

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member for Policy and Resources
<b>Date of Decision:</b>	21 January 2010
<b>Decision Title:</b>	Policy and Resources Revenue Budget 2010/11, 2011/12 and 2012/13
<b>Decision Reference:</b>	1111
<b>Report From:</b>	The County Treasurer and Chief Officers

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#### 1. Executive Summary

- 1.1. This report seeks approval for submission to the Leader and Cabinet the revised budget for 2009/10, detailed proposals for the 2010/11 budget and provisional budgets for 2011/12 and 2012/13.
- 1.2. This report has been prepared in consultation with the Executive Member and will be reviewed by the Policy and Resources Select Committee. It will be reported to the Leader and Cabinet on 4 February 2010 to make final recommendations to County Council on 18 February 2010.
- 1.3. The report considers revisions to the 2009/10 budget. In respect of the 2010/11 budget the report includes detailed proposals for redeployment of resources, efficiency improvements, the annual review of income and charges and the workforce implications of the proposed budget. The report outlines the provisional budgets for 2011/12 and 2012/13.
- 1.4. The budget proposals contained in this report are derived from the departmental service plans which have been developed to support the priorities of the Corporate Strategy.

#### 2. Contextual information

- 2.1. The Cabinet agreed a three year budget plan for 2009/10 to 2011/12 in February 2009. The key features of the plan are as follows:
  - it makes allowance for increased demand for social care services and for the projected higher costs of the waste management contract, but otherwise contains no provision for growth in service budgets

- all service budgets are uplifted for inflation based on the assumption that increases in pay would be contained within an average increase of 1.5% per annum for 2009/10 and 2010/11 and 2% for 2011/12 and increases in other prices would be contained within an average increase of 2.25% for 2009/10 and 2010/11 and 2.5% for 2011/12
  - income is to be maximised by reviewing charges in line with the average inflation on the related gross expenditure
  - it assumes that efficiency savings will be achieved to finance any proposed service developments, unfunded demand pressures or to cover excess inflation within the context of the Government's target for local government of annual efficiency savings of 3% per annum (4% from 2010/11).
- 2.2. In order to maintain a three year financial plan, Cabinet agreed an updated medium term financial strategy in October 2009 together with provisional guidelines for 2012/13, based on assumptions similar to 2011/12. In order to reduce the proposed council tax rise to 1.9%, assuming a 2% cash reduction in Government grant, Cabinet set a target for corporate recurring efficiency savings of £15 million from 2011/12 and a further £15 million recurring savings from 2012/13.
- 2.3. For this service, the budget guidelines are:

	£ million
2010/11 guideline	70.9
2011/12 provisional guideline	69.8
2012/13 provisional guideline	70.6

- 2.4. The medium term financial strategy is closely linked to the Corporate Strategy and the Corporate Improvement Plan to ensure that priorities are affordable and provide value for money and that resources follow priorities.

### **Key Issues**

#### **3. Revised budget:**

- 3.1. The cash limit for the revised budget is £70.7 million. The calculation is shown in Appendix 1.
- 3.2. A summary comparing the revised budget with the cash limit is set out in Appendix 2. Further comments are shown below.

### **Chief Executive's Department**

- 3.3. In anticipation of future financial pressures the Chief Executive's Department has, for the last two years, been actively managing the budget with the aim of achieving savings to support future service delivery. This has been possible through a combination of one-off income generation opportunities (mostly now exhausted) and from significant reductions in senior manager posts which were held vacant pending decisions on the senior management structure following the Review of Corporate Services. Consequently, the department is unlikely to need to draw on the designated under spending reserve that is holding £500,000 from 2007/08 and 2008/09. In addition, earmarked funding of £30,000 from the equal pay reserve to deal with equal pay claims will not be required until 2010/11. Taking these adjustments into account, the current predicted year end under spend on the main Chief Executive's Department is £447,000.
- 3.4. The £447,000 includes £320,000 from savings on senior management posts and £50,000 income to Legal Services from external sources. It is proposed that of the above, £247,000 be carried forward to 2010/11 for efficiency initiatives and the remaining £200,000 be carried forward to 2011/12. Creating some new management capacity in 2010/11 will erode this over time.

### **Human Resources**

- 3.5. There is a projected under spend of £380,000 on HR arising from the continued effort to manage the budget prudently and by taking actions such as not replacing the deputy director role. Within this total, £120,000 results from a reduction in recruitment activity in Children's Services that was planned towards the end of 2009 and early 2010. HR wish to carry forward the whole of the £380,000 to support a number of pressures. These include the costs of implementing Hantsfile, expected costs in relation to planned headcount reductions in HR and as a contribution towards the cost of the workforce efficiency team required to deliver the efficiency agenda going forward. Also, due to the litigation on equal pay not proceeding as quickly as expected this year, external legal costs have been less than planned. It is therefore proposed that the unspent amount of specific funding from the equal pay reserve, predicted to be £119,000, is released next year to ensure sufficient funds to cover external costs.

### **Economic Development**

- 3.6. Economic Development has undergone a major review in the current year culminating in the appointment of a new Director of Economic Development. A number of initiatives started later than anticipated and there are also a number of programmes which span more than one year. Funding earmarked for particular projects has consequently been re-phased in line with the revised project plans as shown in the table below.

		Total funding  £'000	Required In		
			2009/10 £'000	2010/11 £'000	2011/12 £'000
Rural strategy	Local food distribution	40	-	40	-
	Little London broadband	30	-	30	-
LABGI	Retail support package	80	70	10	-
	Smarter working centres	100	40	60	-
	Apprenticeships	195	30	97	68
	Volunteering	50	15	35	-
PSA1 Reward grant	Workforce Inclusion	126	36	90	-
		621	191	362	68

### Other budgets

- 3.7. In setting the budget for 2009/10, £400,000 additional one-off provision was made for the final stages of the roll-out of services to Hantsdirect. This was to ensure that service standards could be maintained whilst staff were being trained in the new processes. Through tight resource management it has been possible to manage without using this provision and by only using the under spend of £100k that was brought forward from 2008/09. Hantsdirect is a key element of the county council's strategy for improving customer service and will play an important role in both the efficiency agenda by facilitating channel shift and supporting new ways of delivering services e.g. personalisation. It is therefore proposed that this sum be carried forward as a provision available to invest in the further development of Hantsdirect to support corporate priorities.

3.8. Requests are also made for carry forwards in relation to a number of other budgets. These are for:

- HATs – there is a projected under spend of £150,000 due to staff vacancies being held pending a decision on the future of HATs. The provision for HATs was only made on a temporary basis and the need for permanent funding is included as one of the pressures for 2010/11.
- Consultation and Communication – in 2009/10 a sum of £50,000 was put aside for a full staff survey as one hadn't been completed for over two years. It is unlikely that this will take place in the current year and therefore it is requested that the sum is carried forward
- Community Involvement – in 2009/10 this budget has funded the work carried out by Culture, Communities and Rural Affairs to support the development of locality working. There is a predicted unspent balance of £44,000 at the end of the year. As this work will need to continue it is proposed that this sum be carried forward.

3.9. The roll-out of the corporate performance system, Corvu, spans two years. In line with the latest project plan, a re-phasing of expenditure is proposed to carry forward £80,000 into 2010/11 to complete the roll-out.

3.10. The members expenses budget is also projecting an under spend in the current year of in the region of £90,000. This is from reduced expenditure on special responsibility allowances, IT and training.

### **County Treasurer's Department**

3.11. The revised 2009/10 budget has been managed through additional income, identifying efficiency savings and turnover savings to provide a planned £250,000 under spend in the year. This is planned to be carried forward to 2010/11 to support the Student Support service transition, for investment in delivering improved budget monitoring functions to managers through SAP self service, a project which has slipped in 2009/10 and to meet the challenges of the forward budget.

