

2009/10 REVENUE BUDGET MONITORING

Summary

- The following table summarises the 2009/10 projected outturn as at the end of July 2009.

Area	2009/10 Budget £000	July 2009 Projected net over or under (-) spend £000
Integrated Commissioning	38,486	2,620
Children & Young People	23,999	755
Deputy Chief Executive	15,220	183
Environment and Culture	28,528	-477
Regeneration	10,026	132
Central Services	2,455	0
Resources	7,901	105
Directorate Position	126,615	3,318
Borrowing	13,346	-440
Investments	-249	0
LABGI	0	-75
Pay Award savings	0	-540
Social Care contingency	0	-926
WMS Profit Share	-546	0
Transfer from Reserves	-1,448	0
Total Budget	<u>137,718</u>	<u>1,337</u>

- The overall revenue budget position for 2009/10 shows a projected £1.34 million overspend. This is approximately 1% of the council's £137.7 million revenue budget (excluding Dedicated Schools Grant funding).
- The projected overspend in the Directorates is mitigated by use of the social care contingency reserve and savings on corporate budgets.

4. The anticipated outturn on the council's borrowing is an underspend of £440k, which is due to slippage on the 2008/09 capital programme, resulting in a reduced minimum revenue provision (MRP) for debt repayment in 2009/10. Also, external borrowing was slipped from 2008/09 resulting in less external interest payable in the year.
5. The government has announced proposals for Local Authority Business Growth Incentives (LABGI) scheme for 2009/10 and the provisional figure for Herefordshire is £75k.
6. The latest pay offer for the 2009/10 pay award is 1%, which if agreed would result in an overall saving of £540k against the budgeted pay award of 2%. The budget capacity allocated to Directorates will be pulled back centrally to offset the overall overspend position.
7. Savings of £700k arising from Hereford Connects are included in the budget. Specific savings targets within directorates have been identified and the appropriate level of budget will be transferred from directorates to match the savings that will be driven out.

Revenue Reserves Position as at 31st July 2009

General Reserves

8. As at 1 April 2008 the balance on the general reserve was £6.4 million. The council's Medium Term Financial Management Strategy (MTFMS) sets out the council's 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 identified key corporate financial risks.
9. The projected balance on the general reserve for the end of 2009/10 financial year is as follows:

	£m
Balance brought forward	6.390
Meeting the projected overspend	(1.337)
Budgeted transfer	(1.000)
Projected year end balance	4.053

Earmarked Reserves

10. At 1st April 2009 the council held £16.064 million of earmarked reserves. This includes ring-fenced school balances reserves of £5.476m. The following table summarises the earmarked reserves held:

Reserve	£000
Commuted sums	78
Schools balance in hand	5,476
Industrial Estates – maintenance	333
Support Services & Equipment renewals	80
Schools Balance of Risk	85
Winter maintenance	500
Planning	24
College Hill Community Centre	180
Waste Disposal	2,774
LSC	32
Wye Valley ANOB (AONB)	104
Invest to Save/Initiatives fund	1,079
Contingent liabilities	300
Social care contingency	926
Modernisation plans	454
Edgar Street Grid	150
Whitecross School PFI	202
LPSA 2 reward grant	1,482
Carbon Reserve	30
Schools Redundancies	294
Service Delivery Review	112
Schools Rates Reserve	869
Economic Development	346
Herefordshire Safeguarding Children Board	21
Accommodation	133
Total	<u>16,064</u>

11. A summary of the key variations between projected outturn and budget for each directorate is provided in the following paragraphs.

INTEGRATED COMMISSIONING DIRECTORATE

Directorate Summary as at 31st July 2009

	Total Budget for 2009/10 £000	July Net over or (-) underspending £000
Adult Social Care	38,291	2,891
Supporting People	32	0
Modernisation	163	-271
Total	38,486	2,620

12. The forecast position is based on existing commitments projected forward to year end assuming no action is taken.
13. The final outturn position for Integrated Commissioning for 2008/09 was £713k overspent. This included a number of non-recurrent income adjustments. The true value of on-going commitments brought forward was approximately £930k.
14. No budget allowance was provided for inflationary increases for contracts. The forecast above reflects an average increase of 1.7% over the previous year costs. This represents an additional cost of approximately £700k across all services.
15. The key area of overspend is Learning Disabilities where an overspend of £1.344m is projected. This is mainly due to 21 new clients coming through transition from children's services.
16. The forecast for the new transition clients are based on the costs previously incurred by Children's Services. These new clients will be re-assessed. The evidence so far is that costs have reduced following re-assessment. Future forecasts will be revised as further re-assessments occur.
17. Other cost increases within Learning Disabilities are due to re-assessments of existing client packages, an increase in temporary respite placements and the closure of a care home which has resulted in clients being transferred to more costly residential places.
18. Older People is forecast to overspend by £946k. This relates to the existing client commitments and an additional 11 residential placements and 2 nursing packages agreed in 2009/10.
19. Mental Health is projected to overspend by £552k. This is due to the existing commitments and 11 additional residential packages agreed in 2009/10.

