

**HAMPSHIRE COUNTY COUNCIL****Decision Report**

<b>Decision Maker:</b>	Cabinet
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<b>Title:</b>	Quarter Two Budget Monitoring – 2012/13
<b>Reference:</b>	4330
<b>Report From:</b>	Director of Corporate Resources – Corporate Services

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## **1. Executive Summary**

- 1.1. This report reviews the budget monitoring position at the end of the second quarter. It also examines the monitoring of high risk / demand led budgets within Departments, and other central budget items that make up the overall revenue account.
- 1.2. Overall performance against the budget remains strong and where there are issues, particularly where there is slippage in the achievement of savings, central contingencies are available to meet those variations. This was an important part of the budget setting process in 2012/13, recognising the risks that the County Council faced in trying to achieve such an ambitious change programme. . The overall position referenced in para 1.16 is a predicted underspend of £7.103 million (1.0% of budget requirement).
- 1.3. The Departmental summaries in Appendix 1 highlight key corporate risk factors that are taken into account in assessing the overall performance against the budget. There continues to be significant pressure in respect of both Children's and Adults social care requiring some contingency support and the potential for new funding from 2013/14 onwards which is outlined in the Medium Term Financial Strategy update report presented elsewhere on this agenda.
- 1.4. The table below outlines the overall position on Departments. As set out in quarter one, it should be noted that any Department under spends are part of a planned approach to meet the costs of change in support of delivering the budget reduction programme and changes arising from the Corporate Services Review in 2012/13:

Department	Current Budget	Forecast Outturn	Forecast Variance	
	£'000	£'000	£'000	%
Adult Services	323,528	323,975	447	0.10
Children's Services	865,299	864,859	(440)	(0.05)
Economy, Transport and Environment	110,486	110,308	(178)	(0.16)
Policy and Resources	90,900	88,243	(2,657)	(2.92)
<b>Total</b>	<b>1,390,213</b>	<b>1,387,385</b>	<b>(2,828)</b>	<b>0.20</b>

- 1.5. Overviews of each Department are set out below. More detailed summaries are contained in Appendix 1, together with the identification of any key corporate risk issues.

### Adult Services

- 1.6. The projected outturn for 2012/13 is a net variance of £8.729m. However, this variance reduces to £4.329m as a result of additional one-off funding of £4.4m from the corporate risk contingency to support transition costs arising in year as a result of the transformation programme. After the use of local contingencies and the remaining cost of change reserve, this reduces the overall variance to a projected £447,000 (0.10%) overspend. The main reason for the predicted overspend is an increase in the average cost of packages, particularly in the areas of Older Persons and Physical Disabilities services, under occupation of in-house residential homes and transition costs arising from the Extra Care transformation programme.
- 1.7. The in year position reflects anticipated pressures in Adult Services for which contingency provision was set aside as part of the budget setting process for 2012/13. One of the key issues for the forward budget will be whether or not current average package cost and demography trends continue and how these might be affected by changes in the NHS landscape over the next few years which will inevitably increase the pressure on Adult social care services.

### Children's Services

- 1.8. The projected outturn for 2012/13 is a net underspend of £440,000 (£360,000 underspend on the schools budget and £80,000 underspend on the non-schools budget). It has been necessary to respond to significant workload pressures, particularly in the north east of the County, which has led to an increase in staffing costs. Management actions are starting to reduce the pressure but there is inevitably a time delay in achieving this.
- 1.9. The net position on the non-schools budget also masks a continued overspend in the area of Children Looked After, where there is a continuing significant pressures on purchased residential placements and fostering with activity well above the budgeted placements. This represents a key risk area for the Department and County Council going forward and the MTFs update report

elsewhere on this agenda seeks to re-align the base budget for this service to reflect current service levels and trends.

- 1.10. The rate of looked after children in Hampshire is 40 per 10,000 which is significantly lower than comparative authorities. This low rate reflects historical strong performance in ensuring that children are only brought into care when absolutely necessary. The number of children in care in Hampshire has risen from 1,023 in March 2008 to 1,106 at the end of August 2012: an 8.1% increase. Nationally the DfE has reported that there has been a 13% increase of children in care during the same period.

### **Economy, Transport and Environment**

- 1.11. There is a predicted net under spend of £178,000 for Economy, Transport and Environment. Planned savings on Economic Development in support of their current review and re-structure account for over half of the overall saving coupled with net savings in staffing and operational support and increased income within Highways, Traffic and Transport.

