

## 2006-07 REVENUE BUDGET MONITORING

### Summary

1. The following table summarises the 2006-07 projected outturn as of the end of November 2006. It also includes figures from the previous report to permit comparison between current and previously reported figures.

	<b>November 2006 Net over or (-) Underspending £000</b>	<b>September 2006 Net over or (-) underspending £000</b>
Adult and Community	+1,424	+2,783
Children & Young People's	+214	+167
Customer and Corporate	+1	+83
Environment	+25	+25
Resources	+19	-30
Net position	<u>+1,683</u>	<u>+3,028</u>
Less:		
Social Care Contingency	-1,302	-1,302
Financing Transactions projected surplus	-750	-500
Net Council projected overspend	<u>- 369</u>	<u>+1,226</u>

2. The overall position shows a projected £0.37 million underspend. This is 0.3% of the Council's £118.285 million revenue budget (excluding Direct Schools Grant funding). The position has improved by £1.53m since the last report where a £1.226million overspend was projected. The projected position is after allowing for use of the Social Care contingency and the impact of the revised cash flow profile. Slippage in the capital programme has helped this improved position. The report details the reasons for the movement but the headline areas are as follows:
- £1.4m reduction in projected overspend for Adult and Community Services due to inclusion of grant income
  - £0.25m improvement in the projected interest from investments
3. As previously reported, there is a key concern around the potential overspend position on Adult Social Care budgets. As part of the overall 2006-07 budget, some contingency funding is available to mitigate this problem. The medium term financial management strategy identifies that the social care contingency will be increased by £1.7million, topping it up to £3m given the previous forecasted overspend. However, the use of the contingency can only be sanctioned after a review of the causes for the overspend and assurances that mitigating action was taken.
4. The position in Children and Young People's Services remains in a projected overspend position and must also be viewed as a key risk for the remainder of the financial year.
5. Future projections may also see the impact of a potential receipt in excess of £1m from the Local Authority Business Growth Incentive (LABGI) scheme. In February 2006, central government allocated the first year (2005-06) of the three-year LABGI

grant programme to local authorities. The LABGI scheme aims to reward authorities that continue to encourage business growth, with the grant based upon the authority's increase in rateable value over the previous calendar year. The 2006-07 allocation will not be announced by central government until February 2007 but the allocation for Herefordshire may be significant if current estimates are correct.

### **Revenue Reserves Position as at 30th November 2006**

#### **General Reserves**

6. The General Revenue reserves as at 30th November totalled £14.525 million including £3.72 million of underspendings carried into 2006-07 from 2005-06.
7. The Council's draft Medium Term Financial Management Strategy includes proposals for managing General Fund Balances and specific reserves and ensuring a balanced budget. A key message is a move away from a higher level of General Fund balances to specific Reserves to deal with key corporate financial risks.

#### **Earmarked Reserves**

8. At 30th November 2006 the Council held £13.9 million of earmarked reserves. The three largest reserves are:
  - Waste Management Reserve £1.386m;
  - Herefordshire Connects £1.928m; and
  - School Balances £8.739m
9. School balances are ring fenced and will reduce at year-end as the Balance Clawback scheme is implemented.
10. It is expected that a proportion of the Herefordshire Connects Reserve will be used to fund 2006-07 revenue expenditure and that some of the smaller revenue reserves will be utilised in 2006-07.

**DIRECTOR OF ADULT AND COMMUNITY SERVICES****Directorate Summary as at 30th November 2006**

	<b>November 2006 Net over or (-) underspending £000</b>	<b>September 2006 Net over or (-) underspending £000</b>
Adult Services	+1,530	+2,743
Strategic Housing	-45	+8
Community Services	+54	+79
Commissioning and Improvement	-115	-47
<b>Total</b>	<b>+1,424</b>	<b>+2,783</b>

**Adult Services**

11. The projected outturn for Adult Social Care is an overspend of £1.53 million. Details of the projected area overspends are as follows:
- Learning Disabilities - £1,241,000 overspend
  - Older People – (£512,000) underspend
  - Physical Disabilities - £327,000 overspend
  - Mental Health - £442,000 overspend
  - Service Strategy - £53,000 overspend
12. A cautious approach was taken at the start of the year in respect of the Access and Systems capacity grant, to ensure the grant was used appropriately and met its terms of use. The grant has been predominately utilised within the older people client group. The main aim of the grant funding is to assist vulnerable older people.
13. The Access and Systems grant funding for financial year 2007-08 has been notified to the Council. Work is underway to ensure that recurrent commitments are allocated to the funding. Any uncommitted funding will be allocated to specific client groups in the next couple of months.

