

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member – Environment and Transport
Date:	6 March 2012
Title:	Revenue Budget Monitoring – 2011/12 Quarter 3
Reference:	3756
Report From:	County Treasurer and Director of Economy, Transport and Environment

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1. Executive Summary

1.1. This report outlines the budget monitoring position as at the end of quarter 3 (31 December 2011).

1.2. The projected outturn for budgeted services for 2011/12 is a planned saving of £2.330 million or 2.1% of the total budget. The 2012/13 budget report included proposals to carry forward the savings identified at the end of quarter 2 to offset significant costs of change expected in 2012/13 and this figure, £1.913 million, is still included in the forecast in this report. The variance reported by each service stream board and group is set out below.

	Current budget	Quarter 2 forecast variance	Quarter 3 forecast variance	Change	Variance as % of budget
	£000	£000	£000	£000	%
Highways, Traffic & Transport	65,192	(1,609)	(153)	1,456	(0.2)
Waste, Planning & Environment	39,926	0	(221)	(221)	(0.6)
Departmental & Corporate Services	7,601	(304)	(1,956)	(1,652)	(25.7)
Total	112,719	(1,913)	(2,330)	(417)	(2.1)

- 1.3. As part of the revised budget process a number of individual budgets have been adjusted within the overall cash limit totals to align them more closely to the expected outturn. This means that direct comparisons to the previous quarter 2 position are less straightforward than in earlier reports. As part of this process the £1.913 million planned savings reported in the quarter 2 report have been consolidated into the Departmental and Corporate Services budget and this is the key reason for the change in variance from quarter 2 for this budget.
- 1.4. Uncertainty about the final position on the Concessionary Fares budget (part of Highways, Traffic and Transport) continues. While the position in the current year appears favourable with the day to day net running costs below anticipated levels the position on the more significant area of spend, payments to the bus operators, remains unclear. A number of operator appeals remain open and are not expected to be finally settled until after the year end. Looking ahead there are also potential pressures associated with demographics which, while difficult to quantify at this stage, are likely to add to costs in future years. To mitigate the risks a separate contingency provision is to be established from the Concessionary Fares budget in 2011/12 and the Highways, Traffic and Transport figures reflect this.
- 1.5. As part of the previous year's budget strategy an amount of £1.396 million relating to early achievement of savings targets was retained in the Economy, Transport and Environment Department's budget to cover costs of change associated with delivering efficiency and cost reduction programmes. One area this provision was intended to support was work within Highways, Traffic and Transport on the Bishops Waltham depot as part of the wider co-location project. Due to planning issues the proposals are both more complex and delayed. Around £400,000 is now expected to be spent in 2012/13 rather than in the current year. To ensure this work can be completed it is proposed to carry forward this sum to 2012/13.
- 1.6. A summary of the quarter 3 position is shown below:

	£000	£000
Q3 position		(2,330)
Costs of change proposals:		
Agreed Q1	629	
Agreed Q2	1,300	
Balance of previously agreed cost of change funding	401	
Total		2,330

1.7. Significant variances for the end of quarter 3 are summarised as follows:

	Change this quarter	Forecast variance this quarter	Para Ref
	£000	£000	
Departmental & corporate services	(1,652)	(1,956)	4.1
Consolidation of department-wide planned savings of £1.913 million reported in the quarter 2 report and the budget report. As previously reported the savings are needed to cover costs of change in 2012/13 and a virement to capital for casualty reduction schemes.			
Staffing and Operational Support – Highways, Traffic & Transport	(317)	(701)	2.3
Cost of change provision relating to Bishops Waltham depot works not now expected to be spent until 2012/13 due to planning delays together with higher than forecast Section 38 income, vacancy and other staff and non-pay savings.			
Public Transport	801	548	2.2
Establishment of Concessionary Fares contingency provision offset by continued lower than forecast running costs in providing the service and other net changes.			
Staffing and Operational Support – Waste, Planning & Environment	(221)	(221)	3.3
Staffing and non-pay savings.			

