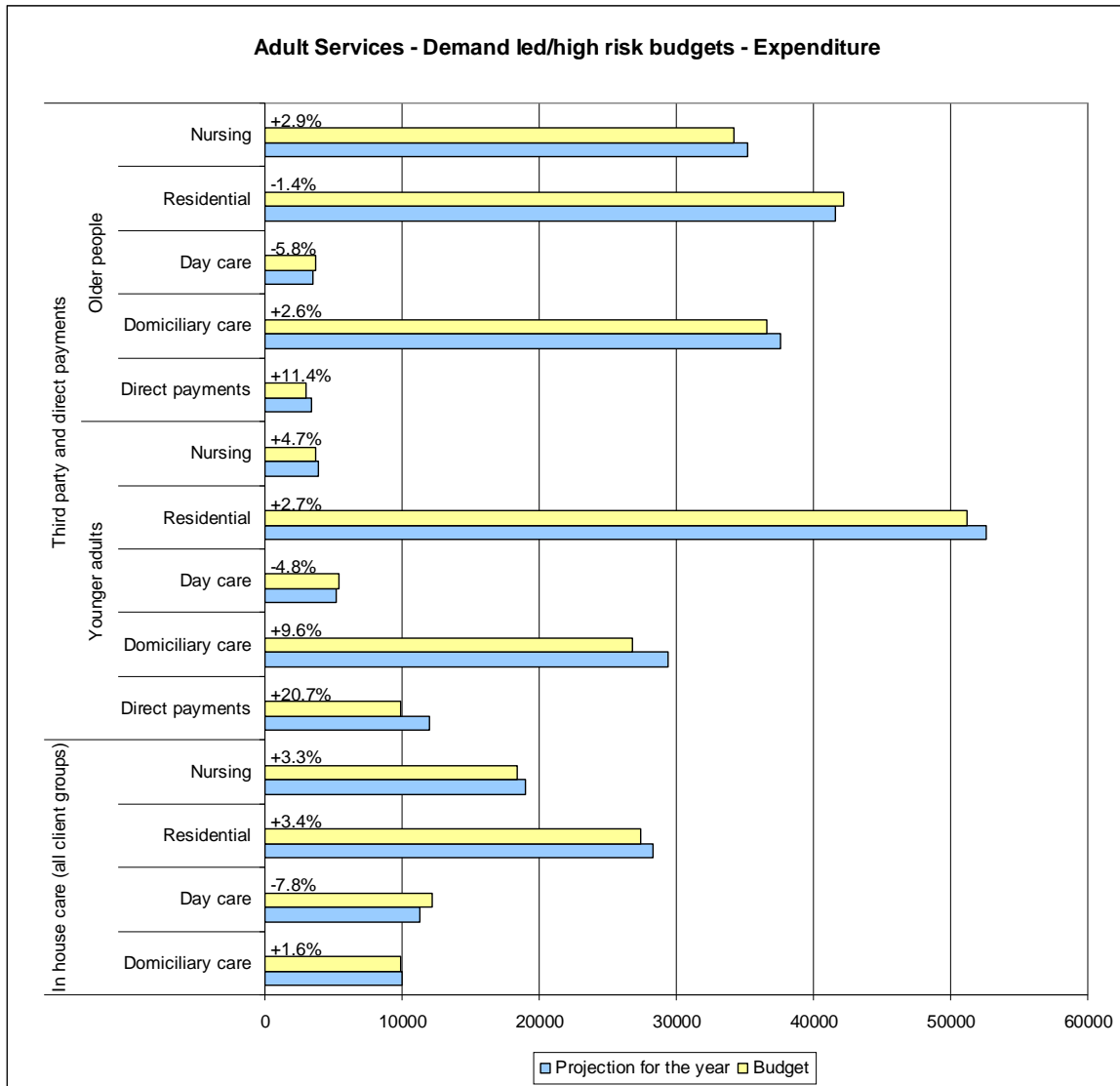
### **3. Conclusion**

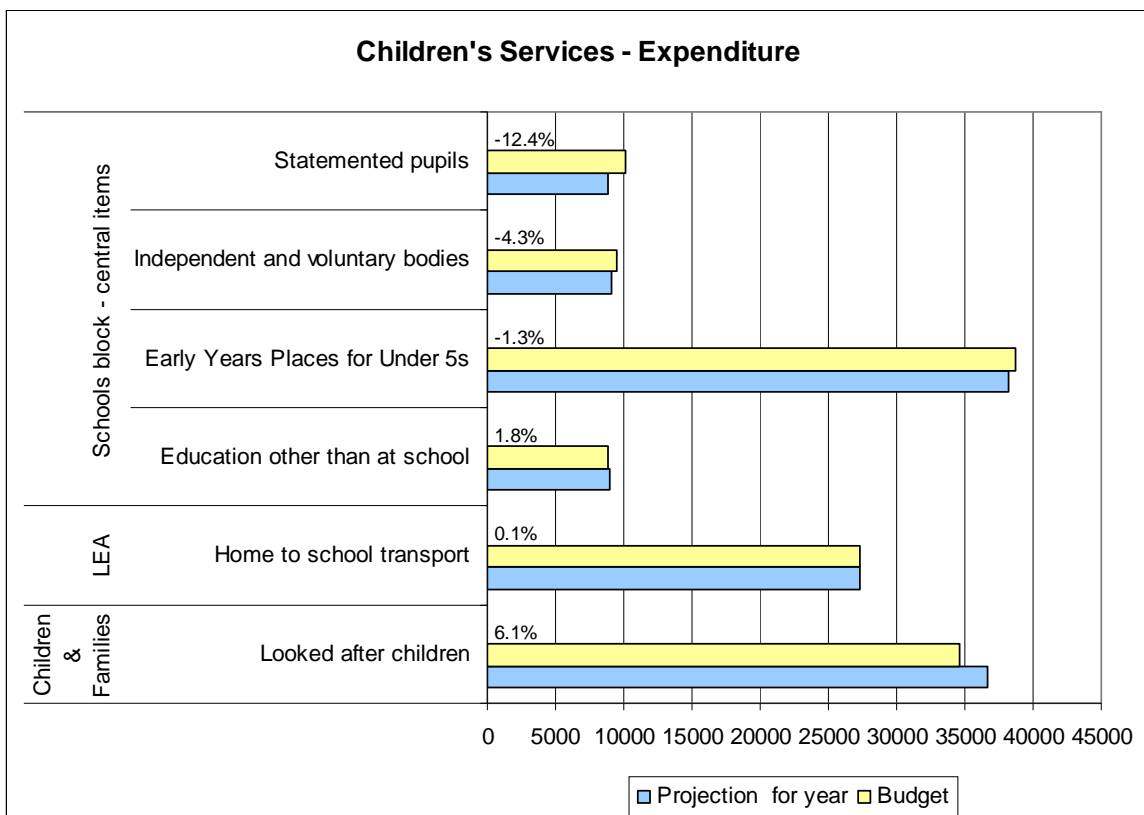
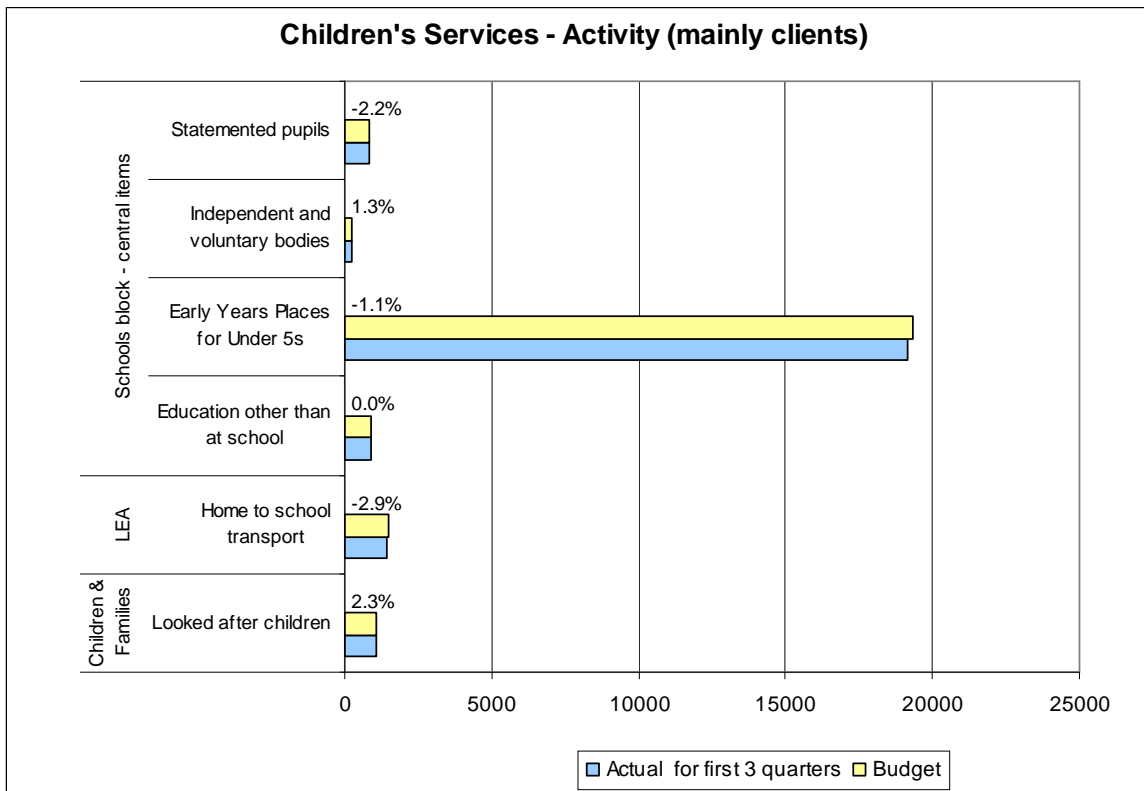
- 3.1. The budget monitoring data for the first three quarters of 2010/11 indicates that though the demand trends relating to adult social care in particular continue to be upwards, that action is being successfully taken to manage increased demand. Children's Services are also projecting that the savings required to meet the in-year grant reductions will be implemented in full by 31 March 2011. The controls on recruitment are also having a downward impact on the level of the pay bill.