**Strategic Housing**

14. The projected outturn for Strategic Housing is an underspend of £45,000 based on current demand levels for temporary accommodation. The situation is being closely monitored in case demand increases. However, this year has seen good progress to reduce pressure.
15. The projection does include an allowance for seasonal trends. One trend is an

increase in the number of clients presenting and being accepted as homeless during the Christmas and New Year period. The trend has been built into the projected outturn figures.

16. The projections reflect the decrease in the number of people presenting themselves as homeless. The decreasing numbers are reflected in lower spending in line with planned budget reductions. Details of numbers involved are as follows:
  - Highest 2005-06 98
  - Lowest 2005-06 66
  - Average 2005-06 82
  - Highest 2006-07 58
  - Lowest 2006-07 18
  - Average 2006-07 29.67
17. Since January 2006 there has been a prevention team within the homeless section. The team's key objective is to prevent service users going into temporary accommodation.
18. Some non-recurrent staff vacancy savings have assisted the underspend position. Once these posts have been filled the saving will cease.

### **Community Services**

19. The projected overspending of £54,000 is a net position made up of Public Rights of Way (PROW) work, the accumulated leisure deficit brought forward and additional traffic modelling costs for the Edgar Street Grid. These overspends are partially offset by under-spending on staff within Community Regeneration.
20. The projected under-spend on Community Safety relates to home office grant funding received in the current and previous year. The extent to which this funding could be re-directed within the division whilst still meeting the grant conditions is currently being explored.
21. Halo has agreed in principle to assist in the managed reduction of the accumulated Leisure deficit over the medium-term. A decision will need to be made as to whether the deficit should again be carried forward into 2007-08, in expectation of a managed reduction, as was the case for 2006-07.
22. Grounds Maintenance costs are being managed within budget, however the severe weather conditions currently being experienced are likely to put extreme pressure on the budget over the coming months. The position will be closely monitored and budgets will be re-allocated wherever possible to mitigate the impact.

### **Efficiency Savings**

23. All the Adult Services efficiency savings have been allocated out to client groups. Discussions are on going about Mental Health and work is in hand to ensure savings are being achieved.

24. The Community Services efficiency savings were all implemented into the base budget at the start of the year and the required savings are being achieved on an on-going basis.

**DIRECTOR OF CHILDREN AND YOUNG PEOPLE'S SERVICES****Directorate Summary as at 30th November 2006**

	<b>November 2006 Net over or (-) underspending £000</b>	<b>September 2006 Net over or (-) underspending £000</b>
Directorate Central Budgets	-573	-421
Children's Social Care/Safeguarding and Assessment Services	+787	+588
Total	+214	+167

25. The current position is a projected overspend of £214,000. In the last report the overall position for the Directorate was an overspend of £167,000. There is a significant risk that the overspend will increase as the projection assumes no additional external placements for the remainder of the financial year.

**Dedicated Schools Grant**

26. Most (80%) of the former Education budget is now funded by Dedicated Schools Grant. This funds delegated school budgets and central services to schools and pupils. Any under or overspending will be carried forward into the Dedicated Schools Grant for 2007-08.
27. Schools Forum set the schools' budget in February 2006 and subsequent finalisation of DSG has resulted in a £185,000 budget deficit to be carried forward to 2007-08. It is anticipated there will be an underspend of around £185,000 to meet this shortfall.

**Directorate Central Budgets**

28. The Dedicated Schools Grant does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport. The projected underspend is £573,000, mainly on school transport (£278,000), Special Education Services (£91,000) and staff vacancies in the Youth Service (£140,000).

**Children's Social Care/ Safeguarding and Assessment Services**

29. The projected overspend on Children's Social Care has risen by nearly £200,000 to is £787,000 and is mainly related to external residential agency placements (£520,000), fostering (£235,000) and Social Work (£150,000). These are offset by savings in Assessment and Family Support (£119,000). External agency placements have risen from 24 at the beginning of the year to 29 with each placement costing approximately £150,000 pa. Unless numbers can be reduced, this cost pressure will continue into the new financial year. The number of children in foster care has also risen from 111 at the beginning of the year to 121.
30. A further pressure remains around Out of Area Placements for children with complex needs, which are jointly funded through a section 31 agreement between Health and Children and Young People's Directorate (Schools Budget and Social Care elements). An overspend is projected as more children are expected to be placed

during the remainder of this year. A claim on the social care contingency for the appropriate contribution will have to be considered.

**Summary**

31. Overall, the Children and Young People's budget continues to overspend with a project deficit of £214,000 at the end of November compared with a projected overspend of £167,000 at the end of September.

**Efficiency Savings**

32. The efficiency savings required for 2006-07 have been fully taken into account in the Directorate's budget planning for the year. The transport savings identified from route reviews last September are being maintained and further savings will be identified this September on an academic year basis. Efficiency savings are a key part of containing social care spending.

