

REVENUE BUDGET MONITORING
Summary

1. The following table summarises the 2011/12 projected outturn based on the financial position as at 29th February 2012.

£'000	Budget	Projected (over) or under spend
People's Services	75,605	(4,606)
Places and Communities	35,516	695
Corporate Services	23,423	850
Directorate Position	134,544	(3,061)
Capital funding	16,436	1,070
Investments	(249)	229
Revenue contribution to capital	108	0
WMS Profit Share	(624)	(70)
Centrally Held Budgets	777	439
Government grants	(3,758)	(70)
Transfer to/from Reserves	(921)	829
Total	146,313	(634)

2. As of the end of January 2012 the overall revenue budget position for 2011/12 shows a projected £634k overspend. This is approximately 0.4% of the council's £146m revenue budget (excluding Dedicated Schools Grant funding).
3. The most significant overspend relates to commissioning of adult services, which relates to the brought forward budget issues plus increasing service pressures.
4. Net savings have been identified within central budgets as follows;

	£,000
Redundancy capitalisation	520
Contract savings	641
Inflation savings	283
Waste disposal contingency	395
Unallocated contingency budget	213
Other central budgets	70
Procurement	(1,683)
Projected underspend	439

The projected savings from procurement within centrally held budgets have been re-phased and carried forward to 2012/13 due to the timing of the realisation of benefits.

5. In addition to the revenue overview the forecast outturn spend on capital schemes is £58.7m (detailed in Appendix B)
6. The Treasury Management projected out-turn is an underspend of £1.07m on borrowing costs and £229k on interest received. The savings on loan charges are due to slippage on the capital programme, lower borrowing rates than forecast and the timing of taking out loans. Additional interest earned is due to both higher cash balances and improved returns through investing in longer term deposits in the first half of the year. In accordance with accounting policy the council intends capitalising interest costs totalling around £100,000 and this figure has increased the forecast surplus at the end of the year. Appendix C includes a detailed analysis.

Revenue Reserves Position

7. The general reserve balance as at 31st March 2011 was £6.3m. This amount is above the council's policy of maintaining a minimum of £4.5m of general reserves as a contingency against unforeseen emergencies and events.
8. At 1st April 2011 the council held £17.6m of earmarked reserves, which are detailed in the table below. The specific nature of those reserves means that some are not available for reclassification as general reserves. One such example is the balance held for schools.

Earmarked Reserves

31st March 2011	£,000
Balances held by schools under a scheme of delegation	6,002
Grange Court	41
Commuted sums	36
Industrial Estates - maintenance	400
Schools Balance of Risk	175
ICT	595
Members ICT	40
Planning	24
College Hill Community Centre	180
Waste Disposal	2,907
Invest to Save	305
Contingent liabilities	300
Hereford Futures	482
Whitecross school PFI	331
LPSA 2 reward grant	210
Schools Rates Reserve	217
Economic Development	168
Insurance reserve	296
Pool car reserve	10
Unused Grants carried forward	4,853
	17,572

9. The 2011/12 budget includes the use of £500k of the waste disposal reserve and a review of the reserves has identified a further £829k to mitigate the overall out-turn position. The level of reserves at 31st March 2012 is estimated to be around £10.3m, the largest anticipated reductions being in schools balances and unused grants at the year-end.

DIRECTOR FOR PEOPLE'S SERVICES

Overall Projected Outturn

£'000	Annual Budget	Under / (Over) spend
Services Commissioning – Adults	48,310	(5,216)
- Childrens	3,303	28
Health & Wellbeing- Env Health & Trading Standards	2,132	210
Children's and Young People Provider Services*	21,860	372
Total	75,605	(4,606)

The forecast shown in the table above is the latest projected outturn.