3.12. At this stage in 2009/10 the £40,000 funding for work associated with equal pay claims has not been incurred. The allocation of specific funding will be adjusted to cover these costs when they are incurred.

### **Property, Business & Regulatory Services**

3.13. In **Property Services**, management action is reducing the impact of the pressures previously experienced in the Corporate Estate, Development Account and Sites for Gypsies and Travellers budgets and it is expected that these can be contained within the overall cash limit for the department.

3.14. An underspend of £250,000 resulting from higher income forecasts and the part year effect of efficiency improvements is now anticipated. Approval is sought to carry forward £50,000 into 2010/11 and £200,000 into 2011/12 to

support the successful implementation of Hantsfile (£215,000) and to cover external costs associated with the development of a business plan for the trading company for which approval in principle was given following the PBR Corporate Services Review (£35,000 expected in 2010/11).

- 3.15. The costs associated with implementing Hantsfile are currently estimated at £290,000. A sum of £75,000 was transferred from capital repairs into the 2009/10 revenue budget and it is expected that £15,000 of this sum will have been spent in 2009/10 leaving a balance of £60,000. A further £75,000 is expected to be spent in 2010/11 and approval is sought to carry forward the balance of £60,000 to 2010/11 to meet the majority of these costs with the remaining £15,000 to be met from the proposed carry forward of £50,000 referred to in 3.14. £200,000 is expected to be incurred in 2011/12 and would also be covered by the proposed carry forward referred to in 3.14.
- 3.16. In addition, approval is sought for the re-phasing of specific funding as follows.
- the 2009/10 budget approved the redeployment of £187,000 from capital repairs to the revenue budget to provide initial investment ahead of the requirement for the County Council to participate in the Carbon Reduction Commitment. The funding is required to cover investment in software to maximise the benefits of smart meters, Carbon Trust initiatives and other related costs. £40,000 of these costs are now expected to fall in the current year with the balance of £147,000 in 2010/11.
  - £33,000 invest to save funding was agreed in July 2008 to cover the cost of an agency estates surveyor to assess the potential disposals arising from the registration of Land Deeds (a joint project with Chief Executive's and Environment Department). The initial stages of this project have proved more time consuming than anticipated and the remaining balance of £22,000 is required to cover costs of the estates surveyor in 2010/11.
- 3.17. **Regulatory Services** delivers most of the department's front line services to the public. In 2008 it was agreed that the department should play an increasing role in managing community safety issues across Hampshire. Work to date has been successful in developing closer partnership working in delivering statutory and Comprehensive Area Agreement (CAA) requirements via the County Strategy Group on Crime and Disorder. The full year cost of providing this service has been identified as £94,000. A contribution towards these costs has been identified from Area Based Grant and potential funding sources from within the County Council's budget are being pursued to meet the balance.
- 3.18. The Registration Service is undertaking a structural review to facilitate further modernisation of the service and to reduce costs which will also

help the service to meet the base budget transfer of £54,000 to Hantsdirect in 2009/10.

### **Other budgets within the Policy and Resources cash limit**

- 3.19. Members' devolved budgets total £780,000 for 2009/10. To date, authorised grants of £268,000 have been processed for payment leaving a balance for 2009/10 of £512,000 to be spend over the remainder of 2009/10 or carried forward to 2010/11. In accordance with the approved scheme, unspent amounts can be carried forward once but not twice.
- 3.20. The budget for grants to voluntary organisations has not been fully committed and it is proposed to carry forward the forecast uncommitted under spending to 2010/11, subject to the agreement of the Leader (current balance before consideration of proposals on today's agenda is £275,000).

### **Other budgets outside the cash limit**

#### **Coroners**

- 3.21. It was agreed at the Cabinet meeting on 28 September 2009 that the Coroners budget would no longer be part of the Policy and Resources cash limit. The costs of the Coroners Service remain high in 2009/10 and into 2010/11. Currently this results in a projected overspend in 2009/10 of £260,000 against the budget of £977,000, a slight improvement on last year's result due to a slight reduction in current caseload. Work continues with NHS providers to ensure efficiency and value for money and new service level agreements mean that mortuary provision has been held at last year's prices. In addition to this however, there have been two judicial reviews of Coroners decisions this year and this appears to be an increasing risk for the future as the public become increasingly litigious. Costs so far have been minimal but can be quite considerable and any such issues will be flagged as they arise. For 2010/11 at least one major inquest is already anticipated requiring Counsel and this is likely to be an increased pressure on the budget. Legislation is also in train which will enable some considerable deregulation in the Coroners Service and this may well give rise to efficiency opportunities.

#### **4. Base budget 2010/11:**

- 4.1. The first stage in the construction of the budget for 2010/11 is the preparation of a base budget. This contains the current financial policies of the Council, to provide a starting point from which decisions can be made. The base budget for this service is £69.9 million at outturn prices. This compares to the provisional budget for 2010/11 estimated last year at £59.1 million.
- 4.2. Appendix 3 shows the make up of the base budget.

- 4.3. Overall, the base budget includes a net reduction in expenditure at constant prices of £3.1 million. The main variations are:
- exclusion of expenditure included in the 2009/10 budget which was financed by the carry forward of planned under spending from 2008/09 (-£1.2m)
  - exclusion of items funded by one-off use of reserves or balances or which were approved on a non-recurring basis including time-limited initiatives or spending that is subject to review including Hantsdirect, Home to School Transport pilot, HATs, County Council elections, equal pay costs, PBRs project teams (-£4.5m)
  - reduction for the transfer of the student support service (-£0.1m) and reduction in office lease costs (-£0.3m)
  - Area based grant funding for local involvement networks (LINKs), economic assessment and community call for action (+£0.1m)
  - Transfers from other departments (+£0.5m)
  - Grant funding for Economic Development (+£0.4m)
  - Planned under spending in 2009/10 carried forward to 2010/11 (£+2m).

## **5. Cost pressures, redeployment proposals and efficiency improvements – 2010/11 - 2012/13:**

- 5.1. The Cabinet requires all services to consider and report on:
- cost pressures absorbed within the budget guidelines
  - the redeployment of any resources required to offset any new spending priorities, or inescapable budget pressures, or legislative requirements which otherwise cannot be met within their budget guidelines
  - annual efficiency improvements.
- 5.2. Section 6 of this report identifies a number of cost pressures affecting the services funded by Policy and Resources. In some cases this includes associated redeployment proposals or savings and in other cases potential sources of funding that are still being explored. Details of redeployment proposals of £1.0 million are included in Appendix 4.
- 5.3. The Government has set an annual efficiency target for local government overall of 3% increasing to 4% from 2010/11, all of which has to be cashable. Performance against this target is now published twice yearly as part of the national indicator set. The Efficiency Panel will agree and bring forward proposals to achieve recurring corporate efficiency savings of £15m from 2011/12 (c.2%). In addition to these, Appendix 5 identifies efficiency improvements totalling £3.2 million. Of these, £2 million relate to business unit and corporate savings, leaving £1.2 million or 1.7% relating to the Policy and Resources cash limited budget.