**DIRECTORATE OF CORPORATE AND CUSTOMER SERVICES****Directorate Summary as at 30th November 2006**

	<b>November 2006 Net over or (-) underspending £000</b>	<b>September 2006 Net over or (-) underspending £000</b>
Herefordshire Partnership	-40	-40
Communications	-20	-20
Director and Administration	-50	-50
Emergency Planning	+6	+6
Legal and Democratic Services	+187	+187
Info. By Phone	0	0
Policy & Performance	-82	0
Information Services	0	0
Corporate ICT Projects	0	0
<b>Total</b>	<b>+1</b>	<b>+83</b>

**Corporate and Customer Services**

33. The projected overspend in Legal and Democratic Services should be mitigated by under-spends in other areas. A view will need to be taken regarding the on-going provision for possible reductions in partner contributions within Herefordshire Partnership.
34. The launch of the proposed INFO by phone centre will bring significant budget pressures for start-up and on-going costs. Detailed work is on going to identify resources to fund the project. It is the intention that related savings in service directorates will be identified and re-directed. A clear benefits realisation plan has yet to be agreed by the Corporate Management Board to avoid uncertainty. The Resources Directorate is working with the Corporate and Customer Services Directorate to review budgeted and actual spending and income on the ICT Trading account for 2006-07. ICT are also currently looking at their ability to support corporate priorities and there may be some further cost implications.



**DIRECTOR OF ENVIRONMENT****Directorate Summary as at 30th November 2006**

	<b>November 2006 Net over or (-) underspending £000</b>	<b>September 2006 Net over or (-) underspending £000</b>
Environmental Health and Trading Standards	0	0
Planning	+25	+25
Highways and Transportation	0	0
<b>Total</b>	<b>+25</b>	<b>+25</b>

**Environmental Health and Trading Standards**

35. The overall year-end position is estimated as break even. The level of payment against the Waste Management contract is below the profiled budget, this is mainly due to the slippage in the contract variation on the PFI Disposal contract and will continue to be monitored over the coming months for its impact on future projections. The current position indicates an underspend is likely to occur due to lower levels of activity and this will be confirmed in the next report. Any underspend against the contract will need to be earmarked for reserves to meet future waste management pressures.

**Highways and Transportation**

36. A number of budgets remain under pressure. Although steps are being taken to ensure, in the absence of Street Lighting managers in both HC and HJS, that a programme of works is being carried out in 2006-07 it is unlikely that this budget will be fully spent. Budget will be reallocated to meet pressures in other areas such as adverse weather, street cleansing and car parking.

**Planning**

37. An overspend of £25,000 is projected after assessing fee income to the end of the year. Planning fee income is treated as a corporate resource.

**Efficiency Savings**

38. The efficiency savings have all been taken into account in the Directorate's budget. Action is being taken to ensure the savings are made.

**DIRECTOR OF RESOURCES****Directorate Summary as at 30th November 2006**

	<b>November 2006 Net over or (-) underspending £000</b>	<b>September 2006 Net over or (-) underspending £000</b>
Corporate Budgets	-114	-150
Property Services	0	0
Finance	+103	+120
Procurement	+30	0
<b>Total</b>	<b>+19</b>	<b>-30</b>

**Corporate Budgets**

39. At this stage in the year a net overspending of £114,000 is expected. Anticipated savings on corporate subscriptions, insurance and Environment Agency levies will be offset by an amendment to previous grant settlements of £165,000.
40. There is the potential for a significant underspend against Corporate budgets due to the Local Authority Business Growth Incentive (LABGI) scheme. The LABGI grant scheme is a three year programme of allocation that depend on the increase in rateable value of business properties in a local authority's area. The scheme aims to reward authorities that continue to encourage business growth. Analysis of the current position shows a rise in rateable value but the allocation won't be announced by central government until February 2007 and at this stage any income can only be estimated.

**Finance**

41. It is assumed costs of the Directorate restructure are met by the reserve for organisational development. However, until a decision is made on its use, the costs will be shown against the relevant service areas.

**Property**

42. The net position is break-even although some significant variations exist within the service area. There is additional income for rent that offsets overspending on buildings and corporate property maintenance. The Director of Resources is currently working towards achieving greater transparency in the Asset Management and Property Services budgets to improve financial management reporting.

**Efficiency Savings**

43. All the efficiency savings have been allocated to cost centres and services. Careful budget monitoring will help ensure that the savings will be achieved.

**FINANCING TRANSACTIONS**

44. At this stage in the year an underspending of £750,000 is being estimated representing an increase of £250,000 on the previous report. This results from careful investment management as well as the effect of capital programme slippage. Slippage has occurred in previous years and 2006-07 is no exception. This has increased the underspending on financing transactions. If slippage continues to grow it will further increase the position.