### **Policy and Resources**

- 1.12. The required 4% (£1.5m) savings (net of VR costs) in respect of implementation costs of the Corporate Services Review, in particular the Integrated Business Centre, are forecast to be achieved in 2012/13.
- 1.13. Further savings have been identified at the end of the second quarter both within CCBS and Policy and Resources 'other' budgets. Phasing and development of the Apprenticeships scheme, savings in external Audit Fee as well as tight budgetary control have all contributed towards the forecast saving.
- 1.14. The savings in the Apprenticeship scheme of £400,000 reflect the fact that there has been gradual take up of places over the year (on average 15 to 20 at any one time) and generally placements are for short periods, whereas the budget allows for 40 placements for a full year. There is a separate item on this agenda dealing with the future development of employment opportunities within Hampshire County Council and it is proposed that the underspend on this budget be carried forward to 2013/14 to support this wider programme.

### **Overall Revenue Account**

- 1.15. Appendix 2 sets out the forecast for the overall revenue budget, taking the figures outlined above for Departments together with the other central items that make up the revenue account.
- 1.16. The overall position shows a net under spend of £7.103m, which it is assumed for presentational purposes will be transferred to general balances, but this report proposes that this underspend is used to provide contingency funding for future budgets. This net under spend equates to improved performance within the area of debt management, which has been offset by the small forecast overspend for Adult Services. Under spends on other Departmental budgets have been transferred to earmarked reserves to meet the cost of change in future years in line with the current policy.
- 1.17. Although management action will continue to be taken within Adult Services to manage down the projected overspend during the year, the net position assumes

the use of local contingencies and the balance of Adult Services cost of change reserve, as approved by the Council in setting the 2012/13 budget.

- 1.18. It is worth re-iterating once again that for 2012/13 the County Council is monitoring against a budget that has had over £100m removed over the last two years and therefore to have achieved a balanced position against this early in the year is very encouraging and highlights the fact that the strategy of trying to achieve four years savings in two has positioned the County Council strongly for the future financial challenges to come.

## **2. Achievement of Savings**

- 2.1. The 2012/13 budget included savings in Departments of £47.1m as part of a package to bridge the £100m created by Government funding reductions over 2011/12 and 2012/13.
- 2.2. The 2011/12 savings were delivered successfully during the year, but it was always anticipated that with £55m of savings already removed plus another £47.1m to deliver, that achievement of savings in 2012/13 would be more challenging.
- 2.3. The savings figure for 2012/13 did not include the additional 4% anticipated savings from the Corporate Services Review as it was always intended that the initial savings from these changes would be re-invested in making the necessary changes to implement the review, in particular the investment for the Integrated Business Centre (IBC) and the procurement of a Private Sector Partner.
- 2.4. At the current time, there has been no significant change from the position reported in Quarter 1, which is that all Departments with the exception of Adult Services are forecasting that they will achieve the savings during the year, including the additional 4% for Corporate Services. Adult Services are anticipating a potential maximum shortfall in the achievement of savings of £7.6m for which corporate support has been provided.
- 2.5. Nevertheless, it is still anticipated that 97% of all savings approved for the 2012/13 budget will be achieved allowing for some slippage in the timetable for some savings proposals, which again, is a significant achievement given the scale of the change programme that has been implemented.

## **3. Overall Revenue Position**

- 3.1. The overall revenue position for the County Council is set out in Appendix 2. This takes the 2012/13 original budget approved by the County Council in February, adjusts for any changes and then measures this against the expected position at the end of the year.
- 3.2. The changes to the budget and how these are balanced are explained in the following paragraphs, none of these impact on the bottom line position of the revenue budget.
- 3.3. **Departmental Cash Limits** – Overall cash limits have increased by £11.5m compared to the original budget. The net increase and how it has been met is described in the following paragraphs.