## 6. Chief Officer controlled budgets

### Chief Executive's Department

- 6.1. In preparing the budget for 2010/11 a number of adjustments have been made to reflect some of the outcomes of the new management arrangements following the Corporate Service Reviews. These include:
- Additional cost of the Assistant to the Chief Executive post to replace the Head of Policy post (agreed by Cabinet October 2009)
  - Substantive appointment to a number of Senior Managers' posts (Head of Legal Services, Head of Committee Services and Head of Governance) to reflect their new responsibilities agreed by Cabinet following the Corporate Services Reviews.
  - Re-structuring in Business Advice and Member Support (following approval of the Corporate Service Review in March 2009)
- 6.2. Taking the above into account there is still a requirement to make savings in excess of £300,000 to stay within the cash limit. This is due to a number of factors including no funding of increments. One of the main concerns in considering the budget for 2010/11 is the extent to which it is reliant on temporary funding and income. In 2009/10 approximately £2.5m expenditure was funded on a temporary basis, most of which does not continue in 2010/11. In considering future budget requirements it is important to note that a number of posts and activities are funded from income, some of which is from external sources and some from other departments of the County Council. This is particularly the case in Economic Development, Legal Services, Corporate Communications and HR. There are therefore some key areas of business activity which have either been funded on a temporary basis, or are reliant on external funding. The use of the carry forward in 3.3 above will help smooth out some of these issues.
- 6.3. There are three main areas of budget pressure for 2010 onwards:
- HATs and Locality Working
  - Economic Development
  - HR in relation to Equal Pay and Workforce Performance and Efficiency
- 6.4. This is because either the temporary funding is no longer in the base budget, there is a requirement to deliver a different and enhanced service from that which has previously been delivered or expenditure is required on an 'invest to save' basis.
- ### HATs and Locality working
- 6.5. In November, Cabinet agreed a report on the future of HATs which included the estimated running costs. As a decision has now been made to continue with HATs, funding needs to be made available on a permanent basis. As mentioned in paragraph 1.5 above there is a balance of £150,000

on the HATs provision made in 2009/10 and a further £44,000 on the Community Involvement budget which could be carried forward. There is however currently no provision in the base budget for 2010/11. The table below summarises the requirements on the assumption the carryforwards are agreed.

	2010/11 £'000	2011/12 and onwards £'000
Support to HATs in CX's	150.0	300.0
HATs Project Funds	700.0	700.0
Total	<hr/> 850.0	<hr/> 1,000.0 <hr/>

### **Equal Pay**

- 6.6. The HR service in partnership with the Council's Employment Law team, continues to manage the equal pay agenda. It is anticipated that the eventual disposal of these claims will be likely to take significantly in excess of a further 12 months. The expectation is that equal pay litigation will run at least until the end of the financial year 2010/11 and probably beyond. In addition to the carry forward requests in paragraphs 3.3 and 3.5 above, an additional £80,000 is required in 2010/11, of which £60,000 relates to HR staff and £20,000 to internal legal staff. It is proposed in Appendix 4 to fund this from the equal pay reserve.
- 6.7. There is no budget provision in 2011/12 for equal pay. This will need to be considered later in the year as progress with the litigation becomes clearer.

### **HR Workforce performance and efficiency**

- 6.8. The Corporate Service Review of HR identified the lack of strategic HR capacity in organisational design as a key area that needed to be addressed. In addition in 2010/11 there will be a requirement to resource areas of activity not previously carried out by the HR service in support of the wider corporate agenda. A core focus for the HR service for the foreseeable future will be driving performance management and efficiency in relation to the workforce. The Council has an ambitious efficiency agenda and as part of this, a proposed workforce efficiency strategy is currently being developed with a target savings plan of £5 million. To realise this, there will be a significant requirement to provide support to services in organisational redesign and restructures, potential headcount reductions and negotiating changes to terms and conditions. Prudent budget management in 2009/10 has ensured that the HR service is able to contribute £270,000 towards the staffing requirements relating to the performance and efficiency agenda, however this still leaves a budget

pressure of £150,000 to support the performance and workforce efficiency agenda.

**6.9. Economic Development**

6.10. A significant number of Economic Development Office posts (14 out of 22) are funded from external sources or on a temporary basis. If the income streams do not continue, then it will not be possible to sustain the current levels of activity in the Economic Development Office. There is no funding for the new post of Director of Economic Development and her personal assistant. Although the post of the previous Head of Economic Development could be used to contribute to this if critical, there is a need to expand the council's capability in a number of areas of priority. In particular, the capacity to deliver on skills and employability is particularly pressing. Other priorities are likely to include a need to develop an Inward Investment capability and engagement with the major employers. It is expected that the new Economic Assessment duty and resulting work will require significant resources not currently embedded in the Chief Executive's department. It is therefore important that the LABGI money is used in a strategic sense to build new capacity for the future.

6.11. In summary the staffing position (excluding posts funded on a temporary basis) is:

	£'000
New staffing costs unfunded	223
Building new capacity in:	
Skills	50
Apprenticeships	50
Economic Assessment duty	100
Internal capacity to meet HEB priorities	200
Management capacity to build new economic partnerships	100
<b>TOTAL</b>	723

6.12. It is suggested that the deployment of the £1.49m LABGI reserve evenly spread over the next 3 years would be the most effective way of delivering some of the capacity required.

6.13. The department's capacity to generate income from Legal Services (e.g. property work) and Economic Development (e.g. SEEDA) has been successful in supporting some key areas but it is now imperative that a more sustained funding position is reached. Whilst pressure to make reductions in senior management posts to generate efficiency savings will

continue, there will be a need to create new capacity to deliver the skills required for the future. The use of LABGI as a strategic resource will help to provide capacity and support the work of the Hampshire Economic Board to deliver the Council's new leadership role in this area. The Chief Executive's Department will also have a significant role in delivering the Council's efficiency agenda, key to this will be ensuring the necessary workforce efficiency changes are implemented.

- 6.14. The use of carry forwards, income and vacancy management has established a flexible but sound budget position for the future albeit with significant pressures. A further paper is being prepared covering the detail of the Economic Development function by the Chief Executive and Director of Economic Development.

### **County Treasurer's Department**

- 6.15. The department faces a number of challenges in 2010/11:
- The final year of the nationalisation of the Student Support service. This represents a risk for service continuity with a smaller staff base and the imminence of the closure. It is hoped to redeploy staff to avoid potential redundancy costs.
  - The resourcing strategy to ensure that Pensions Services remain equipped to deliver the increased workloads from regulation, valuation and demography is being implemented. Equally the treasury management function has been strengthened for the fund investment arrangements. The costs of administration will need to be kept under ongoing review.
  - New regulations require separate banking arrangements for the Pension Fund from 1 April 2011 and this will have implications for financial systems
  - Implementation of local authority accounts based on International Financial Reporting Standards (IFRS) rather than based on UK accounting standards.
  - The transfer of 16-18 funding in April 2010, with an associated potential risk of loss of FE college internal audit contracts.
  - The first year of Financial Management Standard in Schools (FMSiS) renewals. Currently over 100 schools per annum buy an assessment from Audit Services, changes may impact on this workload and income stream.
  - The additional work load associated with the implementation of Self Direct Support (SDS) from April 2010. It is anticipated that there will be an additional 1,000 Adult Services service users requiring a financial assessment every year.
  - Other areas of significant change including Building Schools for the Future.

- 6.16. The department will continue to deliver valued services and meet corporate priorities whilst delivering on-going efficiencies, including absorbing step increases and a post saving with the roll out of Employee Self Service (ESS). With these and other savings the department is on target for meeting the 4% efficiency savings target.
- 6.17. To help with the pressures in 2010/11 and the transition of the Student Support service the department is planning to bring forward £250,000 from 2009/10. It is also planned to bring forward into 2010/11 any unspent balance of the funding for the work involved with the Pay and Benefits equal pay claims.

## **Property, Business and Regulatory Services and IT**

### **Impact of Building Schools for the Future and Hampshire Workstyle**

- 6.18. Two major new programmes, Building Schools for the Future (BSF) and Hampshire Workstyle, are expected to require significant involvement from Property Services and IT.
- 6.19. BSF places a requirement on the County Council to procure a managed service for schools IT needs. HCC has worked with schools for a number of years to develop a centralised approach for service delivery and whilst actively pursuing cost savings through aggregation of procurement of IT. There is a risk that the approach required for BSF will undermine the progress that has been made. The uncertainties of long term BSF funding increase the management challenge. High levels of resource will need to be committed to the negotiation stage of the tender process in order to maximise the chances of engaging the right partner.
- 6.20. For Property Services it is expected that staff resources to deliver both BSF and Hampshire Workstyle can be redeployed from work on New Deal for Schools (NDS) and locally resourced capital repairs where programmes have either already been reduced or where funding is expected to reduce or end in 2011/12.
- 6.21. Hampshire Workstyle is a key corporate change programme which aims to reduce the requirement for office space, make more efficient use of that space while maintaining and improving front line service delivery. The programme is led by PBRs and, in addition to the existing staff redeployment, funding of £0.5 million will be required to cover programme, change management and options analysis. Options for further redeployment within existing budgets are being explored pending the development of business cases for the next phase of the programme. The programme will be self funding in the longer term through asset disposals and revenue savings.
- 6.22. Feasibility costs associated with developing options for the new public sector trading company outlined in the Corporate Services Review process estimated at £93,000 will be covered within existing resources during 2009/10 and 2010/11.