Services Commissioning - Adults

11. The outturn position of £5.216m includes £3.614m deferred to 12/13 as part of the target to achieve a balanced budget by March 2013. The opening gap of £7.179m was split over a two year period with a plan to deliver £3.565m in 11/12 and £3.614m in 12/13. Therefore the adjusted actual forecast overspend for 11/12 is £1.602m
12. The overspend of £1.602m includes in-year pressures of £2.937m, and a £1m slippage in the 2011/12 cost improvement programme target of £3.565m. This is mitigated by NHS funding of £1.043m and further opportunities of £1.292m.
13. Total savings achieved to date are £2.261m, against the adjusted savings target of £2.565m leaving further savings of £304k to be achieved.
14. There has been a change in outturn since the January report of £324k. This is largely due to an increase in domiciliary care of £119k, new and backdated residential and nursing packages of £94k and an increase in personal budgets of £24k. There are also savings built into the projections which have not been set against the cost improvement plan of £226k. This has been offset by the reduction of a `budget top-slice` risk totalling £85k for central savings. This will not be taken in 11/12 due to a delay in delivery of savings. Transport projections have been reduced by circa £54k after a review of current payments.
15. The projections are based on current commitments and include demographic pressure. This is based on the last four weeks panel results and assumes the current trend will continue until the end of March. However, there are further risks of emergency and urgent placements.
16. A summary of the major in-year pressures totalling £2.665m out of the £2.937m above are:
Domiciliary Care – total pressure £1.966m
17. Intensive homecare support packages have been put in place for learning disability clients transferring from residential care. A planned care pathway has been put in place to reduce costs appropriately below the clients previous residential care package. The process of monitoring the reduction in costs is managed by care management who provide regular progress reports. Also, the assessments of people who were previously funded through Supporting People has resulted in circa 94 service users deemed eligible for Adult Social Care Services. The combined effect results in a total pressure of £743k.

18. The, overspend, within mental health of £196k is due to packages put in place for intensive support.
19. Pressures of £1.027m within older people and physical disabilities are due to supporting early discharge from hospital, breakdown of main carer support, and again people previously receiving Supporting People services. Development of a robust reablement team will reduce pressures in 12/13 from October 2012.

Residential and Nursing Care – total pressure £699k

20. Nineteen nursing care placements above projected activity of 11 within mental health is due to a particular ward closure and have contributed to a pressure within the service of circa £509k. This has been addressed within the Section 75 meetings. The outcome of this challenge is to ensure a more planned approach in future for the impact on social care when wards are planned to close or reduce numbers. This will allow time to consider alternatives to residential and nursing care wherever possible.
21. Pressures within older people residential and nursing care budgets of £290k are as a result of hospital discharge and backdated packages. A review of the reason for placements for older people has been completed and results are shown in the table below:

Reason	Number of Clients	Cost for 11/12 (£)
Carer breakdown	2	5,388
Discharge from Hospital	34	164,489
No longer meeting Continuing Healthcare Criteria	1	6,080
Previously funded own care	13	102,023
New Clients meeting Eligibility Criteria	3	9,673
Increase in Package Costs	1	2,171
Total	54	289,824

22. There are further net opportunities of £1.292m included in the projections as follows:
 - Use of capital grants of £634k
 - DOH passported funding to the PCT for winter pressures of £547k which is set against the current increase in pressures to avoid delayed discharge.
 - Potential underspend within the former Supporting People programme budget of £111k.

Cost Improvement Programme Progress Report

23. To date the plan has achieved £2.261m as at the end of February from the original target of £3.565m. A review of the programme in September identified that £1m would not be achievable in this financial year due to delays in some of the schemes requiring longer lead times for delivery. Therefore a further £304k is planned to be delivered by the end of the financial year through the following:
 - Reviews of service users continue to take place, targeting high cost placements This will result in a £10k saving in 11/12 with further savings delivered in 12/13.