- 3.4. **Contingencies** – Contingencies have reduced by £15.4m due to the transfer of funding to Adult Services cash limit in respect of slippage and non-achievement of savings of £7.6m and one-off Corporate support for transition costs of the Extra Care Housing Programme of £4.4m. Together with a transfer of £2.7m to the Environment cash limit in respect of waste management volumes and inflation which is allocated from contingencies on a quarterly basis.
- 3.5. **RCCO** – The budgeted revenue contribution towards the capital programme has increased by a net £2.7m, principally due to the slippage in the Extra Care Housing Programme.
- 3.6. **Capital Financing Costs** – The impact of IT Services becoming a cash limited service has resulted in some self-balancing changes in the presentation of the budget. The £2.5m increase in capital financing is entirely offset by a reduction in cash limit.
- 3.7. **Pension Costs** – The increase in budget of £0.7m relates to IT Services' past service deficit contributions and has been achieved by reducing the IT Services' cash limit. This is consistent for all other cash limited services who adopted this approach last year.
- 3.8. **Grants** – Dedicated Schools Grant has reduced by £20.83m reflecting the transfer of more schools to Academy status. This is offset by an equivalent reduction in the Schools Budget. However, this has been offset by the allocation of the Pupil Premium Grant of £6.616m (within specific grants) to Schools, giving a net reduction in the Schools budget of £14.214m. Other increases in specific grants relate to Troubled Families Grant (£1.6m) and Community Safety Grant (£523,000) which have been added to the cash limits of Children's Services and Policy and Resources respectively, the Troubled Families funding will be transferred into Policy and Resources during quarter three.
- 3.9. **Business Units** – The reported trading position for Business Units has improved by £1.7m, but this is entirely offset by a reduction in the draw from Trading Unit Reserves. It should be noted that IT Services are no longer incorporated within these figures but are now reported within the cash limit of the Corporate Services Department.
- 3.10. **Draw from Earmarked Reserves** - The main budget variations in this area are the addition of £8.9m to Adult Services and £1.2m to Policy and Resources cash limits reflecting the use of their cost of change reserve during 2012/13.
- 3.11. In addition there has been a budgeted draw from the earmarked Invest to Save Reserve of £3m to support the Extra Care Housing programme which slipped from 2011/12. This is now reflected in the revenue budget as a Revenue Contribution to Capital Outlay.
- 3.12. These changes are reflected in the Current Budget shown in column 3 of Appendix 2 and the Forecast Outturn has been compared to these figures to produce a forecast variance for the year. The net underspend of £2.828m in Departmental budgets is explained in the Executive Summaries in Appendix 1.
- 3.13. The favourable variance of £7.6m in capital financing costs is due to significantly higher interest on balances as a result of volatile interest rates and reserve levels at the end of 2011/12 and the fact that we budget very prudently in this area given the risks and volatility involved. Capital financing costs are also lower than expected as the County Council has delayed taking out long term borrowing due

to the use of internal cash resources and the very low short term rates that are still available in the market at the moment.

- 3.14. The net underspend (after taking account of transfers to Departmental earmarked reserves) is £7.1m which it is assumed for presentational purposes in Appendix 2 will be transferred to general balances at the end of the year. It is also anticipated (but not yet reflected in the forecast) that there will be further underspends on other contingency items by the end of the year and it is proposed that these underspends, together with the £7.1m are transferred to a new earmarked reserve designed to provide contingency and cash flow funding for the budgets for the next two financial years as the ability to provide separate contingencies within the bottom line budget starts to diminish after the end of this year.
- 3.15. Whilst it is accepted that this represents only one off funding for the next two years, the future impact of pressures and other requirements for contingencies will be built into forward forecasts from the 2015/16 budget and may require greater savings to be made in order to build ongoing contingency amounts into the budget on a recurring basis.

#### **4. Direction of Travel**

- 4.1. The County Council has had a sound strategy in place for dealing with the turbulence created by the reductions to Government Grants and general economic conditions over the past two years. We have now entered the second year of implementation of the two year efficiency programme and the second quarter monitoring provides further confidence that the Council remains on track to deliver against its efficiency targets, although there are further emerging pressures in both Children's and Adults social care which may need to be addressed as part of the development of the budget for 2013/14 and the MTFs update paper presented elsewhere on this agenda starts to consider some of these issues.
- 4.2. The MTFs report also outlines the current prospects for the next grant settlement which may now not be due until 24 December and is likely to cover a period of three years up to 2015/16. Whilst this timing will make the budget setting process for 2013/14 very challenging, it will give the County Council the opportunity to 'take stock' of the overall financial position for the next three years. At the present time, it is still forecast that the County Council will achieve its ambition of making 4 years worth of savings over 2 years and that no further savings above the 2% Annual Efficiency Targets will be required to balance the budget in 2013/14 and 2014/15.
- 4.3. The County Council is in a very strong financial position and has created the time and capacity to start to develop the next phase of service transformation and corporate efficiency work streams in line with the Chief Executives report to Cabinet in June this year that aim to produce savings in time to deal with future reductions in Government grant from 2015/16 onwards.