## IT developments

- 6.23. The Corporate Services Review of IT concluded with a series of recommendations, the most significant of which is the creation of a new centralised IT group, within PBRs, drawing together the existing IT Services department and departmental IT teams. The new department will focus on
- Joining up the Council through improved information sharing and support for collaborative working
  - Improving access to the Council through further development and exploitation of Hantsweb
  - Driving Transformation through provision of the enabling technology for corporate programmes such as Workstyle.
  - Supporting Service Delivery through ensuring that IT is fit for purpose
  - Improving Efficiency both in the provision of IT and in services supported by IT.
- 6.24. The restructuring of IT in the County Council is expected to deliver savings in excess of £1.1 million per annum through elimination of duplication, streamlining business processes and reducing headcount. The restructuring of IT will deliver a more streamlined service, fit for purpose and designed to meet the challenges ahead. However, there is a risk that the scale and pace of change faced by IT will have an adverse impact on staff, finances and processes. There will also necessarily be some short term transitional costs from rationalisation of the workforce.
- 6.25. The contract for the provision of the new Hampshire Public Services Network (HPSN2) commenced in November 2009. The contract will deliver considerable service improvements including significant increases in bandwidth and capacity across the network, it is also an essential enabler of flexible working. HPSN2 is expected to deliver annual savings approaching £1.4 million through reduced contract management fees and the transfer of telephone traffic to the voice network which will enable the cancellation of a large number of telephone lines.
- 6.26. The rollout of the new network will commence in the latter part of this year with the creation of a new, highly resilient data network. Voice implementation will follow in the spring. The initial implementation costs of around £2 million will be spread over several years and will be met from savings enabled by the new contract.

- 6.27. A programme of server virtualisation, data storage modernisation and automation of IT systems will deliver savings approaching £550,000 per annum.

### **Procurement**

- 6.28. PBRS is leading the overall implementation of the Corporate Services Review of Procurement targeting £10.17 million of procurement savings by 2013/14 and is providing workstream sponsor roles in five key areas. Investment will be needed to achieve these savings and ensure that further savings can be secured beyond 2013/14. Business Services will meet £0.5 million of these costs from their own resources over the next two years, with the majority of this in 2009/10.
- 6.29. As part of the corporate procurement efficiency programme £0.5 million of construction procurement savings have been targeted over three years and a programme of supply chain improvements is being developed to ensure delivery of these savings.

### **Efficiency improvements**

- 6.30. PBRSIT will play a major part in delivering the corporate efficiency programme but will also need to find significant additional efficiencies in order to deal with the pressures anticipated in 2011/12 and beyond. To this end, all managers have been tasked with investigating how they might achieve savings of 10% within their service areas.
- 6.31. A number of structural and process reviews are planned and underway and the key areas are listed below.
- The proposal to reduce the senior management structure within Property Services was endorsed as part of the Corporate Services Review and will deliver £200,000 ongoing savings from 2010/11
  - A review of administrative support services in PBRS is being carried out. The first phase covering Property Services and IT has identified savings of £90,000 in 2010/11 increasing to £197,000 by 2012/13.
  - The Registration Service is undertaking a structural review to facilitate further modernisation of the service and to reduce costs and will also enable the service to meet the base budget transfer of £54,000 to Hantsdirect. The review is in its early stages and is expected to be implemented in 2010/11.
- 6.32. A programme of housekeeping savings to 2012/13 with targeted savings of £125,000 covering travel and car parking costs and process reviews has been developed.
- 6.33. IT have recently introduced a fax to e-mail service which will reduce costs across the County Council through the cancellation of many of the existing fax lines and disposal of fax equipment.
- 6.34. Where properties are surplus to operational requirements, an assessment of the cost of demolition compared to the cost of security and maintenance is now routinely undertaken.

- 6.35. The Rating team in Estates challenge rating valuations for County Council properties and expect to achieve £1.2 million of savings in 2009/10 including £438,000 for school buildings. A new five year ratings list comes into effect from 1 April 2010 and the time required to assess the new data is likely to mean a lower level of savings in 2010/11 at around £500,000 with half of this attributable to non-school properties, with higher levels again in 2011/12 and beyond.
- 6.36. Salary increments totalling £471,000 will be met from existing resources in 2010/11 through the use of vacancy management and other savings.

## **7. Review of charges**

- 7.1. The service's 2010/11 revenue budget includes income of £14.9 million from fees and charges. This is an increase of £1.9 million (14.6%) on the original budget for 2009/10.
- 7.2. There are some mandatory and national charges which the County Council is not able to vary. The main examples relate to the recovery of legal costs and the registration of births, deaths and marriages.
- 7.3. Discretionary charges are reviewed annually except when they are subject to agreements which cover longer periods when the review takes place at the end of the period of the agreement. Examples of charges not subject to annual review are most commercial lease rentals and agricultural lettings.

## **8. Other Expenditure**

### **Within the Policy and Resources cash limit**

- 8.1. Non-departmental budgets within the Policy and Resources cash limit include:
- Members' devolved budgets
  - Grants to voluntary organisations
  - Grants to Councils of Community Service
  - Contributions to other national and local organisations
  - Subscriptions to Government bodies
  - External audit fee
  - Home to School Transport pilot
- 8.2. The 2010/11 budget includes provision for Members' devolved budgets at £10,000 per Member.
- 8.3. The subscriptions to Government bodies budget may need to be increased in 2010/11, if it is decided to join the New Local Government Network at a cost of £12,000.

- 8.4. Changes to the external audit fee are anticipated in 2010/11. An increase is expected as a result of the additional regulatory workload associated with the introduction of International Financial Reporting Standards (IFRS). However, the increase may be offset in 2010/11 on a one off basis by a subsidy from the Audit Commission's reserves. This suggests that the audit fee may increase significantly in 2011/12, following the end of the temporary subsidy. In addition, a proposed reduction in the scope for achieving a discount on the audit fee as a result of having good processes and low risk, may also adversely affect the County Council.
- 8.5. The home to school transport pilot is due to be completed in Summer 2010. Funding of £353,000 from the original £1.5 million budget is forecast to be remaining at the end of the pilot. Options for redeploying this sum, including extending the pilot to other areas, are currently being developed.

#### **Outside Policy and Resources cash limit**

- 8.6. The costs of the Coroners Service are expected to remain high in 2010/11. For 2010/11 at least one major inquest is already anticipated requiring Counsel and this is likely to be an increased pressure on the budget. Legislation is also in train which will enable some considerable deregulation in the Coroners Service and this may well give rise to efficiency opportunities.
- 8.7. The budget includes other items which are not counted against the cash limit. This includes adjustments for pension and early retirement costs in accordance with Financial Reporting Standard 17 (FRS 17). Budgets to cover depreciation on the assets used to deliver Policy and Resources services and the recharge of central support services will be included for presentation to Cabinet in February.

#### **9. Business units**

- 9.1. The trading accounts of the business units are summarised in Appendix 6.