20. Physical Disabilities is forecast to overspend by £283k. This is due to existing commitments and 2 additional residential packages agreed in 2009/10.
21. There are likely to be one-off staff savings due to vacancies whilst the restructure of the Integrated Commissioning Directorate is implemented. Planned slippage in modernisation schemes is projected to generate savings of £271k.
22. There are budget risks around the re-assessment of existing clients, particularly within older people, and new client packages coming through panel. Re-assessments of Continuing Healthcare (CHC) clients are being undertaken which, to date has resulted in one client being assessed as not meeting the criteria for NHS continuing care and annual costs of £109k have transferred to Adult Social Care.

Recovery Plan

23. The Director of Integrated Commissioning recently chaired a budget recovery plan working group where a number of actions to reduce the overspend were discussed and further work agreed. These include:
 - a. A review of costly Learning Disability packages where opportunities exist to transfer clients into supported living.
 - b. Review all expensive out of county placements.
 - c. Review the level of voids in existing contracts to ensure maximum value is being achieved.
 - d. Consider the flexibility within supporting people grant and carried forward underspend where opportunities exist to fund social care costs.
 - e. Review Individual budgets where costs exceed previous client packages.
 - f. Review procedures for agreeing client top-up payments to reduce the current level of cost.
24. An action plan to implement, monitor and review the recovery actions is currently being developed.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE

Directorate Summary as at 31st July 2009

	Total Budget for 2009/10 £000	July Net over or(-) Underspending £'000
Inclusion & Improvement	4,949	-36
Safeguarding and Assessment	11,898	694
Planning, Performance & Development	6,537	-49
Community Operations	103	17
Central Directorate - budget savings to be agreed	512	129
Total	23,999	755

25. This projected outturn reflects the latest estimate as at the end of July.
26. Excluding the Corporate pressures the primary area of overspend is within the Safeguarding Vulnerable Children area, although there are other pressures both within the central directorate costs and other service areas, some of which are not apparent from the top level projections in the table above.
27. Within the Safeguarding area the projected over spend relates largely to the agency costs for looked after children and is not surprising following a national increase in the number of children being taken into care after the baby P case. In addition, increased costs have been incurred to attract better quality fosterers able to deal with more challenging children and strengthen support to families and children in the county. In the medium term this should help reduce the reliance on external agency foster carers and help to reduce costs. There have also been increases in court costs as expected in this area resulting in an overspend.
28. Within the Safeguarding area much of the expenditure is demand led, can arise at short notice and is difficult to predict. This projection assumes that the current levels of looked after children will remain in care until the end of the financial year without either further increase or decrease. Changes in numbers would result in a corresponding increase or decrease in the forecast outturn.
29. The new Assistant Director for Safeguarding and Children joined the team in July and will be focusing on reducing the over spend in the coming months. There are also several new senior service managers now in post and they will be supporting the Assistant Director in a rigorous review of the service. However, full account will have to be taken of the statutory obligations of the authority in relation to the safeguarding

and care of Herefordshire's children and young people.

30. The central directorate costs include an unidentified budget saving of £152k for efficiencies. Work is underway to identify where these savings will be found across the directorate. A Directorate Leadership Team (DLT) away day is scheduled for September to undertake a detailed review of the services delivered and the establishment structure. More details of potential efficiencies will emerge as a result of this work, but is likely to result in reduction in service delivery and staff
31. There are a number of budget pressures elsewhere within CYPD, which are being subsidised from within Planning, Performance and Development. Also the potential national pay restructuring for Educational Psychologists all which need to be managed during the remainder of the year. The estimated impact of changes to the Soulbury structure is estimated at approximately £18k which is a pressure currently assumed to be managed internally.
32. Other budget pressures have yet to be quantified such as changes resulting in income targets that are no longer achievable (INSET training).
33. All managers are actively controlling these pressures through the management of vacancies and other methods appropriate to the service area. However it is apparent that some of the potential measures to reduce the over spend will be effective for one year only and will not reduce the growing pressure on the Children and Young People's budget to deliver increasing services in a time of mounting budget pressures.

Recovery Plan

34. A recovery plan has been drafted to address the issues and will be informed by the outcomes of the detailed review scheduled for September. It is important that the recovery plan not only addresses the short term issue of the current over spend but the longer term underlying budget pressures.
35. From work that has been undertaken so far it is apparent that we can identify savings in the region of £50-£100k, however this will not address the underlying revenue issues.
36. To achieve savings of this magnitude it will be necessary to reduce the number of posts within the directorate. To achieve savings of approximately £800k would require in the region of 25-30 posts to be cut. The away day scheduled for September will be considering these options.

