

REVENUE BUDGET MONITORING
Summary

1. The following table summarises the 2012/13 final out-turn position as at 31st March 2013.

Annual budget before year-end adjustments						
£'000	Exp Budget	(Income) Budget	Annual Budget	Year-end Adjustments*	Final Net Budget	(over) or under spend
People's Services	181,222	(108,658)	72,564	13,308	85,872	(5,180)
Places and Communities	51,034	(13,799)	37,235	12,453	49,688	77
Corporate Services	88,919	(67,040)	21,879	(12,556)	9,323	1,144
Directorate Position					144,883	(3,959)
Capital funding					16,072	869
Investments					(352)	(69)
Revenue Contribution to Capital					635	341
WM Energy Profit Share					(624)	(293)
Centrally Held Budgets (net)					(480)	(474)
Government grants					(4,508)	303
Contingency					1,000	1,000
Year-end accounting adjustments					(14,030)	0
Transfer to/from Reserves					763	0
Total					143,359	(2,282)

* The year-end figures reflect the requirement to allocate internal recharges to comply with CIPFA's Service Reporting Code of Practice (SERCOP). This makes the accounts comparable across all local authorities by ensuring services report their full costs including overheads and capital charges. It also includes technical accounting adjustments to comply with International Financial Reporting Standards (IFRS), including pensions, PFIs and holiday accruals, which have to be undertaken to complete the statutory accounts. The report shows budgets before and after these adjustments, with reconciliation under each Directorate summary

2. As of the end of March 2013 the overall revenue budget position for 2012/13 shows an overspend of £2.282 million, which is approximately 1.6% of the council's £143.359 million revenue budget.
3. The Treasury Management out-turn is an underspend of £869k on borrowing costs. This is mainly through delaying taking out PWLB loans by utilising internal reserves and short-term borrowing from other local authorities and capitalising interest on schemes over 12 months duration. Investment income underachieved by £69k as investment balances are less than budgeted due to the delay in borrowing, but the savings on borrowings exceed the reduced investment income. Appendix C includes a detailed analysis of Treasury management activities.

Revenue Reserves Position

4. The general reserve balance as at 31st March 2013 was £3.8 million. This amount is below the council's policy of maintaining a minimum of £4.5 million of general reserves as a contingency against unforeseen emergencies and events. However, the 2013/14 budget includes £2 million top-up of general reserves, bringing the opening position for 2013/14 to £5.8 million.

Earmarked Reserves

5. At 1st April 2013 the council held £13.9m 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.

	31 Mar 2012 £000	31 Mar 2013 £000
Schools balances	5,789	5,535
Grange Court	83	0
Commuted sums	36	0
Industrial Estates - maintenance	413	431
Schools Insurance	443	497
Schools sickness	136	141
ICT	91	0
Members	40	40
Planning	24	0
Community Centre	180	10
Waste Disposal	2,407	2,407
Hereford Futures	125	213
Whitcross school PFI	321	339
Schools Rates Reserve	106	0
Economic Development	163	127
Pool car reserve	10	10

Three Elms Industrial Estate	362	241
Contingent Liabilities	0	306
Community Equipment store	0	110
Community Social Workers	0	116
Change management	0	142
Unused Grants carried forward	2,729	3,303
	13,458	13,968

6. The biggest movement in reserves relates to revenue grants not yet used at year-end (£1m of which are schools related). The 2012/13 approved budget included a transfer to the contingent liability reserve, which had been utilised in 2011/12. In addition to reserves being applied during the year in line with their original purpose, a review of the reserves was undertaken as part of the in-year recovery plan to offset the projected overspend. This identified £407k to mitigate the overall out-turn position, which was included in the projected out-turn during the year. A final review was undertaken as part of the 2012/13 accounts closedown and £142k was re-designated towards change management costs in 2013/14.
7. There are three new reserves in the out-turn position, including the change management reserve. Two reserves have also been provided in relation to Community Equipment (£110k) and Community Social Care (£116k).