##### **Business Services Group**

- 9.2. Despite a challenging trading environment, Hampshire County Council Catering Service (HC3S) accounts show an improved forecast for 2009/10 of £390,000 surplus and an increased surplus in 2010/11 of £447,000. These figures reflect increasing meal numbers together with careful cost management. The position is also supported by School Meals Grant funding of £1.3 million annually expected to the end of 2010/11. In the event that this funding does not continue beyond that point, HC3S has a range of means by which the potential gap could be bridged and the position will be reviewed in twelve months time.
- 9.3. Corporate Procurement and County Supplies' (CPCS) trading accounts reflect a substantial improvement in forecast income for 2009/10 and provides an opportunity for CPCS to commit substantial funds in support of the Corporate Services Review of Procurement. £375,000 will be allocated to a separate reserve that will be used to meet up front investment costs

required to deliver the corporate procurement savings target of £10 million. Additional costs of £282,000 relating to delivery of the Corporate Services Review of Procurement will be funded from this separate reserve in 2010/11, leaving a trading surplus for the year of £98,000.

- 9.4. The Hampshire Transport Management (HTM) forecast has been reduced to reflect a decline in the total size of the fleet under hire, with departments exercising caution when replacing vehicles. The level of maintenance work following the new highways term maintenance contract has also reduced as the new contractor is using brand new vehicles. A technical year end accounting adjustment with regard to the new workshop at Bishops Waltham will also need to be factored into the final results for HTM. The figure is not yet confirmed but is expected to result in a charge to the trading account which will move the outturn position to a deficit, with a corresponding increase in reserves. This will have no impact on customers. HTM has reduced or held charges to Hampshire County Council customers since 2007/08 and anticipates a 1.9% price increase in hire charges for the coming year. A surplus of £61,000 is forecast for 2010/11.
- 9.5. In a competitive environment Hampshire Printing Services (HPS) continues to grow its income and surpluses of £29,000 in 2009/10 and £37,000 in 2010/11 are forecast.
- 9.6. PBR Cleaning Services' activities are focused on the headquarters buildings in Winchester and 2009/10 has seen the development of a close working relationship with the department's new centralised Facilities Management (FM) service. A small surplus of £3,000 is forecast in 2009/10. Changes to the occupation of Winchester HQ buildings will reduce income in 2010/11 and a modest shortfall of £4,000 is forecast.

#### **IT Department**

- 9.7. The IT Department maintains a 5 year financial forecast in order to predict and to control expenditure, and thereby provide stable IT costs for departments. The forecast is built up from the current service accounts and takes into consideration both known and anticipated changes as well as expected efficiency savings.
- 9.8. The IT Department continues to invest in several large projects to deliver the necessary tools and infrastructure to enable corporate initiatives including: Hampshire Workstyle, Personalisation of services, Hantsdirect, development of Partnerships, Information Exploitation and improved services for Schools.
- 9.9. On current forecasts, the trading account will return a small surplus in 2009/10. This takes into account significant implementation costs in relation to the rollout of HPSN2, which, due to timing differences will fall in 2009/10 while the associated savings will not be realised until 2010/11 and future years.
- 9.10. During 2009/10 the data centre was successfully migrated to a new purpose built suite in EII Court North. The new data centre is contributing towards increased efficiencies, for example through server virtualisation and heat recycling.

- 9.11. There are several initiatives which are ongoing and will impact on future plans. These include:
- The rollout of Hantsfile: This will change the way data is stored and managed. It is expected that the use of Hantsfile will deliver efficiencies through reduction in duplication and paper filing.
  - HPSN2: The voice and data network contract (HPSN) has now been re-tendered, and the contract has been awarded to NTL Telewest. HPSN2 will be rolled out during the remainder of the year and into 2010/11. The new contract will provide improved network resilience and greater bandwidth across the entire network.
  - Flexible working: A continuing emphasis on flexible and mobile working technologies and the extension of services to a wider range of partner organisations. This is likely to require further development of the underpinning service, Hantsnet, to ensure greater resilience, availability and security.
  - Partnerships: Negotiations are in an advanced stage with several partner organisations, including East Hampshire DC, Havant BC and Test Valley BC, to provide hosting services. Through this work we aim to develop a business model that can be applied to further partnerships.
- 9.12. The IT department is in the process of implementing the recommendations of the Corporate Services Review of IT. This will involve the consolidation of IT staff into one coherent unit. The consolidation is expected to deliver savings of around £1.1 million per annum once all of the changes are in place.

## **10. Workforce implications**

- 10.1. The workforce implications of the proposed budget for 2010/11 are set out in Appendix 9. Inclusive of 1,262 staff working in business units, the 2010/11 base budget supports a planned workforce of 3,063 full time equivalent (FTE) staff. This compares with the original estimate for 2009/10 of 3,076 which is a reduction of 13 FTEs. The main variations relate to the transfer of functions between services, with 45 staff moving out of the Hampshire Learning Centre and into Adults' and Children's Services where the learning and development teams are now located. Also, 12 staff have moved out of Hantsdirect into Children's Services. These reductions are offset by 22 FTEs from other services joining the centralised facilities management team. The remaining posts are funded from additional income or contributions from service budgets, mainly to support increased demand for services. They include 7 posts in Hampshire County Council Catering Service, 5 posts in Economic Development, 8 in Pensions Services and 6 in the Registration Service.
- 10.2. The net effect of proposals for redeployment of resources (Appendix 4) on staffing levels are still being determined in respect of Economic Development proposals. The other impacts are as follows:

2010/11	7
2011/12	-1.3
2012/13	-3

## **11. Provisional budget for 2011/12 and 2012/13**

- 11.1. The provisional budget at outturn prices for 2011/12 and 2012/13 for this service is set out in Appendix 10 and summarised below:

2011/12	£69.8 million
2012/13	£70.6 million

- 11.2. As compared with the 2010/11 proposed budget, the provisional budget for 2011/12 excludes £0.8 million non-recurring expenditure, including £239,000 for the transfer of the student support service and £362,000 funding for Economic Development and excludes £0.4 million for the one-off redeployment proposals in 2010/11. It also excludes £2.0 million under spending from 2009/10 to be used in 2010/11. It includes £0.1 million carry forward from 2008/09 and £0.4 million carry forward from 2009/10. It includes a provision for inflation based on pay rises of 2% and other price increases of 2.5%.
- 11.3. The 2012/13 provisional budget excludes the £0.5 million carry forwards to be used in 2011/12 and £0.2 million non-recurring expenditure and includes a provision for inflation based on the same assumptions as 2011/12.

## **12. Recommendation(s)**

To approve for submission to the Leader and Cabinet:

- 12.1. The revised budget for 2009/10 totalling £70.7 million (as set out in appendices 1 and 2)
- 12.2. The base budget for 2010/11 totalling £69.9 million (as set out in Appendix 3)
- 12.3. The proposals for redeployment of resources totalling £1.0 million in 2010/11 (as set out in Appendix 4)
- 12.4. The proposals for efficiency improvements totalling £3.2 million (1.7% of the proposed budget) in 2010/11 (as set out in Appendix 5)
- 12.5. The annual review of income and charges (as set out in paragraphs 7.1 – 7.3)
- 12.6. The summarised trading accounts of business units (as set out in Appendix 6)
- 12.7. The detailed budget for 2010/11 (as set out in Appendices 7 and 8)

- 12.8. The workforce implications of the proposed budget for 2010/11 (as set out in Appendix 9)
- 12.9. The provisional budget for 2011/12 of £69.8 million and for 2012/13 of £70.6 million (as set out in Appendix 10).

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

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

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Medium Term Financial and Efficiency Strategy 2009/10 – 2011/12 (Cabinet)	764	26 October 2009
Policy & Resources Revenue Budget 2009/10, 2010/11 and 2011/12 (Executive Member for Policy and Resources)	544	29 January 2009

**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:**

Equalities objectives are not considered to be adversely affected by the proposals of this report.

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

The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all decisions it makes on the prevention of crime. Paragraph 3.17 of this report confirms the County Council's on-going commitment to managing community safety via the County Strategy Group on Crime and Disorder.