- Work continues to identify personal budget clients who currently have account surpluses. Action is being taken to recover these surpluses and to review packages of care.. Based on monthly figures achieved this could range from £10k to £57k.
- Further savings through a more robust financial assessment process is forecast to deliver a further £25k in March.
- Reductions in some contracts to providers involved in the former Supporting Peoples programme are yet to be included within the outturn position.
- Work is concluding to evidence savings made by the use of reablement team (through the Section 256 investment from the DOH).
- Collation of reviews undertaken by the learning disability team which have resulted in reductions in care packages is being completed
- Work on the benefits of telecare have identified between £3.439m and £4.586m of non-cashable savings from the support to 1,267 clients. This amount reflects of the cost of care avoided by using this preventative support. Further work to extend the use by 50% in 12/13 is being worked on in order to realise future cashable and non-cashable benefits.

Children's Services Commissioning

24. There is currently no change in the outturn for which Children's Commissioning is expected to be under spent by £28k as a result of the utilisation of £34k of standards funds grants for nursery education funding. This is a non-recurrent saving. There may be some additional opportunities to offset costs against additional Early Intervention grant receipts.
25. In addition the service has delivered the budget target savings figure £111k (which represented 5% of pay costs).

Health and Wellbeing – Environmental Health and Trading Standards

26. The service is estimated to be £210k under budget at year end.
27. £34k of the savings relate to a holding a vacant consultants post, and management costs savings from in year changes will save £42k.
28. Savings for landfill sites have increased from £40k to £60k as costs have not been incurred (related to mild winter to date).
29. Pollution controls are expected to deliver savings of £48k through a combination of additional income, savings on burial costs and agency staff.
30. A further £10k of savings are anticipated from deferring non-essential expenditure into 2012/13.

Children's Provider Services

31. Children's Provider Services is currently predicting a net under spend of £372k, a reduction of £381k compared to a £9k overspend reported in January. This is a significant achievement given the £1.371m of pressures within the Children's Safeguarding area.
32. In order to deliver a balanced budget across Children's Provider Services savings of £518k (representing 5% of pay costs) were included across Local Authority and Early Intervention grant budgets. These savings have been delivered.
33. In offsetting the Safeguarding pressures the service has utilised £435k of additional transport

grant, £300k of Standards Funds grants, and £57k of other grants, a total of £792k, however this means that other service led savings on top of the £518k target of £951k have been delivered.

34. The key savings which have been achieved since the January report include a reduction of £133k in the Safeguarding pressure. The key components are:
- Within the fostering service a reduction in the over spend of £66k is forecast. £44k of this relates to one off repayment of foster care fees, with a further £22k of savings of which £16k relates to a duplicate payment of court costs,
 - A further £33k of savings are expected in the adoption service,
 - The Children with Disabilities underspend has increased by £15k to £71k, due to staff savings,
 - There is a reduction of £29k in residential placements as the work to reduce the number of high cost placements starts to deliver savings. Numbers have reduced in each of the last 4 months across both residential and agency foster placements as shown below:

	March /11	June	July	August	September	October	November	December	January/12	February
Agency Numbers	42	37	49	47	45	49	48	46	41	39
Residential Numbers	15	12	12	13	13	15	13	12	11	9

35. Within Locality Services Children’s Centres expenditure has been reviewed and the updated forecast is now to achieve savings of £218k, this is an additional saving of £136k compared to the January position. This is largely due to staff vacancies being held and some additional income generation.
36. A further £70k of savings within short break services are now being forecast due, this is in part due to the personalisation project and delay in recruiting the project manager.
37. A further £85k of savings have been delivered due to staff vacancies within the School Improvement service, these posts have now been filled.
38. The locality youth service has delivered additional savings of £76k by holding vacancies, holding all non essential expenditure and achieving additional income from charging for services.
39. The forecast currently includes a contingency of £100k for expected corporate budget top slices arising from procurement savings in year.
40. Further opportunities to maximise grant utilisation are currently being explored and may deliver some additional savings which cannot yet be quantified.

Edge of Care savings

41. The Edge of Care contract with Action for Children is working with 10 cases who were at the

point of becoming looked after. This has successfully kept some children from becoming looked after, or delayed proceedings by a number of weeks. Up to 9th February 2012 the cost mitigation saving (after the cost of the AFC contract) is £236k. Further costs will be avoided until the end of the year with the ongoing interventions.

