

HAMPSHIRE COUNTY COUNCIL**Decision Report**

Decision Maker:	Cabinet
Date:	30 September 2013
Title:	Quarter One Budget Monitoring – 2013/14
Reference:	5175
Report From:	Director of Corporate Resources

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1. Executive Summary

- 1.1. This report reviews the budget monitoring position at the end of the first 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, at this early stage of the year, there is expected to be a small underspend across all services, but within this there are underlying pressures within Adult and Children's Services that will be the subject of more detailed work being undertaken and the collection of further information and evidence throughout the second quarter on activity trends and cost information.
- 1.3. The value of Quarter 1 monitoring is, as always, limited due to the fact that it is early in the financial year in financial and performance terms. However, what quarter 1 monitoring does provide is early indications and areas for key focus over the coming quarter. The Departmental summaries in Appendix 1 also highlight key corporate risk factors that are taken into account in assessing the overall performance against the budget.
- 1.4. The table below outlines the overall position on Departments:

Department	Current Budget	Forecast Outturn	Forecast Variance	
	£'000	£'000	£'000	%
Adult Services	317,566	317,566	0	0
Children's Services	877,472	876,949	(523)	(0.1)
Economy, Transport and Environment	111,109	111,109	0	0
Policy and Resources	133,491	131,342	(329)	(0.3)
Departmental Total	1,402,885	1,402,033	(852)	(0.1)
Public Health	36,753	34,933	(1,820)	(5.0)

- 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.
- 1.6. For both Adults and Children's Services, there has been a significant trend over the last few years of increasing complexity of clients (leading to higher average package costs) and for Children Looked After, numbers have been steadily rising, due to demographic changes and due to some high profile national cases that have changed the approach to safeguarding activity.
- 1.7. Whilst the explanations below do point towards a continued underlying pressure within these two areas, it must also be recognised that there is significant complexity and volatility across these services and it is therefore important that a firm evidence base of continuing demographic and cost pressures is established and understood before making any projections to the year end.

Adult Services

- 1.8. The current forecast for Adult Services is a break even position against the budget on the basis that it is early in the year, although there are indications of underlying areas of pressure in terms of the rising average cost of packages. However, greater monitoring and analysis will be undertaken during the second quarter to determine whether this is a continuing trend (which would ultimately lead to a budget pressure in the year).

Children's Services

- 1.9. The net under spend for Children's Services is entirely made up of an anticipated under spend in the schools budget, specifically in the areas of Independent and Non-maintained Special Schools and High Needs Top-Up funding.
- 1.10. There are underlying pressures in terms of the number and cost of Children Looked After (CLA), caused by higher activity levels than budgeted and increasing unit costs. Again further work is being undertaken on this during the second quarter.
- 1.11. Other pressures within the non-schools budget are in Family Support Service, Youth Justice and Home to School Transport, offset by forecast underspends within Services for Young Children, Education Welfare Service and Other Children & Families Services.

Economy, Transport and Environment

- 1.12. The forecast position for Economy, Transport and Environment is balanced. Pressures within the department due to remedial highways works are expected to be offset by vacancy savings and other management actions.

Policy and Resources

- 1.13. The predicted underspend for Policy and Resources is £2.1m. Of this, £1.8m relates to the remaining balance of the ring fenced Public Health grant that has not yet been allocated to specific proposals, following the transfer of the function to the County Council.

- 1.14. The remainder of the net underspend comprises £144,000 within Corporate Services due to vacancy management and strong budgetary control and £185,000 within non-departmental P&R budgets, mainly due to an underspend on the external audit fee.

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. Departmental budgets are overall predicted to underspend by £2.67m and spend against other budgets is forecast to break-even. It is assumed that the underspend of £2.67m would be transferred to earmarked reserves in line with the current policy.
- 1.17. At this early stage of the year, no other assumptions of variances have been taken into account, but should pressures arise during the year, contingency provision is available to offset these where appropriate.