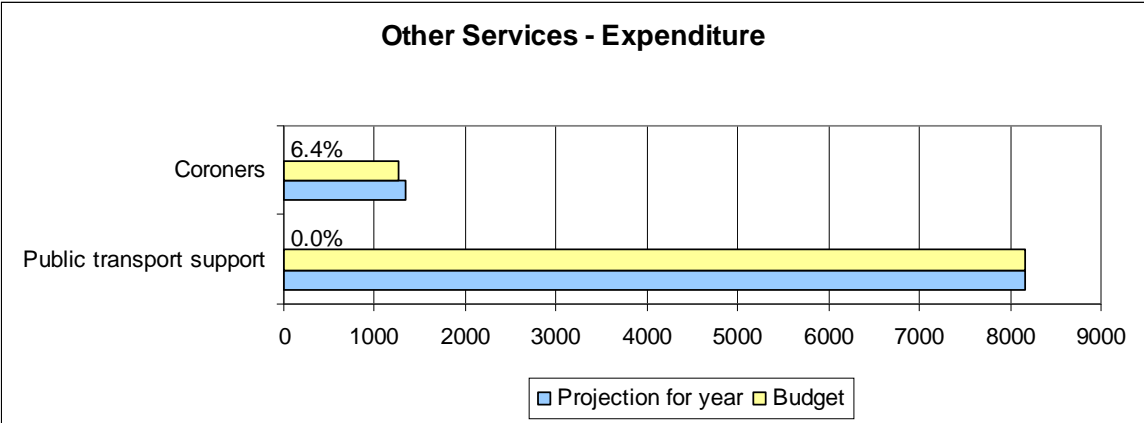
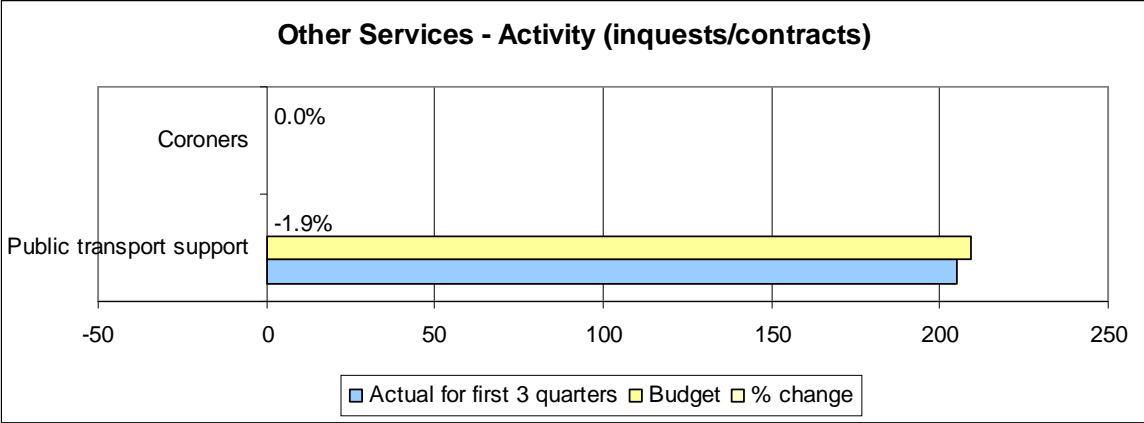
### **4. Recommendations**