#### **5. Conclusion**

- 5.1. The overall forecast position for the revenue budget remains sound at the end of the second quarter. This has been achieved by use of corporate and

departmental contingencies set aside for these purposes in respect of cost pressures and slipped or unachievable savings, which will still have to be found in future years.

- 5.2. Achievement against the planned savings programme for 2012/13 is promising with 97% expecting to eventually be achieved after allowing for the slippage in the implementation of some proposals.
- 5.3. Forecast variances within Departmental budgets are very small in percentage terms and where there are adverse variances, management actions are being put in place to address these.
- 5.4. The budget strategy that was put in place for the four years of the current Comprehensive Spending Review remains on target and the risks inherent within the change programme are being managed through appropriate reserves and contingencies established as part of the budget setting process.

## **6. Recommendations**

- 6.1. To note the forecast position for the overall revenue account as contained in Appendix 2.
- 6.2. To approve the carry forward of funding of £400,000 for the Apprenticeship scheme to support the wider programme of employment opportunities in Hampshire County Council.
- 6.3. To approve the earmarking of the current net underspend plus any further savings in contingencies for use as a one off source of funding for contingencies in the 2013/14 and 2014/15 budgets.

**Adult Services**

**1. Executive Summary**

- 1.1. This report outlines the budget monitoring position as at the end of quarter 2 (30 September 2012).
- 1.2. The projected forecast position for 2012/13 as at quarter 2 is a net pressure of £447,000. However, as detailed in the table below as a result of additional one-off funding from the corporate risk contingency to support transition costs arising in year as a result of the transformation the total underlying pressure of £8.729m is reduced to a net underlying pressure of £4.329m. With the use of local contingencies and the cost of change reserve, the departments forecast net outturn pressure is then £447,000. The forecast variance by each directorate is as follows:

	<b>Budget</b>	<b>Forecast</b>	<b>Forecast variance</b>	
	<b>£000</b>	<b>outturn</b>	<b>£000</b>	<b>%</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>%</b>
Director	1,301	1,298	(3)	(0.2)
Policy and Strategic Development	40,309	40,381	72	0.2
Older Persons and Physical Disabilities	121,601	129,613	8,012	6.6
Learning Disabilities and Mental Health	117,050	117,374	324	0.3
In House Services	33,279	34,036	757	2.3
Winter Pressures and Contingency	2,181	1,748	(433)	(19.9)
<b>Total</b>	<b>315,721</b>	<b>324,450</b>	<b>8,729</b>	<b>2.8</b>
Additional Corporate support for transformation	4,400		(4,400)	
<b>Net underlying pressure</b>	<b>320,121</b>	<b>324,450</b>	<b>4,329</b>	<b>1.4</b>
Contingencies		(1,051)	(1,051)	
Balance of cost of change reserve available	3,407	576	(2,831)	
<b>Total Pressure</b>	<b>323,528</b>	<b>323,975</b>	<b>447</b>	<b>0.1</b>

- 1.3. The year to date has been a challenging one, with significant demand and transformational pressures. The department is supporting more older people with greater levels of need. Whilst the prevention and early intervention services are supporting those with lower levels of need more cost effectively and helping them to retain their independence, the needs of the remaining cohort of older clients have risen significantly in the year.

The costs of meeting their needs safely and with dignity has risen more than anticipated as a consequence.

1.4. Market conditions for residential care have hardened at the same time reflecting the national debate on fees, recent judicial reviews<sup>1</sup> and the necessary focus on the quality of care. The costs of transformation have also been higher than anticipated.

1.5. **Key corporate risk issues highlighted in this quarter are:**

Although, on the whole, package numbers are stable there are pressures across the services arising from the average cost of packages being significantly higher than the budgeted value. There has also been further pressures resulting from the transformation agenda, and market conditions have further exacerbated this issue, with residential and nursing home providers showing increasing reluctance to accept the Hampshire Rate beyond a very limited number of beds per home. In previous closures, providers have been supportive and offered additional beds at or near the Hampshire rate however this reluctance reflects the more difficult commercial environment and is influenced by the national debate on paying for care. Although this pressure has been off-set by the additional one-off corporate funding of £4.4m.