2. Overall Revenue Position

- 2.1. The overall revenue position for the County Council is set out in Appendix 2. This takes the 2013/14 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.
- 2.2. 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.
- 2.3. **Departmental Cash Limits** – Overall cash limits have increased by £15.9m compared to the original budget. The net increase and how it has been met is described in the following paragraphs.
- 2.4. **Contingencies** – Contingencies have reduced by £1.7m due to the transfer of earmarked funding to departmental cash limits. The amounts transferred were £908,000 to Children's Services for new social work teams, £615,000 to Adult Services to fund transitional costs of the extra care programme and £200,000 to ETE to support further economic development resources in line with the County Council decision.
- 2.5. **Grants** – Specific grants have increased by £11m, of which £8.3m is due to an increase in the pupil premium. This funding has been allocated to Schools. Other increases in grants include the Local Welfare Provision Grant of £1.6m, added to the Adult Services cash limit.
- 2.6. **Business Units** – The current budget for Business Units trading position has improved by £447,000, but this is entirely offset by a reduction in the draw from Trading Unit Reserves.
- 2.7. **Draw from Earmarked Reserves** - the main budget variations in this area reflect transfers to department cash limits reflecting their use of cost of change reserves during 2013/14.

- 2.8. 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 under spend of £2.67m in Departmental budgets is explained in the Executive Summaries in Appendix 1.

3. Direction of Travel

- 3.1. 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. Following the success of the savings programme over the past two years, the County Council has been able to return to a system of Annual Efficiency Targets (AETs) for departments, which was set at 2% for 2013/14.
- 3.2. The second quarter monitoring will be more critical for the County Council as this will give a better indication of the overall financial performance within Departments and will be a key factor as we begin to develop the budget for 2014/15 and beyond.
- 3.3. The success of the previous cost reduction programme has placed the County Council in a strong position. This has allowed the County Council time to plan for the expected future reductions in local government grant support. In June of this year, Cabinet approved a report setting out the development of workstreams to help the County Council achieve further cost reductions as part of its 'Transformation to 2015' programme and a Medium Term Financial Strategy was approved by Cabinet in July setting out the prospects for 2015/16 following the Spending Review announced in June this year.

4. Conclusion

- 4.1. The County Council has achieved significant savings over the past two years and the performance against current budgets is a good indicator of how robust those savings plans are. The overall position is a small under spend, but as in previous years, there continues to be pressure in the areas of Adults and Children's social care that will need careful monitoring in order to provide a more informed view as part of the second quarter monitoring.

5. Recommendations

- 5.1. To note the forecast position for the overall revenue account as contained in Appendix 2.

Adult Services

1. Executive Summary

- 1.1. This report outlines the budget monitoring position as at the end of Quarter 1 (30 June 2013).
- 1.2. The projected forecast position for 2013/14, as at Quarter 1, is a balanced budget. However there are underlying pressures in relation to growing levels of care complexity and rising care costs that may require further management action to contain. This is in addition to a number of savings targets which the department are planning to achieve over the remainder of the financial year. The forecast variance by each directorate is as follows:

	Budget	Forecast	Forecast variance	
	£000	outturn	£000	%
		£000		
Director	1,322	1,322	0	0
Policy and Strategic Development	37,263	37,263	0	0
Older Persons (OP) and Physical Disabilities (PD)	128,675	128,675	0	0
Learning Disabilities (LD) and Mental Health (MH)	120,619	120,619	0	0
In House Services	27,192	27,192	0	0
Winter Pressures	2,495	2,495	0	0
Total Pressure	317,566	317,566	0	0

- 1.3. The year to date has seen a continuation of the trends highlighted in 2012/13 with high average package costs reflecting increasing levels of client need while significant demand and transformational pressures also remain. 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 continues to rise. The costs of meeting their needs, safely and with dignity, has risen more than anticipated as a consequence. A project is underway to examine options to slow the rate of growth in care at home costs over the life of typical care packages.

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

There continues to be an underlying pressure within Older People (OP) and Physical Disabilities (PD) services in domiciliary care and direct payments and although demand controls are in place the average cost of packages has continued to increase, reflecting the complexity of care being provided. These trends need to be further analysed during the second quarter but if they continue then it would lead to a budget pressure in the year. Consequently this is the subject of a wider project to examine different commissioning strategies that could share risk and incentivise providers to reduce need over time.

During the first quarter of the year there has been a significant increase in institutional safeguarding, which may create pressures on the service in the longer term.