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

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

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

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

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

## Appendices

Appendix		Colour
1	Revised budget 2009/10 – calculation of the cash limit	Yellow
2	Revised budget 2009/10 – comparison with cash limit	Yellow
3	Base budget 2010/11 – summary of cash limit	Pink
4	Proposals for growth and redeployment 2010/11, 2011/12 and 2012/13	Yellow
5	Efficiency statement	Yellow
6	Business units – summarised trading accounts	White
7	Revenue budget 2010/11 – analysis of variations by division of service	Blue
8	Revenue Budget 2010/11 – budget book detail	Green
9	Workforce levels and costs 2009/10 revised and 2010/11 original	Blue
10	Provisional budget 2011/12 and 2012/13	Pink
10 – Annex 1	Provisional budget 2011/12 and 2012/13 – analysis of variations by division of service	Blue

**Policy and Resources****Revised budget 2009/10****Calculation of the cash limit for the revised budget 2009/10**

The following table shows the progression from the original budget for 2009/10 to the cash limit for the revised budget 2009/10. Both are at estimated outturn prices 2009/10.

	£'000	£'000
Original budget 2009/10 at outturn prices		63,581
Transfers to/from other services to reflect revised organisational management:		
from Chief Executive's to Environment		-30
from Chief Executive's to CCRA for rights of way work		-14
from County Treasurer's to service departments		-69
from Children's Services to PBRS for office accommodation		88
from Children's Services to HR		21
from service departments to IT for corporate IT systems		9,243
remove Coroner's from cash limit		-977
= Adjusted original budget		<hr/> 71,843
Other variations:		
2008/09 under spend required in 2009/10:		
Chief Executive's department	64	
Local Area Agreement	1	
Economic Development	126	
Hampshire Now	140	
Winter maintenance contingency	361	
County Treasurer's	78	
Hantsdirect roll out	12	
Home to School Transport pilot	32	
Corporate Services Efficiency Reviews	430	
Property Services	40	1,284

Carry forward to 2010/11:		
Chief Executive's planned under spend	-247	
HR planned under spend	-380	
Hantsdirect	-400	
HATs	-150	
Consultation and communication staff survey	-50	
Community involvement	-44	
Community call for action	-22	
Corvu	-80	
County Treasurer's planned under spend	-250	
PBRs – carry forward additional income	-50	
PBRs – Hantsfile transfer from capital repairs	-60	
PBRs – Carbon Reduction Commitment funding	-147	
Strong and Safe Communities	-100	-1,980
Carry forward to 2011/12:		
Chief Executive's planned under spend	-200	
PBRs – carry forward additional income	-200	-400
2009/10 funding returned to specific reserves:		
Designated underspending reserve	-500	
PSA1 Reward Grant – workforce inclusion	-90	
Equal pay reserve funding	-149	
Invest to Save funding – Deeds Project	-22	
Home to School Transport pilot to reserves	-279	
Invest to save reserve – Corporate Services Review	-350	-1,390
Transfers between services:		
Salary Sacrifice childcare scheme all departments	70	
CORVU from all departments	96	
Talented Athletes from Children's and CCRA	18	
Children's Services from Hantsdirect	-121	
Facilities Management from Children's, Adults and Environment	612	
Development Account Manager to all services	-56	
		619

Grant Funding:	155	
LABGI grant for Economic Development	105	
Area Based Grant for Safe & Strong Communities	22	
Area Based Grant for community call for action	44	
Tackling antisocial behaviour grant		
Contingency allocations:	50	
Apprenticeships	100	
Community Involvement	70	
Pay & Benefits corporate funding	60	
Coroners' special cases	72	
Corporate Procurement invest to save	-54	
Adjustment for business rates		627
Transferred from capital:	75	
Hantsfile (from capital repairs)		
= Cash limit for the revised budget 2009/10		<b>70,675</b>

**Policy and Resources****Revised budget 2009/10****Summary comparing the revised budget with the cash limit**

	Cash Limit	Revised Budget	Variation	
	£'000	£'000	£'000	%
<b>Chief Executive:</b>				
Hantsdirect	3,107	3,107	0	0
County Council Elections	1,017	to be advised	-	-
Other	9,868	9,868	0	0
<b>Human Resources</b>	5,768	5,738	-30	-0.5
<b>County Treasurer</b>	4,266	4,266	0	0
<b>Property, Business and Regulatory Services</b>				
Property Services	5,650	5,650	0	0
Repair and Maintenance	4,862	4,862	0	0
Office Accommodation	7,847	7,847	0	0
Corporate Estate	-432	-432	0	0
Corporate IT Services	13,859	13,859	0	0
Sites for Gypsies and Travellers	124	124	0	0
County Farms	-340	-340	0	0
Regulatory Services	5,588	5,628	40	0.7
Registration	119	119	0	0
Hilliers	517	517	0	0
Castle restaurant	108	108	0	0
	37,902	37,942	40	0.1

**Other budgets**

External audit fee	297	297	0	0
Members' devolved budgets	780	780	0	0
Grants to voluntary sector	1,872	1,872	0	0
Members' support costs	2,053	1,963	-90	-4.4
Safe and Strong Communities	983	983	0	0
Home to School Transport pilot	374	374	0	0
Hantsdirect roll out	1,212	1,212	0	0
Other	1,176	1,136	-40	-3.4
Total Policy & Resources	70,675	70,555	-120	-0.2
Coroners	1,008	1,268	260	20.5
Total	71,683	71,823	140	0.2

## Policy and Resources

### Revenue budget 2010/11

#### Calculation of the base budget 2010/11 – summary of cash limited expenditure

The following table shows the progression from the original budget for 2009/10 which was prepared at outturn prices 2009/10 to the base budget 2010/11 at outturn prices 2010/11.

	<b>2010/11 Base Budget</b>	
	As estimated last year	<b>Now proposed</b>
	£'000	<b>£'000</b>
Original budget 2009/10 at outturn prices	63,400*	<b>63,581</b>
* as reported to Policy and Resources Executive Member 29 January 2009 Appendix 10		
Adjustments to the 2009/10 original budget as agreed by Cabinet 6 February 2009:		
Hampshire Action Teams (HATs)	285	
Reduced inflation allocation	-104	
Transfers to/from other services and contingency allocations:		
From Chief Executive's to Environment		<b>-30</b>
From Chief Executive's to CCRA		<b>-14</b>
From County Treasurer's to service depts		<b>-69</b>
From Children's Services to HR		<b>21</b>
From Children's Services to PBRs		<b>88</b>
From service departments to IT		<b>9,243</b>
Remove Coroner's from cash limit		<b>-977</b>
= Adjusted original budget	63,581	<b>71,843</b>

Adjustments for inflation to reflect November 2009 prices:

- Variations in cost of inflation from the inflation allowance:

Business rates		<b>-54</b>
Other costs		<b>50</b>
Original budget at November 2009 prices		<b>71,839</b>
Other variations		
- Additional cash limit resulting from lower inflation		<b>4</b>
- Exclusion of non-recurring 2009/10 expenditure:		
Planned underspendings from 2008/09:		
Chief Executive's department	-300	<b>-300</b>
Hantsdirect operating costs	-100	<b>-100</b>
Human Resources	-105	<b>-105</b>
Corporate Services Review	-200	<b>-200</b>
Corporate Communications staff survey	-50	<b>-50</b>
Members' training	-20	<b>-20</b>
HATs and Scrutiny	-15	<b>-15</b>
County Treasurer's department	-200	<b>-200</b>
County Council elections	-59	<b>-59</b>
HQ catering client budget	-40	<b>-40</b>
Grants to Voluntary Organisations	-70	<b>-70</b>
One-off funding in 2009/10:		
HATs	-285	<b>-285</b>
Consultancy and communications	-60	<b>-60</b>
County Council elections	-882	<b>-882</b>
Home to school transport pilot funding	-437	<b>-511</b>
Economic Development	-55	<b>-55</b>
Hantsdirect operational funding	-400	<b>-400</b>
Hantsdirect roll out funding	-1,200	<b>-1,200</b>
Equal pay costs	-655	<b>-506</b>
Workstyle project team	-249	<b>-249</b>
Property Services project costs	-387	<b>-387</b>
- Adjustments to base budget:		
Transfers from other services for Corvu		<b>56</b>
Transfer from Hantsdirect to Children's Services		<b>-242</b>
Transfers from other services for FM		<b>685</b>
Transfers from other services for corporate	7	<b>7</b>