PEOPLE'S SERVICES DIRECTORATE

Outturn

	Annual budget before year-end adjustments					
£'000	Exp Budget	(Income) Budget	Annual Budget	Year-end Adjusts**	Final Net Budget	Under / (Over) Spend
Directorate costs	1,017	(15,053)	(14,036)	897	(13,139)	289
Children's Safeguarding	12,205	(29)	12,176	1,226	13,402	(528)
Other Children's Provider Services	10,200	(429)	9,771	1,259	11,030	665
Total CYP Provider Services	22,405	(458)	21,947	2,485	24,432	137
Learning and Achievement	7,531	(1,308)	6,223	493	6,716	126
Children's Commissioning	1,882	0	1,882	(333)	1,549	66
Other Children's Services	9,463	(1,896)	7,567	6,733	14,300	99
Total Children's Commissioned Services	18,876	(3,204)	15,672	6,893	22,565	291
Older People	18,309	(4,530)	13,779	(1,558)	12,221	(1,338)
Learning Disabilities	19,432	(5,131)	14,301	(433)	13,868	1,614
Physical Disabilities	8,637	(742)	7,895	(240)	7,655	25
Mental Health	10,789	(1,923)	8,866	51	8,917	523
Other adult social care*	8,625	(6,163)	2,462	4,116	6,578	(6,734)
Total Adult Social Care	65,792	(18,489)	47,303	1,936	49,239	(5,910)
Health & Wellbeing- EHTS	2,737	(859)	1,878	1,097	2,975	213
Root and Branch Savings Target -HERS	(200)	0	(200)	0	(200)	(200)
Total Health and Wellbeing	2,537	(859)	1,678	1,097	2,775	13
Total Local Authority	110,627	(38,063)	72,564	13,308	85,872	(5,180)
Schools	70,595	(70,595)	0			0
Total Peoples Services	181,222	(108,658)	72,564	13,308	85,872	(5,180)

* This includes the transformation savings plan in Feb budget, which was not allocated to the individual client groups until March based on actual achievements.

** The adjustments to the budget which have been actioned to close down the accounts in accordance with accounting standards and practice are as follows;

	£000
Budget before year-end adjustments	72,564
Support service recharges	9,473
Capital charges	8,277
IFRS adjustments	(3,805)
Redundancy pot allocations	417
Reserves movements	(872)
Other	(182)
Final budget	85,872

Headlines

8. The last reported outturn to Cabinet for February was £6.52m overspend. The March outturn sees an improvement to this position by £1.34m. Overall the directorate delivered savings of £5.447m. The key changes from the February position have been within Adult Social Care where there has been a reduction in the cost of all types of care packages across all the client groups.

Directorate Costs

Key Points

9. The directorate outturn shows an, underspend of £289k. Overall this is in line with the February outturn. The three key changes relate to
- a. Additional severance costs for schools compared to the position reported in February of £219k
 - b. A prudent view of potential data protection fines has been taken and a provision is included in the outturn, however significant work has taken place to address the underlying issues with the data commissioning office. The February estimate of £100k for the possible data protection fine has been moved to the relevant service (see children's safeguarding below).
 - c. Transfer staffing and project costs to adult social care £141k

Children's Provider Services

Key Points

10. Overall Children's Provider services delivered savings of £0.9m, in line with target.
11. Safeguarding services outturn has worsened by a further £246k since February. The key reason for this is the provision for data protection breach fine of £220k (an increase of £120k of which £100k was previously included under the directorate costs). The cost has now been attributed to the area in which the breach occurred. The key components of the £528k overspend versus budget are:
- a. Provision for possible fines for the data protection breach of £220k (as above).
 - b. The cost of agency staff within fieldwork teams has led to an overspend of £173k over the year due to the high number of vacant social work and team leader posts. As a result of the Ofsted inspection in autumn 2012 additional interim resources have been brought in to address the issues highlighted in the report.
 - c. During 2012/13 there has been a greater emphasis on reducing the amount of children in residential and agency fostering placements through a successful

campaign to increase the number of in house foster carers (against national trends). This has resulted in a net underspend on agency residential and foster placements (including secure placements) but this has been offset by increased costs for the 16+ service and other carers costs. It should however be flagged that as a result of the Ofsted inspection there has been a sharp rise in LAC cases in the early part of 2013/14 which has financial implications for the 2013/14 budget.

- d. Management costs overspent by £105k arising from having 2 interim Heads of Service and settlement costs.
 - e. The remaining key element of the, overspend relates to Children with Disabilities (£116k) arising through additional staffing costs and increased direct payment costs.
 - f. The use of the adoption grant has also reduced service costs by £60k.
11. Other Children's Provider Services outturn is an underspend of £665k which is broadly unchanged from the predicted £643k underspend reported last month. The key components of the under spend are:
- a. Children's centres - £204k arising from vacancy management and cost control
 - b. Integrated youth support - £288k arising from vacancy management and cost control
 - c. Additional Needs and Education Psychology as above - £79k
 - d. Complex Needs case - £66k
 - e. Parenting and Family Support - £26k

Children's Commissioning

Key Points

12. Savings achieved of £0.5m in line with target.
13. Children's commissioning reported an underspend of £572k in February. This has reduced by £281k in the final outturn position. This is due in the main to the following:
14. The extra provision for the cost of possible data protection fines has been increased by £85k.
15. The creation of an extra reserve of £81k in relation to a specific grant (received in 2012/13) to be used for work around Troubled families. This unspent grant will then be used in the current financial year to continue this specific work around troubled families.
16. Extra contract costs for schools transport were reported of £137k.
17. Further reductions on discretionary spend savings of £22k were achieved.