Children's Services

1. Executive Summary

- 1.1. This report outlines the budget monitoring position as at the end of quarter 1 (30 June 2013).
- 1.2. The projected outturn for 2013/14 is a net underspend of £523,000 which is forecast against the schools budget. For non-schools, a balanced budget position is shown for the end of the year across the branches, but there is an underlying pressure within Children and Families, due to increasing numbers and complexity of care needs within this area, which will be the subject of further detailed work in the second quarter to produce a firm evidence base to better forecast the position for the full year. The forecast variance by each branch, and by schools and non-schools budgets is as follows:

	Current budget £'000	Forecast outturn £'000	Forecast variance	
			£'000	%
Access, Performance & Resources (A,P&R)	641,776	641,641	(135)	(0.0)
Education & Inclusion (E&I)	93,794	92,975	(819)	(0.9)
Children & Families (C&F)	141,902	142,333	431	0.3
Total	877,472	876,949	(523)	(0.1)
<i>Broken down by:</i>				
Schools budget	715,034	714,511	(523)	(0.1)
Non-schools budget	162,438	162,438	-	-
Total	877,472	876,949	(523)	(0.1)

- 1.3. The main variances on the schools budget include underspends on Independent and Non-maintained Special Schools and High Needs Top-Up funding, along with some other smaller variances.
- 1.4. On the non-schools budget, the main underlying pressures are on Children Looked After (CLA), Family Support Service, Youth Justice and Home to School Transport offset by forecast underspends within Services for Young Children (mainly Children's Centres), Education Welfare Service and Other Children & Families Services.
- 1.5. **Key corporate risk issues highlighted in this quarter are:**

Children Looked After – There are continuing underlying pressures on purchased fostering and residential placements 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.

There is a seasonal variation and peak during this period, which is reflected in the figures, but this will be subject to further analysis and review throughout the second quarter to inform the next reporting period.

Purchased residential care unit costs are increasing because the market is saturated. However, a framework agreement is being developed with South Central Agreement (similar to purchased fostering), which should result in reduced unit costs. The framework is due to commence from 1 April 2014.

Economy, Transport and Environment

1. Executive Summary

- 1.1. This report outlines the budget monitoring position as at the end of quarter 1 (30 June 2013).
- 1.2. The projected outturn for 2013/14 is to break even against the cash limited budget as set out below.

	Current budget £000	Forecast outturn £000	Forecast variance	
			£000	%
Highways, Traffic & Transport	65,328	65,328	0	0
Waste, Planning & Environment	40,758	40,758	0	0
Economic Development	1,032	1,032	0	0
Research & Resources	3,766	3,766	0	0
Total	110,884	110,884	0	0
Rural Affairs fund	225	225	0	0
Total including Rural Affairs	111,109	111,109	0	0

- 1.3. 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.
- 1.4. Highways, Traffic and Transport has incurred additional costs on agency staffing in Quarter 1 as a result of the pressures to tackle remedial works resulting from the earlier weather conditions. This is already partly offset by vacancy savings on permanent staff, increased income and other management action and it is expected that the position will be in balance by year end.
- 1.5. 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.
- 1.6. ***There are no key corporate risk issues to highlight in this quarter.***

Policy and Resources

1. Executive Summary

- 1.1. This report outlines the budget monitoring position as at the end of quarter 1 (30 June 2013).
- 1.2. The projected outturn for 2013/14 is an underspend of £329,000 against the main P&R budgets and a further underspend of £1.8m on the ring fenced Public Health grant. The forecast variance across the Policy and Resources portfolio as at the end of quarter 1 (30 June 2013) is as follows:

Departments	Current budget	Forecast Outturn	Forecast Variance	Variance as a % of budget
	£000	£000	£000	%
Corporate Services	47,154	47,010	(144)	-
CCBS	42,405	42,405	-	-
Non Departmental Budgets	7,179	6,994	(185)	3%
Total (exc. Public Health)	96,738	96,409	(329)	-
Public Health (ring fenced grant)	36,753	34,933	(1,820)	5%