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

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

2011/12 Revenue Budget

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

2.1. The current position for the Highways, Traffic and Transport Service Stream is a saving of £153,000 (0.2% of the net cash limited budgets).

	Current budget	Quarter 2 forecast variance	Quarter 3 forecast variance	Change	Variance as % of budget
	£000	£000	£000	£000	%
Highways	32,026	0	0	0	0
Maintenance					
Engineering	(300)	(120)	0	120	0
Consultancy					
Public Transport	20,169	(253)	548	801	2.7
Staffing & operational support	11,186	(384)	(701)	(317)	(6.3)
Road Safety & Safer Roads Partnership	1,950	(852)	0	852	0
Traffic Surveys	256	0	0	0	0
Parking Services	(95)	0	0	0	0
Total	65,192	(1,609)	(153)	1,456	0.2

2.2. The position on Public Transport reflects the one-off impact of the contingency provision to be established to mitigate the risks to the Concessionary Fares budget from appeals and longer term demographic pressures.

2.3. The position on the Staffing and Operational Support budget is the result of a number of factors. These include in year savings relating to the cost of change provision for work on the Bishops Waltham depot now not expected to be spent until 2012/13 due to planning delays. To ensure this work can be completed this report includes a recommendation that the sum now expected to be spent next year is carried forward. Section 38 income is also now expected to be higher than originally envisaged, vacancy and other staff savings continue as part of the recruitment freeze and non-pay costs are now forecast to be lower than originally planned.

2.4. As part of the revised budget process a number of individual budgets have been adjusted within the overall cash limit totals to align them more closely to the expected outturn. This means that direct comparisons to the previous quarter 2 position are less straightforward than in earlier reports. Examples are Road Safety and Safer Road Partnership where the budget has been adjusted to reflect spending now covered by other means and the Engineering Consultancy budget where performance is now expected to meet a more demanding net income target.

2.5. The Highways Maintenance budget includes a provision of £4.133 million for winter maintenance. As annual spend is ultimately determined by weather conditions during the winter period the annual budget is calculated based on average previous spend figures with the annual adjustments found from the overall departmental budgets. In-year over- and underspends are not dealt with as a pressure or benefit to the in year cash limit for the department. The winter weather to date has been relatively mild with fewer salt runs to date than the average for the five previous years and, if this trend continues and there is no snow, the financial provision this year would be more than sufficient. However the position could be reversed if the rest of the winter sees longer periods of cold or snowy weather.

2.6. Significant variances for the end of quarter 3 are summarised as follows:

	Change this quarter £000	Forecast variance this quarter £000
Public Transport	801	548

The forecast variance this quarter relates to the Concessionary Fares budget with a continuation of the downward trend on running costs offset by the one-off impact of creating a separate contingency to mitigate the longer term risks to the budget from issues such as operator appeals and the impact of demographic pressures.

Section 38 Income	(100)	(200)
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Forecast variance this quarter has been increased based on higher levels of income received in the year to date.

Other staffing and operational support	(217)	(501)
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Work on the Bishops Waltham depot funded from the cost of change budget provision not now expected until 2012/13, staffing and non-pay budget savings, offset in part by additional spend on transport studies.

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

3.1. The forecast variance at the end of quarter 3 for the Waste, Planning and Environment Service Stream is for an underspend of £221,000 (0.6%) against the cash limited budget.

	Current budget	Quarter 2 Forecast Variance	Quarter 3 Forecast Variance	Change	Variance as % of budget
	£000	£000	£000	£000	%
Waste contract	34,683	0	0	0	0
Non-contract waste and staffing & operational support	5,073	0	(221)	(221)	(4.4)
Chichester Harbour	170	0	0	0	0
Total	39,926	0	(221)	(221)	(0.6)

3.2. Over or underspends on the waste contract relating to volume and contractual inflation changes are covered by a central contingency and cash limits adjusted accordingly. The second quarter's call on this contingency was £472,000 making a total call for the year of £957,000. Although the requirement for the second half of the year is generally higher the overall requirement is not expected to exceed the amount held centrally.

3.3. The variance forecast this quarter is the result of savings against a number of budgets including vacancy savings and lower spend on non-pay budgets.