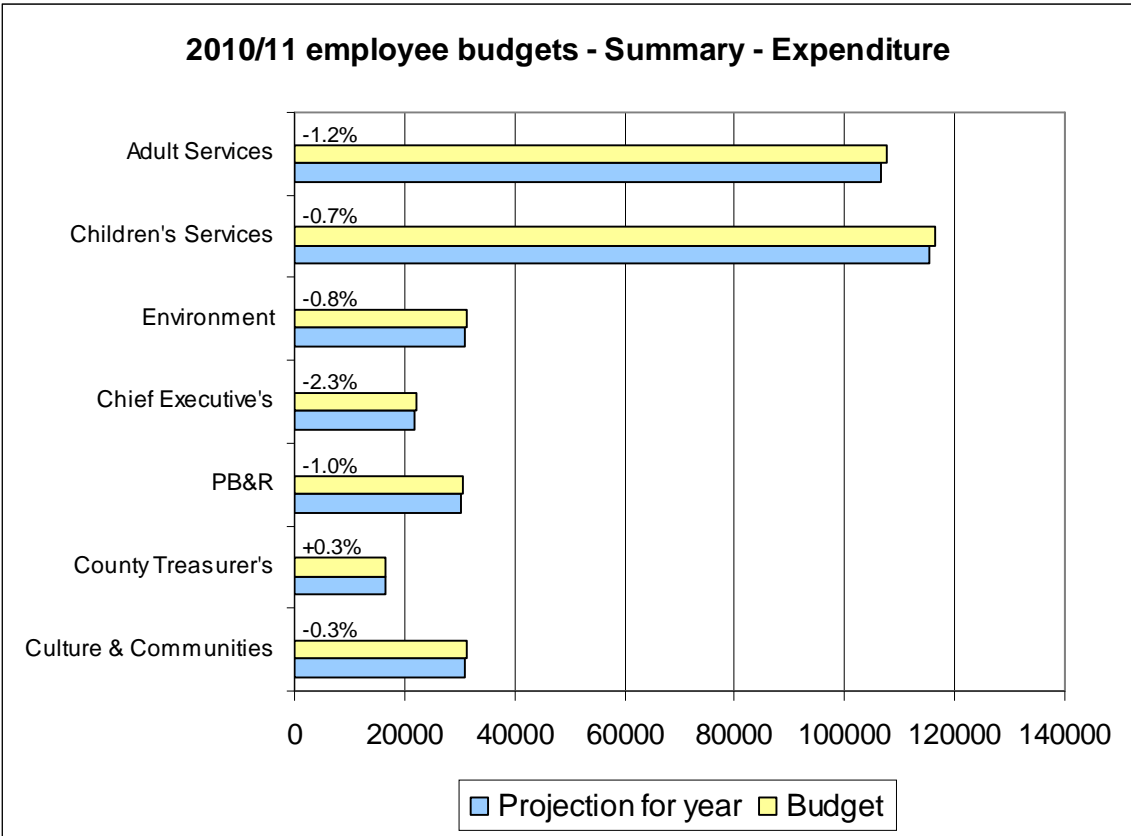
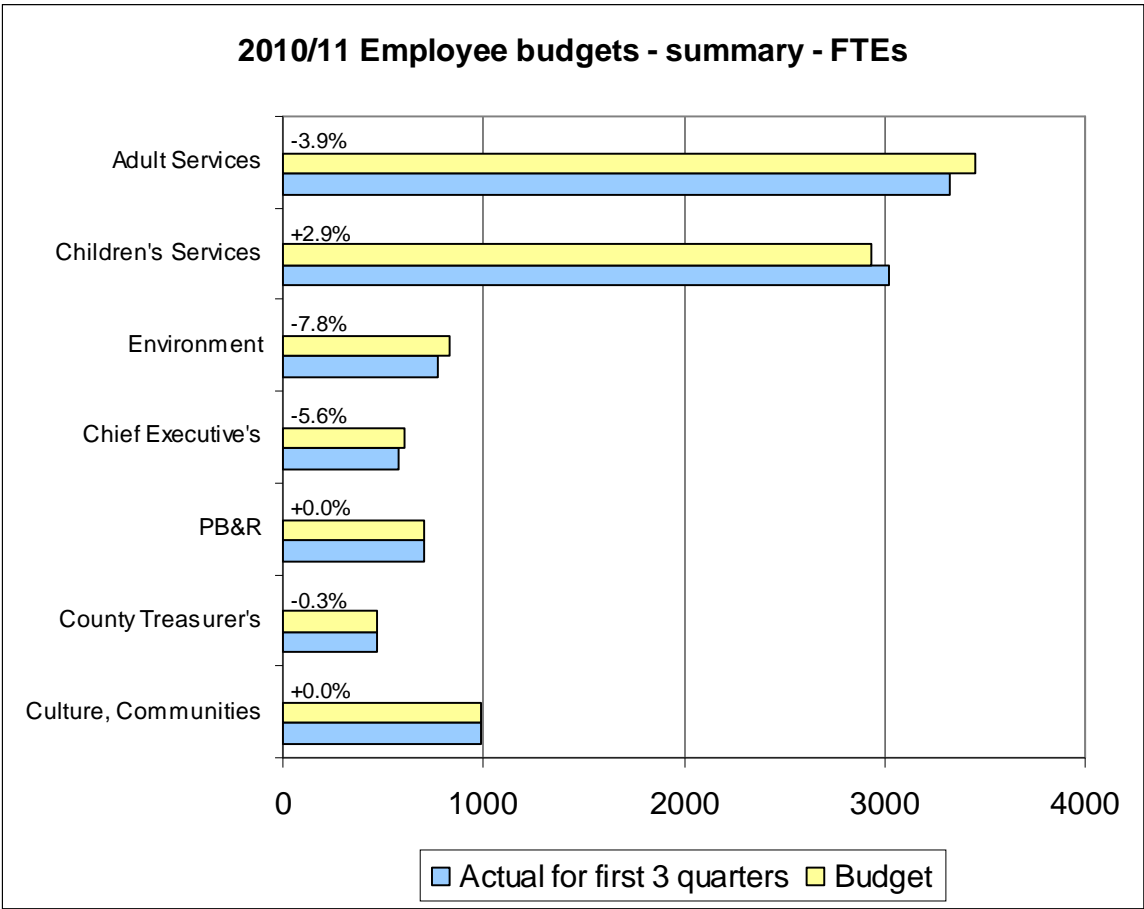
- 4.1. That the actions being taken to achieve planned savings and deal with in-year grant reductions and other budget pressures be supported.
- 4.2. That the additional expenditure incurred by CCRA in dealing with applications for Village Green status in Gosport be financed by a contribution from the corporate policy reserve, the amount to be determined when the accounts for 2010/11 are closed.