## **2. Efficiency Savings**

2.1. The 2012/13 savings target for the department was £21.214m however, of the one-off additional corporate funding agreed in quarter 1 of £7.593m, £5.993m was in relation to slippage against efficiency savings targets and those considered to be at risk of delivery which reduced the amount planned to be delivered during the year to £15.221m. All Departments are monitoring achievement of savings as part of the normal budget monitoring process for the year. At the end of September £11.003m of these savings had been fully delivered and £4.218m were still on target to be delivered by the end of the year.

## **3. Demand Management**

3.1. The greatest area of unexpected pressure has arisen in care at home for older people, predominantly domiciliary care and direct payments which account for £4.1m of costs above budget alone. Whilst the cost per hour of care has been in line with plans, the amount of care required per person has grown significantly. This is seen most starkly in the average weekly cost of domiciliary care packages, which is £23pw higher than when the budget was set.

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<sup>1</sup> A number of Councils have been challenged in the courts in relation to their setting of the amount they will pay to care homes. While each case is judged on its own facts and merits the cases demonstrate the importance of ensuring the local authority follows a proper process

OP Domiciliary Care 2012/13	Budgeted	Period 4 July	Period 5 Aug	Period 6 Sept	Period 7 Oct
Number of placements	5,562	5,522	5,570	5,554	5,575
Average weekly cost	£123	£146	£147	£145.6	£144.7

- 3.2. The table shows that the actual average weekly cost in the year to date is £21.70 more per person per week (£1,128 pp pa) than budgeted. With hourly rates largely static in the year, the increase relates to the number of hours of care needed per person on average to meet their care needs safely. Whilst this is a sign of the County Councils' ongoing commitment to meeting the needs of vulnerable people, it creates significant budget issues. The County Councils' commitment to safe and effective services is shown by an ongoing reduction in the number of 15 minute visits from 17 per cent to 15.4 per cent. In most cases these 15 minute visits are part of larger packages of care, such as longer visits at other times of the day - only about one per cent of clients receive only 15 minute visits.
- 3.3. The growth in the level of need that we are meeting is also shown in other indicators. There has been 3.4% increase in the number of older people receiving more than three visits per day since April. Meanwhile, there has been an increase in the number of people requiring double up care. This reflects two main trends. Firstly, the NHS is discharging people much earlier than previously. An increasing number of these require double up care because of their frailty at point of discharge. Secondly, the change in the contributions policy not to charge for second carers has created an incentive for some who previously arranged and fully funded their care to seek HCC assistance for their second carer costs. The number of self funding clients receiving double up care has risen from 116 in February to 153 in September.
- 3.4. The growing complexity of care needs is also a major factor, with providers reporting that people are less well at the point of entry into their care. This is reflected in the average weekly cost of an Older Persons residential placement increasing in year. In addition to the 5% uplift that we granted for OP residential and nursing placements in 2012/13 and which we provided for in budget setting. The cost of residential placements will continue to be an issue, particularly as a number of national providers have been identified as being at risk.
- 3.5. The transition to the new health structures and the £20bn Quality, Innovation, Productivity and Prevention (QIPP) savings target have made an already challenging environment more difficult. The trend in earlier discharge from hospital continues to put more pressure on social care and community health services, as people are discharged with higher levels of dependency and complexity of care needs. The disinvestment in bed based health care has not been matched by a commensurate investment in community health services, placing the system under considerable strain. The NHS in Hampshire is currently focussed on narrow issues, such as

length of stay, rather than whole systems reform as it grapples with a significant underlying deficit.

- 3.6. However, Adult Services has continued to build strong relationships with the emerging Clinical Commissioning Groups and is well placed to take forward partnership working with them once they assume their role. We continue to push the opportunities for mutual benefit from joint working across care and support services. We will continue to pursue systems reform with the CCG's through the Health & Wellbeing Board.
- 3.7. The pressures in Health come at a time when demand pressures in social care are significant. Future budget planning has not included any costs that could arise from future challenges with Health. Early intervention, diversionary and reablement services are proving to be effective in managing the volume of service users, but inevitably this impacts most on those with lower levels of needs. The level of need, and consequently cost, of those cared for is increasingly significantly, with an increase in the average size of packages of care. This is particularly acute for those cared for at home. The demand for care continues to be monitored in detail by the Adult Services Department and Corporate Resources.
- 3.8. Current trends, based on existing cost profiles, are within the medium term forecasts that have been allowed for in the medium term financial strategy (MTFS). However, if average costs continue to increase at the current rate or if the pressures from the changing health care landscape were to arise then this would lead to additional cost pressures in future years. Careful monitoring of these issues will continue in 2013/14.

