

**2007/08 REVENUE BUDGET MONITORING****Contents**

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## Summary

1. The following table summarises the 2007/08 projected outturn as of the end of September 2007. It also includes figures from the previous IPR report to permit comparison between current and previously reported figures.

	<b>2007/08 Budget £000</b>	<b>July 2007 Net over or (-) Underspending £000</b>	<b>September 2007 Net over or (-) Underspending £000</b>
Adult & Community	44,492	+3,900	+4,070
Children & Young People's	23,211	+776	+783
Corporate & Customer	7,907	+940	+1,345
Environment	24,742	-500	-357
Central Services	3,419	0	-120
Resources	6,227	-278	-60
Human Resources	1,401	0	0
<i>Directorate Position</i>	<u>11,399</u>	<u>4,838</u>	<u>5,661</u>
Flood Damage Repairs	0	0	800
Financing Transactions and Invest to Save	<u>10,972</u>	<u>-2,302</u>	<u>-3,202</u>
<b>Net Position</b>	<b><u>122,371</u></b>	<b><u>2,536</u></b>	<b><u>3,259</u></b>

2. The overall position at the end of September shows a projected £3.26 million overspend. This is 2.7% of the Council's £122.37 million revenue budget (excluding Direct Schools Grant funding).
3. As part of the overall 2007/08 budget there is contingency funding of £1.3m available to mitigate Social Care pressures. However the use of the contingency and the level applied to meet the overspend can only be sanctioned after a review of the causes for the overspend and assurances that mitigating action was taken.
4. The projected year-end position includes an estimated £1.0m underspend against the Spend to Save/Spend to Mitigate allocations in the 2007/08 budget. The majority of the total relates to the £2.7m to modernise social care and community services. Work is ongoing to determine the overall level of underspend but as a short term measure £500k is being used to support existing care packages in 2007/08.

5. The summary position also includes an additional £600k for the prior year Local Authority Business Growth Incentive Scheme (LABGI). This is 'windfall' income following a further allocation of 2006/07 funding.
6. The above table includes an estimate for costs not covered by Central Government for the damage caused by the July floods.
7. At this stage of the financial year the projected outturn includes estimated expenditure and the overall projected outturn is of concern given the potential implications for 2008/09 and the poor CSR 07 settlement for local government.

### **Revenue Reserves Position as at 31st July 2007**

#### **General Reserves**

8. As of 1st April 2007 the General Reserve was £8.1 million. This includes releasing £100k contribution to the Partnership Fund with the PCT for developing the proposed PST arrangements. The level is above the Council's "policy" of £3.0m in general reserves but the pressures faced in 2007/08 and the impact of the potential overspend will considerably reduce this position.
9. The Council's Medium Term Financial Management Strategy sets out the approach to 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. In 2006/07 this was achieved as the general fund balance had been £14.525m at 1st April 2006.

#### **Earmarked Reserves**

10. At 1st April 2007 the Council held £19.8million of earmarked reserves. This includes school balances reserves of £8.137m that are ring fenced.

#### **July Floods**

11. The heavy rain that affected Herefordshire in July caused significant damage. Financial Services is co-ordinating the gathering of data to support claims for funding from central government.
12. The central government funding process, known as the Bellwin Scheme, sets thresholds and conditions for funding. The threshold of £408,526 applies to Herefordshire and eligible expenditure over and above this amount is 100% recoverable. All works for which a claim is to be made, must be completed by 2nd January 2008 with the actual claim submitted before 1st February. One key area of exclusion exists covering items deemed to have been insurable. This is an important definition because even if items are not insured but are viewed as being insurable. Further support is available from the Department of Transport.
13. The overall estimate of damage as of the end of September is approximately £3.75m. The largest single category covers Highways and Transportation at £2.06m. Within this total is work to repair roads and signs as well as checking and cleansing drainage systems.
14. The flooding badly affected a number of schools in the county with costs estimated at £930k. These are not recoverable under current rules because the risk is viewed as

insurable and in any case we self fund our school premises. The total will be partly covered by self insured funding but there will still be a shortfall even allowing for central government grants specifically for schools related damage.

15. Other funding sources include the European Union Solidarity Fund (EUSF) but as with the Bellwin scheme it does not cover insurable items.