Adult Social Care and Commissioning

Key Points

18. The Final outturn overspends now stands at £5.91m, a net improvement of £1.838m from the February reported position. This includes achieving £3.6m of savings.
19. The key reductions include:
 - A reduction in the number of active packages for Domiciliary care of £993k. This has resulted from data cleansing to remove inactive packages from the previous

forecasts.

- An increase of Continuing Health Care funding of £253k, approved during March, but backdated to the point of referral for Learning Disability services.
- A decrease in the cost of residential care cost of £522k. Growth and transitions from child to adult packages had been assumed in the February forecast, but costs were much lower than anticipated.
- A reduction in the provision of cost for personal budgets of £370k. Package costs and growth that had previously been expected did not emerge or were at significantly lower cost.
- A reduction in the anticipated contract value of the supporting people contracts of £770k. Provision had been made for a full year of all existing contract costs at the end of February and many of these were substantially reduced when the final bills were received.in March.

20. The reductions have mitigated the following pressures

- Pressures across all client groups within adult social care of £258k.
- A creation of two separate reserves for community equipment (£110k) and Community social care (£116k).
- A transfer back to reserves of £197k, for the unspent transformation funding given in 2012/13.
- Slippage on the delivery of the anticipated achievable savings of £158k.
- A shortfall in the anticipation of revenue expenditure eligible to capitalise of £90k.
- Staffing and project costs now recharged to adult social care of £141k from directorate.

Health and Wellbeing – Environmental Health and Trading Standards

Key Points

21. Savings delivered of £0.4m in line with targets.
22. The final underspend of £13k is a result of the hold on discretionary spend across the service. The service also met additional costs for landfill issues and absorbed reduced pest control income.
23. The service was able to achieve the £200k HERS saving by the one-off agreement from the PCT to offset £128k against management costs within the Public Health Consultant budget.

PLACES AND COMMUNITIES DIRECTORATE

Outturn

£'000	Annual budget before year-end adjustments			Year-end Adjusts**	Final Net Budget	Under / (Over) Spend
	Exp Budget	(Income) Budget	Annual Budget			
Economic, Environment and	11,231	(4,071)	7,160	3,307	10,467	251
Homes and Community Services	7,801	(4,483)	3,318	1,619	4,937	139
Place Based Commissioning	31,654	(5,188)	26,466	7,417	33,883	(355)
Director and Management	348	(57)	291	110	401	42
Total	51,034	(13,799)	37,235	12,453	49,688	77

** The adjustments to the budget which have been actioned to close down the accounts in accordance with accounting standards and practice are as follows;

	£000
Budget before year-end adjustments	37,235
Support service recharges	7,989
Capital charges	5,599
IFRS adjustments	(1,187)
Redundancy pot allocations	70
Other central budget allocations (waste contingency & property pool fund)	509
Reserves movements	(527)
Final budget	49,688

Summary

24. The Directorate underspent by £77k in 2012/13. This position is £70k less than last reported and mainly reflects the costs of the re-procurement of the Amey contract.
25. This position reflects the achievement of the Directorate Savings Plan of £2.81m.
26. The in year pressures on budgets in relation to Planning Fees and Car Parking Fees, the shortfall on Bellwin Grant funding and Winter Maintenance costs were also met by in year savings and the use of previous years grant funding held in reserves.

Economic, Environment & Cultural Services

27. There was a shortfall of planning income for the year of £257k. This improved position is a result of February fee income being £175k higher than predicted. Planning income levels for the year are 14% lower than 2011/12 and the graph below illustrates the planning income fee over the course of the last 3 years. This pressure was mitigated by a planned underspend in the services through the halt on discretionary spend and use of unused grant and earmarked reserves.
28. There was an underspend of £75k on Local Development Framework budgets in relation to transport modelling.
29. There were also pressures within the service on Tourism (£48k) and Markets budgets (£39k) within the year relating to accommodation cost and shortfall of stall income. However these are mitigated by further discretionary spend savings resulting in an overall underspend for the service of £251k

Homes & Communities

30. The pressure on Car Parking income for the year remained at £185k, as last reported, which reflects the shortfall in income on car parking charges. This includes projections of increased income from changes to parking fees introduced in November 2012 which improved income levels by 5% compared to the same period in 2011/12. As previously reported the pressure partly reflected the closure of 58 spaces on the Garrick Surface Car Park and the adverse weather conditions throughout the year.
31. There are in year savings to mitigate this position from the discretionary spend budgets and the use of previous years grant reserves resulting in a net underspend for the service of £139k.