Travel strategy		
Transfer from Children's Services for offices		<b>50</b>
Area based grant for specific functions		<b>91</b>
New pay structure adjustment	6	<b>4</b>
Student support function transfer	-131	<b>-131</b>
Reductions in office lease costs		<b>-261</b>
Rural Strategy funding – Econ, Dev		<b>70</b>
LABGI funding – Economic Development		<b>202</b>
PSA1 Reward grant – workforce inclusion		<b>90</b>
- Planned under spending in 2009/10:		
Chief Executive's planned under spend		<b>247</b>
HR planned under spend		<b>380</b>
Hantsdirect		<b>400</b>
HATs		<b>150</b>
Consultation and communication staff survey		<b>50</b>
Community involvement		<b>44</b>
Community call for action		<b>22</b>
Corvu		<b>80</b>
County Treasurer's planned under spend		<b>250</b>
PBRS – carry forward additional income		<b>50</b>
PBRS – Hantsfile transfer from capital repairs		<b>60</b>
PBRS – Carbon Reduction Commitment funding		<b>147</b>
Strong and Safe Communities		<b>100</b>
Allocation for future inflation:		
- Provision for all pay awards of 1.5% in 2010/11	1,312	<b>787</b>
- Increase in local government employers' pension contributions	208	<b>208</b>
- Provision for non-pay inflation at 2.25%	-18	<b>216</b>
- Reduction for increased income	-110	<b>-90</b>
<b>= Base budget 2010/11 at outturn prices</b>	<b>59,086</b>	<b>69,871</b>

**Policy and Resources****Proposals for growth and redeployment 2010/11 to 2012/13**

Proposals are shown at outturn prices for the relevant year.

Agreed proposals will be incorporated into future year's base budgets and so on-going costs are shown in the first year only. One-off costs are shown in the first year and subtracted from the following year.

	Staffing (FTEs)					
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£'000	£'000	£'000			
<b>Redeployment proposals:</b>						
<b>Chief Executive:</b>						
HR team – equal pay claims	60	-60			-1	
Employment law team – equal pay litigation	20	-20			-0.3	
Economic Development	500	-	-10	Still to be determined		
Corporate Procurement efficiency review	465	-32	-158	7	-	-3
<b>Total redeployment proposals</b>	<b>1045</b>	<b>-112</b>	<b>-168</b>	<b>7</b>	<b>-1.3</b>	<b>-3</b>
<b>Funding:</b>						
Equal pay reserve	80	-80				

LABGI	500	-	-10
County Supplies earmarked reserve	100	43	-43
Corporate Procurement savings	365	-75	-115
<b>Total funding</b>	<b>1045</b>	<b>-112</b>	<b>-168</b>

## Policy and Resources

## Cashable efficiency improvements 2009/10 to 2012/13

	2009/10 revised £m	2010/11 £m	2011/12 £m	2012/13 £m
a) Cashable efficiency improvements producing a budget saving and meeting the Government's definition of efficiency: none	-	-	-	-
b) Cashable efficiency improvements producing a budget saving but <u>not</u> meeting the Government's definition of efficiency: Rates review	500	-	-	-
c) Cashable efficiency improvements <u>not</u> producing a budget saving:				
<b>Cost of salary increments:</b>				
Chief Executive's	189	207	207	207
Human Resources	148	103	103	103
County Treasurer's	134	144	144	144
Property, Business & Regulatory	485	471	300	200
<b>Chief Executive's:</b>				
HR SAP savings	60	-	-	-
Negotiated reduction in SEE Subscription	2	-	-	-
<b>County Treasurer's:</b>				
BACS email	2	-	-	-
Printing and stationery savings	40	-	-	-
Vending machine savings	3	-	-	-
Management and admin restructure	21	-	-	-
ESS roll out	-	25	-	-
<b>Property, Business &amp; Regulatory:</b>				

Management and admin restructure	-	210	50	67
HQ Facilities management	50	-	-	-
Registration service	54	-	-	-
Housekeeping savings	-	-	50	30
Hampshire Transport Management	83	-	-	-
Construction procurement savings	-	150	350	-
<b>IT Services:</b>				
Corporate Service Review	-	1,100	-	-
Windows server virtualisation	194	-	-	-
Data storage replacement	205	-	-	-
Hardware maintenance contract	60	-	-	-
HPSN2	250	750	-	-
Outsourcing winterm support	30	-	-	-
Pull printing	2	-	-	-
<b>Total cashable efficiency improvements</b>	<b>2,512</b>	<b>3,160</b>	<b>1,204</b>	<b>751</b>
% of cash limit, excluding business unit efficiencies	2.4	1.7	1.8	1.1

## Notes

Cashable efficiency improvements occur when:

- inputs (money, people, assets etc) are reduced but outputs remain unchanged
- the price of inputs (procurement, labour costs etc) are reduced but outputs remain unchanged.

a) Cashable efficiency improvements producing budget savings and meeting the Government's definition of efficiency include general procurement savings against the budget provision of a 2.25% (2.5% for 2011/12 and 2012/13) increase in prices.

b) Cashable efficiency improvements producing budget savings but not meeting the Government's definition of efficiency include introducing new charges for services and fortuitous savings.

c) Cashable efficiency improvements not producing budget savings arise because the efficiency is avoiding unbudgeted cost e.g. staff reductions made to absorb increments, procurement efficiencies where costs are still exceeding 2.5%, capital receipts or developer contributions applied to avoid unplanned additional borrowing

## Policy and Resources

## Business units – summarised trading accounts 2009/10 to 2012/13

	Original budget 2009/10	Revised budget 2009/10	Base budget 2010/11	Provisional forecast 2011/12	Provisional forecast 2012/13
	£'000	£'000	£'000	£'000	£'000
<b>Hampshire Printing Services</b>					
<b>Trading Account</b>					
Income	-2,572	-2,882	-2,906	-2,979	-3,053
Expenditure	2,552	2,853	2,869	2,937	3,006
Net operating (surplus)/deficit	-20	-29	-37	-42	-47
<b>Reserve Account</b>					
(Surplus)/deficit brought forward	-634	-650	-740	-838	-941
(Surplus)/deficit	-20	-29	-37	-42	-47
Depreciation	-61	-61	-61	-61	-61
Funding of capital expenditure	0	0	0	0	0
<b>(Surplus)/deficit carried forward</b>	<b>-715</b>	<b>-740</b>	<b>-838</b>	<b>-941</b>	<b>-1,049</b>
<b>IT Services</b>					
<b>Trading Account</b>					
Income	-34,238	-35,861	-34,738	-35,611	-36,046
Expenditure	33,545	35,674	35,750	35,794	35,952
Net operating (surplus)/deficit	-693	-187	12	183	-94

<b>Reserve Account</b>					
(Surplus)/deficit brought forward	1,096	-182	-470	-559	-447
(Surplus)/deficit	-693	-187	12	183	-94
Depreciation	-101	-101	-101	-101	-101
<b>(Surplus)/deficit carried forward</b>	<b>302</b>	<b>-470</b>	<b>-559</b>	<b>-477</b>	<b>-672</b>

**Caretaking and Cleaning Support Service**

Income	-423	-437	-435	-444	-453
Expenditure	423	443	435	444	453
Net operating (surplus)/deficit	0	6	0	0	0