## ADULT AND COMMUNITY SERVICES DIRECTORATE

## Directorate Summary as at 30th September 2007

	July 2007 Net over or (-) Underspending £000	September 2007 Net over or (-) Underspending £000
Adult Services	+3,788	+4,614
Strategic Housing	+71	+19
Community Services	+70	+40
Commissioning and Improvement	-30	-103
Total	<u>3,900</u>	<u>4,570</u>
Less: Needs analysis monies	0	500
<b>Total</b>	<b><u>3,900</u></b>	<b><u>4,070</u></b>

**Adult Services**

16. The projected outturn for Adult Social Care is an overspend of £4.07million on a budget of £44.49m. This represents 9.1%. These figures are based on updated information from August. Details of the major projected overspends are as follows:
- Learning Disabilities - £2.501million overspend
  - Older People – £0.030 million overspend
  - Physical Disabilities - £0.751 million overspend
  - Mental Health - £1.403 million overspend
  - Service Strategy - £0.018 million overspend
17. In line with national trends, the major budget pressure across all service groups within Adult Social Care is residential and nursing care placements and domiciliary care costs. Since 1st April there has been a net increase of 37 nursing and residential packages.
18. The movement between July and September is largely caused by increased projections for the block contract on older people and the net increase in social care packages in learning disabilities and mental health. In August there was a net increase of nine mental health placements, costing £213k in the current year. The movement in the projection for older people is significant as underspends in this area in 2006/07 helped offset overspends on mental health, learning and physical

disability services.

19. Invest to save monies covering older people and learning disabilities of £2.7m have been ring-fenced to address issues highlighted in the Needs Analysis completed in the autumn of 2006. As this funding will be underspent at the year end, £500k has been used to fund specific short term packages, pending redesign of service provision. Once these packages have ceased, the funding will not be used for further residential care but will revert to its original purpose of supporting the operational change agenda.
20. Considerable effort is being made to bring expenditure back in line with budget, but the directorate indicates changing the model of service delivery will take time. An Adult and Community Services Transformation Programme Board is involved in a range of projects designed to change the way in which services are provided. This centres on moving away from residential care towards more cost effective community based solutions. In addition to focusing on reducing costs, income generation schemes including 'fairer charging' are being implemented and a more stringent assessment process introduced. Supporting People funding has been agreed in principle to identify cases where such funding would be appropriate. A review of all existing clients is being carried out to ensure that income from the PCT is optimised and the appropriate level of care provided.

### **Strategic Housing**

21. The projected outturn for Strategic Housing has reduced to £19k to reflect lower than anticipated payments for out of hours service, use of grant funding (previously earmarked for the provision of debt-related advice) and delayed recruitment to a strategy post. The shortage of affordable accommodation remains a key pressure and there is some risk that bed and breakfast costs may rise later in the year.

### **Community Services**

22. The projected overspend has been reduced to £40k as a result of a review to address the financial position. The figures assume that the base budget will be adjusted for the effect of Hereford City Council's notcontributing towards parks and countryside services (£138k).

### **Commissioning & Improvement**

23. This area is expected to underspend by £103k because of delayed recruitment following a restructuring and economies derived from carrying out a data review exercise in-house rather than using external resources.

### **Efficiency Savings**

24. All the Adult Services efficiency savings have been allocated out to client groups.
25. 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.

## CHILDREN AND YOUNG PEOPLE'S DIRECTORATE

Directorate Summary as at 30<sup>th</sup> September 2007

	July 2007 Net over or (-) underspending £000	September 2007 Net over or (-) Underspending £000
Directorate Central Budgets	-142	-85
Children's Social Care/Safeguarding and Assessment Services	+918	+878
Total	+776	+783

26. The projected position as at the end of September is an overspend of £783k on a budget of £23.211m. This represents 3.4% compared to an underspend of £139k for the final outturn in 2006/07. The increase in spend is mainly due to the full year effect of the increase in external agency placements and to some extent the lack of compensating savings in other central directorate budgets.

**Dedicated Schools Grant (DSG)**

27. Most (80%) of the former Education budget is now funded by Dedicated Schools Grant (DSG). The DSG funds delegated school budgets and central services to schools and pupils. Any under or overspending will be carried forward into the DSG for 2008/09.
28. In the previous financial year DSG underspent by £223k and this was carried forward to the current year. Additionally £416k extra DSG has been received in 2007/08 from government due to extra pupils and DSG is now expected to underspend in total by £211k. This is offset by a projected overspend of £441k on Nursery Education Funding to private, voluntary and independent providers arising from an additional week's payment in this financial year (+2.7%) and a temporary rise in numbers (+3.5%). This is offset by a possible underspend in the out county placements budgets of £328k although one additional placement could reduce this underspend. Schools Forum has considered and agreed an additional distribution to schools of £139k. DSG is ring fenced to be spent on schools and specific services to schools and any under or over spend must be carried forward.