Place Based Commissioning

32. The final outturn for the service was a £355k overspend. This is slightly worse than the last report and mainly reflects the Highways Engineer and Legal professional fees of £145k incurred in the re-procurements of the Amey contracts. These costs were expected to be mitigated by in year savings within the Council's Central budgets, however these were not available. Additional budget had been identified as part of the medium term financial strategy to meet future re-procurement costs in 2013/14.
33. The Met Office reported that Herefordshire followed the national trend of a colder than average gritting season, with the exception of December. March in particular had maximum temperatures 4.4°C colder than average, with triple the usual number of days of air frost.
34. In addition to the addressing the pressure of the Bellwin threshold, final claims have been submitted to DCLG for September, November and December flooding events totalling £2.41m. As previously reported, only 85% of the works will be met by the grant for these events which put pressure on the service budget of £362k. Previous claims, June and July 2012, were 100% funded in excess of the annual threshold liability of £459k. This pressure was met by the Directorate through in year savings.
35. The roll out of LED lighting and other energy saving strategies across the street lighting asset have helped reduce inflationary increases in 2012/13 energy costs and as the project is extended across the whole of the street lighting asset, further savings will be achieved. Further energy saving projects will continue in 2013/14 as part of the Public Realm services contract. These will be funded through interest free loans from government and prudential borrowing with loan repayments being met from the resultant energy savings. The pressure in 2012/13 of £138k was mitigated by reduced routine

street lighting works due as a result of prioritising the above energy savings capital program of works.

36. Transportation budgets underspent by £250k. This was achieved through substantial grant funding in relation to Local Sustainable Transport Fund to deliver local schemes and the hold on discretionary spend.
37. The final outturn for the joint Waste Disposal contract with Worcestershire County Council for 2012/13 was £8.9m.

Director and Management

38. There is a net underspend of £42k in relation to the Directorate's annual non pay inflation budget which is will be used to mitigate the pressures within the Directorate.

CORPORATE SERVICES DIRECTORATE

Outturn

£'000	Annual budget before year-end adjustments			Year-end Adjusts*	Final Net Budget	Under / (Over) Spend
	Exp Budget	(Income) Budget	Annual Budget			
Customer Services and Communications	3,233	(287)	2,946	(2,328)	618	152
People, Policy and Partnership	9,471	(1,520)	7,951	(5,736)	2,215	1,169
Law, Governance and Resilience	3,756	(931)	2,825	(283)	2,542	(178)
Chief Finance Officer and Commercial	69,372	(64,092)	5,280	(3,401)	1,879	99
Corporate Management	2,503	0	2,503	(434)	2,069	(39)
Chief and Deputy Chief Executive	584	(210)	374	(374)	0	(59)
Total	88,919	(67,040)	21,879	(12,556)	9,323	1,144

**The adjustments to the budget which have been actioned to close down the accounts in accordance with accounting standards and practice are as follows;

	£000
Budget before year-end adjustments	21,879
Support service recharges	(17,597)
Capital charges	7,475
IFRS adjustments	(2,581)
Redundancy pot allocations	306
Reserves movements	166
Property Pool Fund allocations	(139)
Other central budget allocations	(186)
Final budget	9,323

Summary

39. The Directorate underspent by £1.144m in 2012/13, This position is £132k less than previously reported
40. This position includes the achievement of the Directorate Savings Plan totalling £1.8m.

Chief and Deputy Chief Executive

41. The final outturn for this area was an overspend of £59k, this incorporate the mitigation of Directorate Savings from 2012/13 non-pay inflation budgets.

Chief Finance Officer and Commercial

42. The final outturn for the service was £99k underspend.
43. Additional costs of £80k identified in relation to internal audit costs, mainly as a result of additional one off projects such as fraud investigation.
44. The final position on the surpluses resulting from Housing Benefit Subsidy collection incentives and recovery of benefits overpayments was £140k less than previously estimated. The final surplus was £417k.
45. Procurement costs increased by £162k, mainly relating to staff cost supporting the re-procurement of the suite of contracts as a result of the expiry of the Amey contract. These costs were expected to be met from in year savings from central budgets however these were not available.
46. Whilst the hold on all non-emergency property repairs and the funding of qualifying capital works from capital budgets drove out substantial savings in year, additional costs identified in the final months of the financial year requiring funding from the property pool fund reduced the discretionary spend savings.

Customer Services & Communications

47. The service is underspent by £152k.

People, Policy and Partnership

48. The service outturn improved by £410k to underspend by £1,169k for the year.
49. Further savings of £90k have been identified through the further review of ICT expenditure to identify costs that can be funded through the capital programme.
50. Further in year savings were achieved through contract savings in relation to the Community Network and the hold on discretionary spend on ICT equipment and Projects.

Law, Governance and Resilience

51. The pressure on the service budget increased to £178k for the year.