Corporate Savings Targets

37. In line with Cabinet's decision to agree a budget including Herefordshire Connects Savings, the CYPD Directorate has a savings target of £100k.

DEPUTY CHIEF EXECUTIVE DIRECTORATE

Directorate Summary as at 31st July 2009

	Total Budget 2009/10 £000	July Net projected over or (-) under spend £000
Herefordshire Connects	1,463	0
Herefordshire Partnership	199	50
Communications	393	0
Director and Administration	271	-18
Legal and Democratic	3,020	356
INFO	1,725	-87
Policy & Performance	740	-26
Information Services	367	0
Corporate ICT Projects	880	0
ICT Services	3,574	-38
Corporate Programmes	55	-54
Community Network Costs	1,030	0
Human Resources	1,503	0
Total	15,220	183

38. The key area of overspend is Legal and Democratic Services where there are several significant budget pressures. These include:
- a. Unbudgeted staff costs within the member's services establishment required to meet increased demands for committee support.
 - b. A reduction in anticipated income from the PCT of £43k in relation to legal support. This follows a review of the anticipated recharges.
 - c. A shortfall in income for land charges of £80k. This is due to external

economic conditions affecting the housing market and competition from the private sector.

d. Interim staff costs.

39. Within the partnership there are budget pressures due to the withdrawal of grant funding and partner contributions which previously contributed towards staff costs. This is projected to result in an overspend of £50k.
40. As part of the initial budget process the Deputy Chief Executive asked Heads of Service to identify budget capacity that could be held back to cover emerging budget pressures. This budget capacity was ring-fenced within service areas and is shown within the directorate summary as underspends within ICT, INFO, Corporate Programmes, Policy and Performance and Administration.
41. The Corporate Programmes budget is funded from generating income through their work on projects. Changes in the demand for corporate programmes involvement will affect the budget outturn.
42. At this point Human Resources is projected to come in within budget.

Recovery Plan

43. The new Interim Assistant Chief Executive – Legal and Democratic is working with colleagues corporately to address a range of issues to ensure that Legal and Democratic Services are fit for purpose, including finding ways to address the budget issues and producing a robust recovery plan.

ENVIRONMENT & CULTURE DIRECTORATE

Directorate Summary as at 31st July 2009

	Total Budget 2009/10	July Net over or (-) under spending
	£000	£000
Highways	7,362	-102
Environmental Health and Trading Standards	694	0
Waste Management	13,037	-650
Culture & Leisure	7,716	0
Directorate Management & Support	349	-100
Emergency Planning	153	0
Community Safety	117	0
Service Delivery Review savings	-900	375
Total	28,528	-477

44. The overall outturn position for Environment & Culture is a net underspend of £477k.
45. The MTFMS allocated additional funding of £500k per annum for the Waste Management PFI contract budget, pending the finalisation of the renegotiated contract. This was on condition that in the interim period any budget under spend be transferred to a specific reserve to offset future increased costs.

Highways

46. A saving of £102k through staff vacancy management is expected to be achieved due to the recruitment freeze pending the service delivery review.

Environmental Health & Trading Standards

47. Environmental Health & Trading Standards are expected to match budget. There is a risk that the Car Parking income target may not be met but this is expected to be offset by receipts from the Crematorium which continues to exceed budget.

Waste Management

48. Latest estimates from Worcestershire County Council of waste disposal contract costs project an underspend of £650k on Herefordshire's Waste Disposal budget for 2009/10.
49. The cost of the new waste disposal contract will become considerably higher than at

present. In previous years any in-year underspend on the contract has been transferred to reserves to meet these future waste management pressures. This is not yet accounted for in the projected outturn figures.

50. There is a risk that if waste growth/reduction between Herefordshire and Worcestershire vary by more than 1% to the detriment of Herefordshire then an increase of £300k would be incurred by Herefordshire. This will be closely monitored throughout the year.

Culture & Leisure

51. Culture & Leisure expenditure is expected to match budget for the year.
52. There is an expected underspend on Parks and Countryside. This is mainly due to an underspend on grounds maintenance and out of scope work. However, this is reduced by the expected expenditure on dealing with significant tree issues in the County.
53. There is a further £57k underspend on Parks & Countryside and £22k on Public Rights of Way due to the recruitment freeze pending the service delivery review.
54. Further savings are expected on employee costs for Sports Development. This relates to the Exercise Referral development Officer post.
55. The Libraries budget is expected to overspend by £120k. This mainly relates to employee costs and Broad Street Library building running costs and the Self-service booking system ICT Project costs. These costs will be offset by the one-off staff savings identified above.