DIRECTOR FOR PLACES AND COMMUNITIES

Overall Projected Outturn

£'000	Annual Budget	Under / (Over) Spend
Economic, Environment and Cultural Services	7,192	(75)
Homes and Community Services	1,663	85
Place Based Commissioning	26,390	650
Director and Management	271	35
Total	35,516	695

42. The Directorate is expected to underspend by £695k, an increase in underspend of £45k since last reported at £650k.
43. Current pressures detailed below are already being managed within the Directorate along with the £2.2m savings target for the year.

Economic, Environment & Cultural Services

44. Building control income to the end of January 2011 is 26% lower than the same period in the previous financial year however Development Control income is 14% higher than the previous year. Based on income patterns over the last two years, it is projected that there will be a net income shortfall in 2011/12 of planning income of £115k after taking account of a virement from within the Directorate of £75k to help mitigate the pressure. This fall in income is due to the economic climate and the impact of the change in the timing of fee collection implemented in 2010/11.
45. There are one off staff savings within the Planning Service of £38k.
46. There is an additional one off pressure in Planning of £75k as a result of the loss of a recent case at the Court of Appeal where the Council were ordered to pay the complainant's costs. These can be managed within the Directorate's budget in 2011/12.
47. There are further one off savings identified in this service of £77k in relation to the hold on all discretionary spend, which result in the balanced budget position with the service.

Homes & Communities

48. Car parking charges were increased from 1st November and income for the four months to February 2012 is 24% higher than the same period last year. Based on income patterns for the last two years, income is unlikely to achieve the 11/12 budget by £195k. This shortfall reflects the slippage in the introduction of price increases from the original implementation date of 1st September 2011. This pressure can be partly mitigated by £60k underspend due to other parking income exceeding income budget and staff vacancy savings within the parking team.
49. This pressure will be mitigated by one off savings within the services achieved through staff vacancy management and the halt on discretionary spend leading to a net underspend for the service of £85k.

Place Based Commissioning

50. The cost to Herefordshire of the joint Waste Disposal contract for 2011/12 is expected to be £9.13m based on tonnage levels managed this year. Whilst the annual budget is £8.73m, there is additional funding available of up to £790k set aside as part of the 2011/12 budget to meet this pressure.
51. There are contract savings of £105k within the Waste budgets in relation to collection contracts with FOCSA and Amey due to reduction in collections from 'bring' recycling sites following the extension of kerbside recycling in previous years. Latest estimates of the income from Trade Waste collection have identified additional income of £130k along with further savings of £80k on discretionary spend budgets.
52. There is pressure on the Public Transport budget for the year due to contract inflation increases being higher than initially estimated, however this is being managed within Transportation budgets through reductions in discretionary spend and staff vacancy management resulting in a net underspend of £70k.
53. There are further one-off savings of £180k in relation to the settlement of contract disputes under the Amey MAC arrangements.
54. The halt on discretionary spend and staff vacancy management has also realised further one-off savings of £85k.
55. Latest estimates of the costs of Winter Maintenance are an underspend of £55k. The annual budget for 11/12 is £1.3m and this is just £200k more than the expected costs of a 'normal' winter. A 'normal' winter would typically include 50 priority gritting runs. So far this Winter, there have been 65 priority gritting runs.
56. As previously reported there continues to be pressure on the Street Lighting budgets in relation to energy costs which is now estimated at £74k however this is expected to be managed by a plan to replace 2,000 street lights in residential areas of Herefordshire with alternative lights sources (Light Emitting Diode – LED) along with the replacement of 959 halogen traffic signals with LEDs. This forms part of the Carbon Management Action Plan. We have sought the acceleration of this to maximise the contribution to energy savings in this financial year and beyond, and the level of mitigation through this in 2011/12 is £20k.