4. Departmental and Corporate Services

4.1. The forecast variance at the end of quarter 3 is an underspend of £1,956,000 (25.7% of the net cash limited budgets) however this is largely the result of the consolidation within this budget of the planned savings to the end of quarter 2 (£1.913 million) required to meet costs of change in 2012/13.

	Current budget	Quarter 2 Forecast Variance	Quarter 3 Forecast Variance	Change	Variance as % of budget
	£000	£000	£000	£000	%
Staffing & operational support	7,601	(304)	(1,956)	(1,652)	(25.7)
Total	7,601	(304)	(1,956)	(1,652)	(25.7)

5. Efficiency Savings

- 5.1. Appendix 2 summarises the Economy, Transport and Environment Department's phase 3 efficiency savings proposals in 2011/12 showing that 98% (£6.848 million) has already been secured with the remaining 2% (£0.120 million) at a high confidence level of being achieved. The total for the year exceeds target by £263,000 of which £233,000 represents savings to be delivered in 2011/12 rather than 2012/13.
- 5.2. The majority of the required savings have already been secured with 51% (£3.538 million) from senior management and other staff reductions, 16% (£1.138 million) from bus subsidy measures, 14% (£1 million) from contract savings, 12% (£0.823 million) from agreed reductions in partnership grants and the balance of 5% (£0.35 million) from reduced transportation studies in light of the reducing capital programme and reduced IT costs.
- 5.3. The balance of the savings for 2011/12 relating to further staff savings (£120,000 or 2%) will be achieved by the end of March 2012.

6. Recommendations

- 6.1. That the forecast position at the end of quarter three, including the sums already agreed at the end of quarter 2 for a virement to capital and to support costs of change in 2012/13, be noted.
- 6.2. That the carry forward to 2012/13 of a sum equivalent to the balance of the 2010/11 cost of change provision needed to ensure completion of the Bishops Waltham project be approved (paragraph 1.5 refers).

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.)

DocumentLocation

Environment Departmental Management
Team: 6 February 2012

Environment Department, Queen
Elizabeth II Court (West)

a) Revenue Budget 2011/12 – Quarter 3

b) Performance Report 2011/12– Quarter 3

c) Workforce Report 2011/12 - Quarter 3

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

- 1.1. Assessment of the Race Relations (Assessment) Act has been considered in this monitoring report. No adverse impact has been identified in terms of race, creed or gender.

2. Impact on Crime and Disorder:

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

3. Climate Change:

- a) How does what is being proposed 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?

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

Cash limit and Revised Budget

Reason for budget movement between Quarter 2 and Quarter 3

Reason	Change £000
Quarter 2	111,563
Inter Departmental transfers	
Marketing post from CCBS	32
Childcare voucher salary sacrifice scheme	(10)
Correction of previous amount	38
Spending met by reserves	
Q2 call on waste management contingency	472
This adjustment reflects changes in volumes, landfill tax and inflation and is applied quarterly.	
Street lighting PFI	324
This adjustment reflects a change in the requirement to transfer funds to the PFI reserve account.	
Area based Insulation	300
This addition to the departmental cash limit follows the decision by the Senate to fund the scheme with Hampshire County Council's share being 50%.	
	112,719

Budget movement between Quarter 2 and Quarter 3 by Service Stream

Group	Budget as at Quarter 2	Movement			Budget as at Quarter 3
		Expense Cash limit	Income Cash limit	Net Cash limit changes	
	£000	£000	£000	£000	£000
Highways, Traffic & Transport	65,478	(286)	0	(286)	65,192
Waste, Planning & Environment	39,154	772	0	772	39,926
Departmental & Corporate Services	6,931	670	0	670	7,601
Grand Total	111,563	1,156	0	1,156	112,719

Progress in achievement of efficiency savings

Status Summary of Departmental 2011/12 and Phase 3 Efficiency Savings as at 31 December 2011

Blue		Green		Amber		Red		Total	
£000	%	£000	%	£000	%	£000	%	£000	%
6,848	98	120	2	0	0	0	0	6,968	100

Key

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