#### 4. Income

- 4.1. Income (including contributions expected to be received from clients) is forecast to be £2.4m higher than budgeted (excluding internal recharges) as at the end of quarter 2, as detailed in the table below:

Income category	Description	Current budget	Quarter 2 forecast variance	
		£'000	£'000	%
Fees & Charges	Non residential charging	(13,382)	(1,033)	7.7
	Client contributions to residential and nursing care	(44,908)	(1,987)	4.4
	Other <sup>2</sup>	(2,342)	13	(0.6)
Other grants, reimbursements and contributions	Health, Partnerships and Other Local Authorities	(30,851)	613	(2.0)

<sup>2</sup> Other income from fees and charges includes contributions received for meals.

Other income	(27)	2	(6.5)
<b>Total income</b> <sup>3</sup>	<b>(91,510)</b>	<b>(2,383)</b>	<b>2.6</b>

### **Non residential charging (NRC) and client contributions to nursing and residential care**

- 4.2. The NRC contributions are expected to overachieve by around £1m and client contributions for residential and nursing care are currently forecast to exceed the budget by £1.978m. This primarily relates to an overachievement of income against OP purchased residential, due to an increase in the average contribution amount (which varies with the wealth of the individuals receiving the service at that time), and nursing budgets as due to above budgeted activity (which is creating a pressure on expenditure budgets). There has also been an increase in the number of deferred payment clients. These are being partially offset by an underachievement of income on LD budgets.

### **5. Client care packages and average weekly cost**

- 5.1. As at the end of quarter 2, the total number of actual client care packages (nursing, residential, domiciliary, day care and direct payments), was 17,956 (15,667 purchased and 2,289 in-house). In addition, a further 146 packages are expected to be provided during the remainder of the year.
- 5.2. The average forecast (full-year effect) of these purchased packages is 15,682, which is 417 lower than the original budgeted packages of 16,099. However, a significant element of this reduction relates to lower numbers of OP day care packages (341 lower than budgeted) and LD domiciliary care packages (181 lower than budgeted).
- 5.3. The average weekly cost of packages is also significantly higher than budgeted in places, and this has contributed (for PD and LD in particular) towards the underlying budget pressure forecast.

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<sup>3</sup> Excludes recharges within and to/from other department's.

## Children's Services

### 1. Forecast Position

- 1.1. This report outlines the budget monitoring position as at the end of quarter 2 (30 September 2012).
- 1.2. The projected outturn for 2012/13 is a net underspend of £440,000 (£360,000 underspend on the schools budget and £80,000 underspend on the non-schools budget). The forecast variance by each branch, and by schools and non-schools budgets is as follows:

	<b>Current budget £000</b>	<b>Forecast outturn £000</b>	<b>Forecast variance</b>	
			<b>£000</b>	<b>%</b>
Access, Performance & Resources (A,P&R)	660,369	658,779	(1,590)	(0.2)
Education & Inclusion (E&I)	89,896	88,841	(1,055)	(1.2)
Children & Families (C&F)	115,034	117,239	2,205	1.9
<b>Total</b>	<b>865,299</b>	<b>864,859</b>	<b>(440)</b>	<b>(0.1)</b>
Broken down by:				
Schools budget	699,285	698,925	(360)	(0.1)
Non-schools budget	166,014	165,934	(80)	-
<b>Total</b>	<b>865,299</b>	<b>864,859</b>	<b>(440)</b>	<b>(0.1)</b>

- 1.3. The schools budget underspend consists of some continuing variances from 2011/12 e.g. independent and non-maintained special schools and statemented pupils along with some other smaller variances.
- 1.4. On the non-schools budget, the main pressures are on Children Looked After (CLA), Youth Support Service, Commissioning and Social Work and Youth Justice offset by significant underspends within Services for Young Children, Home to School Transport and Management and Support – Access, Performance and Resources.
- 1.5. **Key corporate risk issues highlighted in this quarter are:**

**Youth Support Services** – Following a review of the Careers Advice and Guidance Service anticipated income is lower than previously expected because the size of the market is significantly smaller than the level of demand that was generated when the service was free to schools. Management are taking steps to align resources to income levels throughout the rest of the year with early actions already taking effect to start to reduce the pressure.

**Commissioning and Social Work** – It has been necessary to respond to significant workload pressures, particularly in the north east of the County, which has led to an increase in staffing costs. Management actions are starting to reduce the pressure but there is inevitably a time delay in achieving this.