**Reserve Account**

(Surplus)/deficit brought forward	-182	-191	-185	-185	-185
(Surplus)/deficit	0	6	0	0	0
Depreciation	0	0	0	0	0
<b>(Surplus)/deficit carried forward</b>	<b>-182</b>	<b>-185</b>	<b>-185</b>	<b>-185</b>	<b>-185</b>

**County Supplies**

Income	-10,507	-11,163	-10,998	-11,273	-11,555
Expenditure	10,404	10,684	11,129	11,105	11,370
Net operating (surplus)/deficit	-103	-479	131	-168	-185
Transfer to earmarked reserve	0	447	53	0	0
Contribution from earmarked reserve	0	-72	-282	0	0

(Surplus)/deficit brought forward	-1,442	-1,487	-1,622	-1,751	-1,950
(Surplus)/deficit	-103	-104	-98	-168	-185
Depreciation	-31	-31	-31	-31	-31
<b>(Surplus)/deficit carried forward</b>	<b>-1,576</b>	<b>-1,622</b>	<b>-1,751</b>	<b>-1,950</b>	<b>-2,166</b>

**Segensworth Unit  
Factories**

Income	-18	-23	-23	-24	-25
Expenditure	0	0	0	0	0
Net operating (surplus)/deficit	-18	-23	-23	-24	-25

**Reserve Account**

(Surplus)/deficit brought forward	-264	-267	-290	-313	-337
(Surplus)/deficit	-18	-23	-23	-24	-25
Depreciation	0	0	0	0	0
<b>(Surplus)/deficit carried forward</b>	<b>-282</b>	<b>-290</b>	<b>-313</b>	<b>-337</b>	<b>-362</b>

**Former Direct  
Service  
Organisations**

**HC3S**

Income	-18,891	-19,354	-19,724	-19,390	-19,681
Expenditure	18,666	18,964	19,277	19,409	19,542
Net operating (surplus)/deficit	-225	-390	-447	19	-139

**Hampshire  
Cleaning Services**

Income	-600	-616	-602	-617	-632
Expenditure	600	613	606	619	632
Net operating (surplus)/deficit	0	-3	4	2	0

**Hampshire  
Transport  
Management**

Income	-7,435	-7,122	-7,188	-7,368	-7,552
Expenditure	7,362	7,081	7,127	7,299	7,467
Net operating (surplus)/deficit	-73	-41	-61	-69	-85

**Former DSO  
Reserve Account**

(Surplus)/deficit brought forward	-1,616	-1,618	-1,558	-2,088	-2,192
(Surplus)/deficit	-298	-434	-504	-48	-224
Depreciation	-56	-56	-56	-56	-56
Funding of capital expenditure	549	550	30	0	0
<b>(Surplus)/deficit carried forward</b>	<b>-1,421</b>	<b>-1,558</b>	<b>-2,088</b>	<b>-2,192</b>	<b>-2,472</b>

## Policy and Resources

## Revenue budget 2010/11

## Analysis of variations by division of service

	Adjusted original budget 2009/10	Variation in inflation to November 2009 prices		Other base budget variations	Inflation allocation to 2010/11 outturn		Growth and redeployment proposals	Revenue Budget 2010/11
	£'000	£'000	%	£'000	£'000	%	£'000	£'000
Cash limited expenditure by division of service								
Net cash limited expenditure								
Expenditure outside cash limit: Capital charges FRS17 pension adjustment								
Specific grants								
Total net expenditure								

## Policy and Resources

## Revenue Budget 2010/11

Reconciliation of the original 2009/10 budget on the following pages with the 2009/10 budget in the published budget book.

		£'000
Net expenditure on page B69 of the published budget book		29,472
Adjustments for items not included in the budget book:		
Pension costs	3,004	
Support Service Recharges	31,905	
Charges to Corporate and Democratic Core	-838	
Trading Units transfers from reserves	1,386	
Coroners	977	
LPSA Pump Priming Grant	60	36,494
Adjustments made to the original budget figures:		8,262
Total net expenditure for 2009/10 original budget shown overleaf on page B69		74,228

## Policy and Resources

## Workforce levels and costs

	2009/10 Revised £'000	2010/11 Original £'000
Analysis of workforce costs in base budget:		
Salaries of permanent staff (including employer's national insurance and pension contributions)	64,335	67,122
Temporary/fixed term/casual staff	614	227
Agency staff	726	321
Additional hours	212	228
Total workforce costs	65,887	67,898
Average FTE staff actually in post <i>(nb this should equal actual FTEs in post plus vacant positions open to be filled minus an assumption for average turnover)</i>	1,806	1,801
Staffing changes in growth, savings and redeployment proposals:		
Variation in staff (FTEs)		7
Variation in budget (£'000)		266
Workforce implications of budget proposals:		
FTE posts available		1,808
Workforce budget available (£'000)		68,164

## Policy and Resources

### Provisional budget 2011/12 and 2012/13

The following table shows the progression from the 2010/11 proposed budget at outturn prices to the provisional budget for 2011/12 and 2012/13 at outturn prices.

	As estimated last year <i>(from last year's App 10)</i>	<b>Now proposed</b>
	£'000	£'000
<b>Proposed budget 2010/11 at outturn prices</b>	59,050	<b>70,916</b>
- Base budget variations:		
- Exclusion of non-recurring 2010/11 expenditure:		
Student Support transfer	-239	<b>-239</b>
Deeds recovery project	-29	<b>-51</b>
Home to school transport pilot	-184	<b>-110</b>
Rural Strategy funding – Econ Dev		<b>-70</b>
LABGI funding – Economic Dev		<b>-202</b>
PSA1 Reward grant		<b>-90</b>
- Exclusion of non-recurring redeployment proposals:		
HR equal pay claims	-65	<b>-244</b>
Legal Services equal pay claims	-125	<b>-175</b>
Corporate procurement invest to save		<b>-32</b>
- 2009/10 planned under spending used in 2010/11:		
Chief Executive's		<b>-247</b>
HR		<b>-380</b>
Hantsdirect		<b>-400</b>
HATs		<b>-150</b>
Consultation and communication staff survey		<b>-50</b>
Community involvement		<b>-44</b>

Community call for action		-22
Corvu		-80
County Treasurer's planned under spend		-250
PBRS – carry forward additional income		-50
PBRS – Hantsfile transfer from capital repairs		-60
PBRS – Carbon Reduction Commitment funding		-147
Strong and Safe Communities		-100
Carry forward of 50% of 2008/09 under spend		128
Planned carry forward from 2009/10:		
Chief Executive's		200
PBRS		200
LABGI funding for apprenticeships		68
Allocation for future inflation	1,231	1,509
<b>Provisional budget 2011/12 at outturn prices</b>	<b>59,639</b>	<b>69,828</b>
- Base budget variations:		
- Exclusion of non-recurring 2011/12 Expenditure:		
2008/09 carry forward		-128
2009/10 carry forward		-400
LABGI funding – Economic Development		-10
LABGI funding – apprenticeships		-68
Corporate procurement invest to save		-158
Allocation for future inflation		1,551
<b>Provisional budget 2012/13 at outturn prices</b>		<b>70,615</b>

## Annex 1 to Appendix 10

## Policy and Resources

## Provisional budget 2011/12 and 2012/13

## Analysis of variations by division of service

	Proposed Budget 2010/11	Base budget variations	Growth and redeployment	Inflation allocation to 2011/12 outturn		Provisional Budget 2011/12	Base budget variations	Growth and redeployment	Inflation allocation to 2012/13 outturn		Provisional Budget 2012/13
	£'000	£'000	£'000	£'000	%		£'000	£'000	£'000	%	£'000
Cash limited expenditure by division of service											
Net cash limited expenditure											
Expenditure outside cash limit											
Specific grants											
Total net expenditure											

Inflation will need to be allocated over divisions of service to be included in the cabinet report going out 29 Jan 2010.