- 1.3. Corporate Services (exc. Public Health) continues to implement a strategy of robust vacancy management and short term actions around strong budgetary control in order to generate savings, which will support the cost of implementing the Corporate Services Review. It is currently forecast that Corporate Services will achieve in year savings of £144,000 in addition to the earmarked £1.5m contribution to the cost of implementing the Corporate Services Review.
- 1.4. The ring fenced government grant for Public Health is not yet fully allocated to specific proposals following the transfer of this function to the County Council. Currently the remaining balance of grant is £1.8m.
- 1.5. Overall, Culture, Communities and Business Services is forecasting a balanced budget position. Additional income from Registration services, Scientific and Asbestos Services and the Print Sign Workshop, together with staff vacancy savings in a number of areas offset expenditure pressures elsewhere including Business Support and Workstyle. The latter reflects the current phasing of the programme with additional one-off costs including office clearance ahead of disposal of existing buildings. Overall, the Workstyle programme is on target to deliver the planned savings in future years.
- 1.6. Non departmental P&R budgets are forecast to underspend by £185,000. This is mainly as a result of the £78,000 underspend on the External Audit fee which has been earmarked as an area where Non departmental P&R budgets are able to make a saving to meet the originally planned 2% Annual Efficiency Target for 2014/15.
- 1.7. ***There are no key corporate risk issues to be highlighted this quarter.***
- 1.8. The forecast variance for P&R trading units is as follows:

Trading Units	Current Target (Surplus)/ Deficit	Qtr 1 (June) Forecast Outurn	Qtr 1 (June) Forecast Variance	Variance as a % of target
	£'000	£'000	£'000	%
Schools Library Service	(53)	(44)	9	17
Hampshire Wardrobe	0	0	0	0
River Hamble	(26)	(26)	0	0
Caretaking & Cleaning Support Services (CCSS)	(9)	(7)	2	22
Segensworth Unit Factories	(12)	(12)	0	0
Business Services	(189)	(176)	13	7
Education Personnel Services	(21)	(76)	(55)	(262)
Education Financial Services	15	15	0	0
	(295)	(326)	(31)	(10)

REVENUE BUDGET SUMMARY 2013/14 – QUARTER 1

	Original Budget 2013/14	Adjustment	Current Budget 2013/14	Outturn Forecast	Forecast Variance
	£'000	£'000	£'000	£'000	£'000
<u>Departmental Expenditure</u>					
Adults	313,732	3,834	317,566	317,566	0
Children's - Schools	706,338	8,696	715,034	714,511	(523)
Children's - Non schools	160,916	1,522	162,438	162,438	0
Economy, Transport and Environment	109,946	1,163	111,109	111,109	0
Policy and Resources (exc. Public Health)	96,088	650	96,738	96,409	(329)
DEPARTMENTAL TOTAL	1,387,020	15,865	1,402,885	1,402,033	(852)
Public Health	36,753	0	36,753	34,933	(1,820)
<u>Capital Financing Costs</u>					
Interest on Balances	(750)	0	(750)	(750)	0
Capital Financing Costs	67,876	0	67,876	67,876	0
RCCO	23,618	(812)	22,806	22,806	0
	90,744	(812)	89,932	89,932	0
<u>Pension and IAS 19 Costs</u>					
Pensions & IAS 19 Costs	40,663	0	40,663	40,663	0
Contribution from Pension Reserve	(27,321)	0	(27,321)	(27,321)	0
	13,342	0	13,342	13,342	0
<u>Other Costs and Income</u>					
Business Units	553	(447)	106	106	0
Contingency	30,254	(2,092)	28,162	28,162	0
Dedicated Schools Grant	(695,538)	(161)	(695,699)	(695,699)	0
Specific Grants	(97,549)	(10,678)	(108,227)	(108,227)	0
Flood Protection Levy	572	0	572	572	0
Coroners	1,320	11	1,331	1,331	0
	(760,388)	(13,367)	(773,755)	(773,755)	0
Draw from Earmarked Reserves	(831)	(2,133)	(2,964)	(292)	2,672
Draw from Trading Unit Reserves	(444)	447	3	3	0
Draw for RCCO	(3,314)	0	(3,314)	(3,314)	0
	(4,589)	(1,686)	(6,275)	(3,603)	2,672
Total Net Spending	762,882	0	762,882	762,882	0
Contribution to/from General Balances	(7,100)	0	(7,100)	(7,100)	0
BUDGET REQUIREMENT	755,782	0	755,782	755,782	0

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

Hampshire safer and more secure for all:	Yes
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	Yes
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	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. 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