Director and Management

57. There is currently £35k underspend in relation to the Directorate's annual non pay inflation budget which is currently available to help mitigate the pressures within the Directorate.

DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE SERVICES

Overall Projected Outturn

£'000	Annual Budget	Under / (Over) Spend
Customer Services and Communications	2,968	250
People, Policy and Partnership	7,865	(220)
Law, Governance and Resilience	3,019	25
Chief Finance Officer and Commercial	8,963	495
Directors	608	300
Total	23,423	850

58. The net underspend for the Directorate is £850k compared with a net underspend previously reported of £678k. The increase in savings mainly relates to Customer Services and Communications.
59. The savings target for the Directorate in 2011/12 is £1.5m. All savings plans are on track.
60. The budget includes the elements contracted to The Shared Services Partnership and the provider of Internal Audit.

Customer Services and Communications

61. The Customer Organisation project will introduce a new system and look at our business processes for delivering front line services; this project will deliver savings targets in 2011/12.
62. There are further savings within Web Services relating to a policy of achieving one off savings in software and technology expenditure and the LINK Project relating to a transitional management which has been necessary as a result of NHS changes.
63. As previously reported, the funding model for elements of the above project is currently being reviewed and has provided further savings of £55k in 2011/12 by funding through prudential borrowing. This will also release funds currently held in reserve to help mitigate the council overall budget position.

People, Policy and Partnership

64. One off savings of £135k have been identified within the services mainly in respect of staff vacancy savings.
65. A review of the ICT Strategy has been carried out to identify projects that can be put on hold to help mitigate the Council's overspend position and £44k savings have been identified.
66. The current funding model for Corporate Transformation is based on full costs recovery from internal income and is no longer sustainable as funding for this work in directorates is no longer available and the expertise and capacity in the CTS needs to be focussed on supporting our major change area; most of which are currently overspent. This is resulting in a current year pressure of £399k. This issue is being resolved for 2012/13 with a significant

reduction in corporate transformation fixed staff costs and base lining of the core budget.

Law, Governance and Resilience

67. There is a pressure within the Legal Services budget of £136k mainly relating to the cost of temporary cover of a senior management post due to sickness. These costs will be mitigated by savings within the service.
68. There is a pressure in Land Charges of £82k mainly related to the shortfall of income due to reduced activity reflecting the current economic climate. However, these are also mitigated by additional income in Registrars. Legal proceedings have been commenced against the Council (and other Councils) by private search companies which could result in this Council having to repay around £200k. The outcome of this claim will have an impact on the way we deliver this service in the future.
69. There are one off savings within the Resilience Team and Governance Services in relation to staff vacancy management. There are also savings in 2011/12 in relation to Members Expenses due to the reduction of number of special responsibility allowances required and the provision of more in house training.
70. There is an additional overspend in the Coroners Service of £500k which reflects an increase in post mortems and specifically specialist cases.

Chief Finance Officer and Commercial

71. The Property Services budget is expected to underspend for the year by £12k. This assumes that there is no reactive maintenance expenditure later in the year. The loss of income from the former Cattle Market will be compensated for by revenue from the new Livestock Market where activity has been at a higher level.
72. The current system of Housing Benefit provides a financial incentive for authorities to recover overpayment of benefits from recipients. The Department for Works and Pensions pays Housing Benefit Subsidy to authorities based on benefits disbursed inclusive of overpayments (subject to conditions). Authorities effective in recovering overpayments may therefore receive a higher level of subsidy. It is estimated that the subsidy received will result in a net underspend of £400k, even after taking into account the reduction in the government subsidy for administering benefits. Reductions in the level of benefits payable and changes to the subsidy system are likely to mean that this level of surplus will not continue in future years.
73. There are further savings in relation to the Chief Executive's direction that there is a halt on discretionary spend of £83k.

Other

74. A further £310k has been identified in relation to the Directorate's non pay inflation budgets and reduction in discretionary spend for the year to contribute to the council's overspend position.