## Financial Health Indicators

	2010/11 Target	2010/11 Projection	
<b>Variance from budget</b>			
Net service spending (maximum % variation)	1.0	1.0	
Overall spending met from formula grant, council tax and balances (maximum % variation)	2.0	2.0	
Balances as a % of budget requirement	3.2	3.1	
<b>Capital Programme Management</b>			
Carry forward of capital schemes (% by value)	20.0	20.0	
Actual capital expenditure compared with estimate (% variation)	10.0	10.0	
Capital receipts and other third party contributions (% variation on financing plan)	10.0	10.0	
<b>Prudential indicators relating to borrowing</b>			
Capital financing requirement at 31 March 2011	743.3	755.2	
Maximum level of external debt:			
£m	772	573.0	Third quarter
As % of authorised limit	100.0	74.2	Third quarter
Upper limit on:			
Fixed rate borrowing	412.0	378.0	Third quarter
Variable rate borrowing	420.0	198.0	Third quarter
Ratio of financing costs to net revenue stream (%)	8.9	8.1	

	<b>2010/11 Target</b>	<b>2010/11 Projection</b>	
<b>Income Collection</b>			
% of outstanding debt more than 12 months old	17.5	10.8	Third quarter
% of outstanding debt more than 6 months old	20.0	21.6	Third quarter
% of outstanding debt under 60 days old	60.0	59.1	Third quarter

**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.)**

DocumentLocation

None

## **IMPACT ASSESSMENTS:**

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

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

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

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

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

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

No specific proposals

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

No specific proposals affecting adaptation to climate change