**Children Looked After** – There are continuing significant pressures on purchased residential placements and fostering with activity above the budgeted placements. Whilst every effort is being made to manage down the number of children entering care through prevention work, there is still an upward local and national trend which is putting pressure on resources.

The number of children in care in Hampshire has risen from 1,023 in March 2008 to 1,106 at the end of August 2012: an 8.1% increase. Nationally the DfE has reported that there has been a 13% increase of children in care during the same period.

The rate of looked after children in Hampshire is 40 per 10,000 which is significantly lower than comparative authorities. This low rate reflects historical strong performance in ensuring that children are only brought into care when absolutely necessary.

The current pressure of about £3.5m is likely to rise to about £4m in 2013/14. To date this pressure has been managed within the overall cash limit without need to call on the corporate contingency, largely through earlier achievement of other planned savings. However, it is likely that the corporate contingency will be required to add to the department's base budget from 2013/14.

## **2. Efficiency Savings**

- 2.1. The 2012/13 efficiency savings target for Children's Services of £10.4m has been successfully delivered. The majority of these savings are the full year effect of actions taken in 2011/12.

## Economy, Transport and Environment

### 1. Executive Summary

- 1.1. This report outlines the budget monitoring position as at the end of quarter 2 (30 September 2012).
- 1.2. The projected outturn for 2012/13 is a saving of £178,000 or 0.16% of the total budget. The variance reported by each service stream board and group is set out below.

	<b>Current budget £000</b>	<b>Forecast outturn £000</b>	<b>Forecast variance</b>	
			<b>£000</b>	<b>%</b>
Highways, Traffic & Transport	63,759	63,681	(78)	(0.1)
Waste, Planning & Environment	40,289	40,289	0	0.0
Economic Development	845	745	(100)	(11.8)
Departmental & Corporate Services	5,418	5,418	0	0.0
Rural Affairs fund	175	175	0	0
<b>Total</b>	<b>110,486</b>	<b>110,308</b>	<b>(178)</b>	<b>(0.2)</b>

- 1.3. The forecast saving in Highways, Traffic & Transport results mainly from the net saving on staffing and operational support with increased income and savings on permanent staffing, premises and transport offset in part by increased agency and temporary staff costs. The Executive Member's priority programme of road safety measures including Street Sense, Village 30 enforcement and the casualty reduction scheme will be delivered in full and below budget by the year end. The position on highways maintenance is unchanged from quarter 1.
- 1.4. The Economic Development 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 it is envisaged at this stage that this funding will be required in 2013/14. The saving in the current year results from a combination of staff and project cost savings as the service moves to the new arrangements.
- 1.5. Following receipt of information from the contractor and partner authorities it has been possible to develop a clearer picture of the outturn forecast for the waste contract. Total spend is managed across the Economy, Transport & Environment cash limit and a centrally held contingency of £3.394 million this year. Due to a number of factors including the negotiating of a delayed start to phase 3a of the contract, the targeting of additional income and the evidence now available of lower waste volumes in the year to date current

forecasts anticipate only £0.4 million of the contingency provision will be required.

**1.6. There are no key corporate financial risks to report.**

**2. Efficiency Savings**

2.1. The Department has already been secured 91% (£5.579m) of the 2012/13 savings target with the remaining 9% (£0.525m) at a high confidence level of being achieved.

2.2. The majority of the required savings result from the full year impact of plans put in place during 2011/12.

## Policy and Resources

### 1. Forecast position

- 1.1. This report outlines the budget monitoring position as at the end of quarter 2 (30 September 2012).
- 1.2. The projected outturn for 2012/13 is an underspend of £2.657m. The forecast variance across the Policy and Resources portfolio as at the end of quarter 2 (30 September 2012) is as follows:

Departments	Current budget	Forecast Outturn	Forecast Variance	Variance as a % of budget
	£000	£000	£000	%
Corporate Services	35,163	33,663	(1,500)	(4)
CCBS	47,161	46,804	(357)	(1)
P&R Other	8,576	7,776	(800)	(9)
<b>Grand Total</b>	<b>90,900</b>	<b>88,243</b>	<b>(2,657)</b>	<b>(3)</b>