Directorate Management & Support

56. An underspend of £100k is expected through staff vacancy management

Service Delivery Review

57. Savings achievable through the service delivery review are based on a transfer date of 1st September 2009 assuming that they are received pro rata against the guaranteed £1m. Whilst the £900k savings are not expected to be achieved through service delivery review due to delays in contract negotiations, staff savings of £180k are expected to be achieved through vacancy management pending the staff transfer and are included in outturn estimates within the Highways and Culture and Leisure services.

REGENERATION DIRECTORATE

Directorate Summary as at 31st July 2009

	Total Budget for 2009/10	July Net over or (-) underspending
	£000	£000
Tourism	485	70
Planning	2,149	310
Transportation	3,359	-250
Community Regeneration	1,606	0
Strategic Housing	1,965	35
Management & Admin	462	-33
Total	10,026	132

58. The overall outturn position for Regeneration is an overspend of £132k.

Tourism

59. Tourism is currently expected to overspend by £70k. There are projected overspends in staff costs resulting from the disaggregation from Environment & Culture. Planned savings around the re-location of TIC's have not occurred. There may be opportunities to reduce costs and these are considered in the recovery action plan for the Directorate.

Planning

60. Planning is currently expected to overspend by £310k.

61. The levels of income generated from planning applications and building control charges are closely tied to the external economy and housing market. The Council has recently received several large applications which have improved the income position. Based on the first four months results, shortfalls in income for this coming year are forecast at £71k for Building Control and £126k for Development Control.

62. Monthly costs for scanning of plans continue to be a pressure on budgets until the new IT system is implemented. Based on current levels this is estimated to be £68k over the financial year. A further overspend of £45k is currently forecast for Planning documentation storage. Planning Management is currently looking at ways of mitigating these costs within existing budgets.

Transportation

63. Recent contract negotiations on bus services have made a number of savings that should ease the pressures on budgets. A repayment of a contract payment made last year for £80k has been set aside to mitigate other overspends within the Directorate.
64. Current indications are that the take up for concessionary fares is reducing. Based on the latest figures a prudent estimate would be a saving of £100k. The forecast includes the receipt of £50k from the recent Area Based Grant re-allocation process.

Economic and Community Development

65. At this point the service is anticipated to come in within budget. However, any opportunities to identify savings will be taken where possible.

Strategic Housing

66. The projections based on income and expenditure recorded to date show a £35k overspend by the year end.
67. Homelessness support through B&B accommodation remains difficult to project. Numbers have remained higher than anticipated but there are indications that a significant number can be re-housed shortly.

Management & Admin

68. Directorate Management shows an estimated underspend on salaries of £33k. This is based on the current staffing structure and the assumption that one post currently on secondment will return to Directorate support in August. If this does not happen or the post is not backfilled then there are further savings of approximately £10k to be made on salary costs.

Recovery Plan

69. A review of staffing arrangements within Planning including freezing current vacancies should generate savings of £35k.
70. A restructure within Tourism is being undertaken. This could lead to in-year savings of £20k.
71. Further savings of £5k could be achieved through the review of opening hours for TIC's.
72. Additional savings within Directorate Support of £10k are anticipated.
73. The balance of the overspend is expected to be covered though a combination of further Directorate vacancies being held, operational savings identified within the Directorate and further anticipated savings from Concessionary Fares.

CORPORATE BUDGETS

Summary as at 31st July 2009

	Total Budget 2009/10 £'000	July Net over or (-) underspending £000
Central Services	2,455	0

74. This area is expected to remain with in the annual budget and there are no anticipated problems at this stage.

RESOURCES DIRECTORATE

Directorate Summary as at 31st July 2009

	Total Budget 2009/10 £'000	July Net over or (-) underspending £000
Asset Management & Property Services	3,456	0
Financial Services	1,949	125
Audit Services	425	20
Benefits and Exchequer Services	1,690	(40)
Central	381	0
Total	7,901	105

Asset Management & Property Services

75. Spend currently remains under budget, there are no expected problems and therefore the service should remain within budget. The impact of the accommodation review has yet to be seen and this will be reassessed at a later date.

Audit

76. Additional costs for Connects costs are being incurred which will create an over spend.

Benefit and Exchequer

77. Benefits subsidy has been reviewed and there is a small anticipated surplus remaining. The service is nearly at full complement and a couple of systems projects are to be under taken this year. This service area is expected to remain within budget.

Financial Services

78. The cost of consultants and financial system costs are creating an over spend this is currently under review.

Central

79. This area is expected to remain with in the annual budget and there are no anticipated problems.