**Directorate Central Budgets**

29. The Dedicated Schools Grant does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport. Overall the projected underspend is £142k resulting from savings on school transport.

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

30. The Safeguarding and Assessment budgets are projected to overspend by £878K in total largely due to the full year effect of the increase in the number of external agency placements (£529k) and increased fostering placements (£313k). External agency placements rose from 24 in April 06 to 37 in July 07, however there has been a small reduction to 35 at the end of September. Fostering placements rose from 102 in April 07 to 105 in June before reducing to 103 at the end of September. The Council has a statutory responsibility to meet the needs of individual children. As each new external placement typically costs in excess of £150k per annum, there will be a continuing cost pressure in 2008/09 unless placements can be reduced.

**Summary**

31. Overall, the Children and Young People's budget is expected to overspend by £776k. This will continue to be monitored closely throughout the rest of the financial year and steps are being taken to reduce the projected overspend.
32. Redundancy commitments will not be known under February/March 2008 when schools consider their detailed budget plans however the budget was overspent by £285k last year. Continuing pressures arising from falling pupil rolls in schools mean an overspend of a similar order may occur in 2007/08.
33. School Transport route reviews continue to deliver savings with £166k projected this financial year. In addition one off savings of £166k in School Improvement arising from the transfer from academic year funding through standards fund to the LAA which is on a financial year also provide a contribution.

**Efficiency Savings**

34. The efficiency savings required for 2007/08 have been based upon the Invest to Save/Spend to mitigate proposals approved by Cabinet last year and additional transport savings identified from route reviews effective from September 2007.



## CORPORATE AND CUSTOMER SERVICES DIRECTORATE

## Directorate Summary as at 30 September 2007

	July 2007 Net over or (-) underspend £000	September 2007 Net over or (-) underspend £000
Herefordshire Partnership	0	0
Communications	0	0
Director and Administration	0	0
Emergency Planning	0	0
Legal and Democratic Services	100	100
Info. By Phone	200	100
Policy & Performance	0	0
Information Services	0	0
Corporate ICT Projects	-200	-427
ICT Trading Account	600	217
Corporate Programmes	240	205
Community Network Costs	0	1,100
<b>Total</b>	<b>940</b>	<b>1,345</b>

35. The overall projected overspend of £1.345m on the £7.91m budget represents 17%.
36. Recent work on the ICT Trading Account has identified further savings through the removal of a number of vacant posts, posts being combined and a number of external contractors having their contracts ended. Income assumptions have been revised to reflect staff and contractors supporting the existing SAP system being recharged to the Herefordshire Connects programme where appropriate. The revised position for ICT assumes that all existing contractual commitments for software and other operating costs have been identified.
37. A zero-based budget approach has allocated costs only to those areas with planned and contractual expenditure (such as Knowledge and Web Management), resulting in budget flexibility of almost £600k being identified within this total. Of this total £160k has been earmarked for the one-off purchase of the LANdesk system. This was identified as part of the ICT strategy and is essential for the on-going operation of ICT services across the council. The balance of the £600k will be used to mitigate overspends in Corporate Programmes and ICT.