- 1.3. Corporate Services is forecast to achieve the target 4% reduction in 2012/13. These additional savings over 2012/13 and 2013/14 are required to support the Corporate Service change programme, for 2014/15 the savings will be consolidated as part of the medium term financial strategy. These savings are being delivered through a combination of recurring reductions in budget (from voluntary redundancies) and short term actions around strong budgetary control and robust vacancy management designed to generate one-off savings.
- 1.4. The projected outturn for CCBS for 2012/13 is an underspend of £357,000. In summary underspends have arisen through tight expenditure control in Business Services and Community alongside higher than anticipated income in particular for Registration. These more than offset smaller spending pressures in other CCBS services.
- 1.5. Other P&R budgets are forecast to under spend by £800,000. This forecast is made up of underspends in a number of areas including, the apprenticeships budget (£400,000 forecast underspend), the external audit fee (£157,000 forecast underspend) and members support costs (£94,000 forecast underspend).
- 1.6. The largest forecasted underspend is on the Apprenticeships scheme. This new scheme is being developed over a 24 month period and provides funding to support around 40 young people per year completing year long work placements. In this first phase, the scheme has attracted, on average, between 15 and 20 young people in placements at any one

time and not all have completed a full year's placement. As a result, pay costs have not reached the original budget levels, along with the non pay costs associated with the interns such as travel and training. However, it is anticipated that as more young people successfully complete placements, future cohorts will grow in number both through new young people taking part in the scheme and through those interns who left the scheme early being offered the opportunity to rejoin.

- 1.7. **There are no key corporate risk issues to be highlighted this quarter.**

### **Efficiency Savings**

- 1.8. 93% of the efficiency savings (£8,716,500) within P&R have now been secured. There is high confidence that the remaining 7% (£681,500) will be also be achieved.

## Appendix 2

### REVENUE BUDGET SUMMARY 2012/13 - QUARTER 2

	Original Budget £'000	Changes £'000	Current Budget £'000	Outturn Forecast £'000	Forecast Variance £'000
<b><u>Portfolios</u></b>					
Adults	302,466	21,062	323,528	323,975	447
Children's Services - Schools	713,499	(14,214)	699,285	698,925	(360)
Children's Services - Non schools	166,622	(608)	166,014	165,934	(80)
Environment	107,676	2,810	110,486	110,308	(178)
P&R	88,442	2,458	90,900	88,243	(2,657)
<b>TOTAL</b>	<b>1,378,705</b>	<b>11,508</b>	<b>1,390,213</b>	<b>1,387,385</b>	<b>(2,828)</b>
<b><u>Capital Financing and RCCO</u></b>					
Interest on Balances	(750)	0	(750)	(3,800)	(3,050)
Capital Financing Costs	65,681	2,546	68,227	63,727	(4,500)
RCCO	51,091	2,670	53,761	53,761	0
	<b>116,022</b>	<b>5,216</b>	<b>121,238</b>	<b>113,688</b>	<b>(7,550)</b>
<b><u>Pension Costs</u></b>					
Pensions and IAS 19 Costs	38,869	691	39,560	39,560	0
Contribution from Pension Reserve	(26,479)	0	(26,479)	(26,479)	0
	<b>12,390</b>	<b>691</b>	<b>13,081</b>	<b>13,081</b>	<b>0</b>
<b><u>Other Costs and Income</u></b>					
Business Units	2,118	(1,719)	399	399	0
Contingency	46,506	(15,422)	31,084	31,084	0
Dedicated Schools Grant	(713,600)	20,830	(692,770)	(692,770)	0
Specific Grants	(124,194)	(9,383)	(133,577)	(133,577)	0
Flood Protection Levy	557	0	557	557	0
Coroners	1,331	0	1,331	1,275	(56)
	<b>(787,282)</b>	<b>(5,694)</b>	<b>(792,976)</b>	<b>(793,032)</b>	<b>(56)</b>
Draw from Earmarked Reserves	(453)	(10,200)	(10,653)	(7,322)	3,331
Draw from Trading Unit Reserves	(1,919)	1,629	(290)	(290)	0
Draw for RCCO	(6,750)	(3,150)	(9,900)	(9,900)	0
	<b>(9,122)</b>	<b>(11,721)</b>	<b>(20,843)</b>	<b>(17,512)</b>	<b>3,331</b>
<b>Total Net Spending</b>	<b>710,713</b>	<b>0</b>	<b>710,713</b>	<b>703,610</b>	<b>(7,103)</b>
Contribution to / (from) General Balances	900	0	900	8,003	7,103
<b>BUDGET REQUIREMENT</b>	<b>711,613</b>	<b>0</b>	<b>711,613</b>	<b>711,613</b>	<b>0</b>

**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