38. This approach leaves little revenue contingency for hardware replacement should faults occur so a more planned, long-term approach to hardware replenishment is being developed and will need to reflect “whole life” cycle costs.
39. Further work on the Corporate Programmes budget has identified additional savings and where appropriate the re-allocation of SAP support staff to Herefordshire Connects has reduced the cost of this overhead. The Director and Corporate Programme Manager are working on a new model for delivery of the service.
40. Work continues on phase 2 of the Customer Services project. A requirement is that pro rata budget is transferred over from Directorates as customer-facing responsibilities are migrated to the project. There are still a number of staff vacancies, however an overspend in this financial year is currently forecast due to delays in the implementation of the Info by Phone capital scheme.
41. The final outturn position for Customer Services in 2007/08 will depend on the timescale for migrating services and transferring budgets from directorates. Customer Services has until the end of 2008/09 to gather £500k of customer-facing functions from directorates. The Medium Term Financial Plan (MTFMS) is based on the original and agreed profile for migrating services.
42. Legal and Democratic Services has a shortfall in staff budget within Members Services. Over a full year this is in the region of £100k but the service is currently carrying vacancies which will reduce the shortfall. Members Services operating costs continue to rise to support the increasing level of activity in terms of meetings. The Legal Services budget includes some unachievable income targets, however the projected overspend is likely to come down as work on establishing robust SLAs is developed. As part of the 2008/09 budget setting process the Directorate will need to “cover” the income target.
43. As indicated in the previous IPR the Community Network Upgrade (CNU) was unfunded in 2007/08. This expenditure on this project affecting the whole authority is now included in the projections. The review of budgets has established that the CNU has an annual revenue cost of £1.6m. However, work is in progress to challenge elements of the contract in order to reduce the cost. However, £500k of the revenue cost will be funded from the Standards Fund within Children’s Services but the remainder is still unfunded and represents a significant projected overspend. Assumptions around savings in the old network to offset the cost have yet to be realised because of delays in decommissioning some buildings and connecting to the network. The cost of the CNU is included in the draft MTFMS for 2008/09 onwards.

**ENVIRONMENT DIRECTORATE****Directorate Summary as at 30th September 2007**

	<b>July 2007 Net over or (-) underspending £000</b>	<b>Sept 2007 Net over or (-) underspending £000</b>
Environmental Health and Trading Standards	-500	-600
Planning	0	143
Highways and Transportation	0	100
Directorate Management & Support	0	0
<b>Total</b>	<b>-500</b>	<b>-357</b>

44. The projected underspend of £357k on a £24.74m budget is 1.4% of the overall budget.

**Environmental Health and Trading Standards**

45. The current projected underspend of £600k relates to the Waste Disposal budget. This projection is mainly based on forecasts from Worcestershire County Council in relation to the joint Waste Disposal contract. In previous years there has been significant underspend and until the new contract variations are agreed this position will continue. However, the cost of the new contract will be considerably higher than at present. The final position will be reflected in the overall revenue account but, as in previous years, any underspend against the contract will need to be earmarked for reserves to meet future waste management pressures.

**Planning**

46. There is likely to be an overspend in relation to IT SLA charges in Planning of £100k. In the previous year, on a one-off basis, this pressure was met by Planning Delivery Grant however there is no capacity to do this in the current year.
47. There is also an additional projected overspend of £43k in relation to a revenue contribution to capital for the purchase of land at Belmont.
48. Although planning fee income is on target for the Period to 30<sup>th</sup> September 2007, current forecasts based on income patterns in the previous two years, which take seasonal fluctuations into account, indicate a potential shortfall of income of £30-60k for the year. As fee income levels are difficult to predict, income will be closely monitored.

**Highways & Transportation**

49. Concessionary travel is expected to overspend by £100k. This projection is based on inflationary increases during the year on fares of 10% and an increase in use of 5%. This assessment is based on increases already seen so far this year.

**Efficiency Savings**

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

**RESOURCES DIRECTORATE****Directorate Summary as at 30th September 2007**

	<b>July 2007 Net over or (-) underspending £000</b>	<b>September 2007 Net over or (-) underspending £000</b>
Central Services	-158	-120
Asset Mgmt & Property Services	0	0
Audit Services, Benefit and Exchequer Services and Financial Services	-120	-60
<b>Total</b>	<b>-278</b>	<b>-180</b>

51. Under the Resources Directorate the various Central Services budgets are shown. These have a budget of £3.419m and are underspending by £120k (3.5%). The £60k underspend on Resources Directorate budgets represents 1.5% of the £6.227m budget.

**Corporate Budgets**

52. A net underspending of £120k is expected on Corporate budgets due to the anticipated savings on corporate subscriptions, insurance, audit commission fees and Environment Agency levies.

**Asset Management & Property Services**

53. At this stage of the year there is an estimated break even financial position for the Division.

**Audit Services, Benefit and Exchequer Services and Financial Services**

54. There is a projected underspend of £60k, with savings from rent rebates. The overall position includes an assessment of the likely need to use agency staff until key vacancies have been filled.

**Efficiency Savings**

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

**HUMAN RESOURCES****Directorate Summary as at 30th September 2007**

	<b>July 2007 Net over or (-) underspending £000</b>	<b>September 2007 Net over or (-) underspending £000</b>
<b>Total</b>	0	0

**Human Resources**

56. At this stage of the year there is an estimated break even on the £1.401m budget.

**Efficiency Savings**

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