

## 2006/07 REVENUE BUDGET MONITORING

### Summary

- The following table summarises the 2006/7 projected outturn as of the end of January 2007. It also includes figures from the previous IPR report to permit comparison between current and previously reported figures.

	<b>January 2007 Net over or (-) Underspending £000</b>	<b>November 2006 Net over or (-) Underspending £000</b>
Adult and Community	+1,406	+1,424
Children & Young People's	+207	+214
Customer and Corporate	+1,070	+1
Environment	-801	+25
Resources	+13	+19
Net position	+1,895	+1,683
Less:		
Social Care Contingency	-1,302	-1,302
Financing Transactions projected surplus	<u>-1,000</u>	<u>-750</u>
Net Council projected overspend	-407	-306

- The overall position shows a projected £0.407 million underspend. This is 0.34% of the Council's £118.285 million revenue budget (excluding Direct Schools Grant funding).
- The position has improved by £0.101m since the last report where a £0.336 million underspend was projected. The projected position is after allowing for use of the Social Care contingency and the impact of the revised cash flow profile that has increased the projected position on financing transactions.
- 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 contingency funding of £1.3m is available to mitigate this problem. 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.
- The position in Children and Young People's Services remains in a projected overspend position and has been assessed as a risk for the remainder of the financial year.
- The year end position 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 2006/7 allocation is due to be announced by central government in February 2007 but, at the time of writing the report, information was not available. The allocation for Herefordshire may be significant if current estimates are correct.
- In previous IPRs it has been indicated that the level of payment against the Waste Contract was lower than profiled. It was unclear if this was a "true" underspend or a reflection of timing of payments. It is now clear that there is an underspend of

approximately £600K that will need to be added to the existing reserve to meet future pressure.

8. The work on ICT budgets and expenditure has concluded and it is estimated that a £500K overspend on Corporate ICT projects is made up of Herefordshire Connects activity and the loss of grant for the Herefordshire in Touch project. In addition the ICT trading account is projected to overspend by £500K because some costs are directly related to Herefordshire Connects and cannot be recharged to clients.

### **Revenue Reserves Position as at 31<sup>st</sup> January 2007**

#### **General Reserves**

9. The General Revenue reserves as at 31<sup>st</sup> January totalled £14.525 million including £3.72 million of underspendings carried into 2006/07 from 2005/06.
10. 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**

11. At 31<sup>st</sup> January 2007 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
12. School balances are ring fenced and will reduce at year-end as the Balance Clawback scheme is implemented.
13. 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 31st January 2007**

	<b>January 2007 Net over or (-) underspending £000</b>	<b>November 2006 Net over or (-) underspending £000</b>
Adult Services	+1,424	+1,530
Strategic Housing	-93	-45
Community Services	+103	+54
Commissioning and Improvement	-28	-115
<b>Total</b>	<b>+1,406</b>	<b>+1,424</b>

**Adult Services**

14. The projected outturn for Adult Social Care is an overspend of £1.424 million. Details of the projected area overspends are as follows:
- Learning Disabilities - £1.277 million overspend
  - Older People – £0.899 million underspend
  - Physical Disabilities - £0.342 million overspend
  - Mental Health - £0.555 million overspend
  - Service Strategy - £0.067 million overspend
  - Free Nursing Care- £0.075 million overspend
15. As previously reported to Cabinet, 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 now been allocated within the older people client group given its main aim is to assist vulnerable older people.
16. 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.

**Strategic Housing**

17. The projected outturn for Strategic Housing is an underspend of £93k 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.
18. The projections throughout the year have allowed for seasonal trends. These trends have been based on analysis of previous years figures. A new government initiative has had some impact on projections.
19. 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 28.55 (previously 29.67)
20. 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. Part of the process is to move clients from temporary into permanent accommodation.
21. Some non recurrent staff vacancy savings have assisted the underspend position. Once these posts have been filled the saving will cease.

### **Community Services**

22. The projected overspending of £103k 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.
23. Hereford City Council have stated they will not pay for their contributions towards parks and countryside services. The position is under review but a loss of income is included in current projections.
24. 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.
25. 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**

26. All the Adult Services efficiency savings have been allocated out to client groups.
27. 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 31<sup>st</sup> January 2007**

	<b>January 2007 Net over or (-) underspending £000</b>	<b>November 2006 Net over or (-) underspending £000</b>
Directorate Central Budgets	-517	-573
Children's Social Care/Safeguarding and Assessment Services	+724	+787
Total	+207	+214

28. The current position is a projected overspend of £207k. In the last report the overall position for the Directorate was an overspend of £214k. There is a small risk that the overspend will increase as the projection assumes no additional external placements for the remainder of the financial year.

**Dedicated Schools Grant**

29. 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.

30. Schools Forum set the schools' budget in February 2006 and subsequent finalisation of DSG has resulted in a £185k budget deficit to be carried forward to 2007/08. It is anticipated that overall there will be an underspend of around £100k, which will be carried forward into 2007/08.

**Directorate Central Budgets**

31. 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 £517k, mainly on school transport (£231k), further savings on Student Finance, School Improvement and due to the completion of the Whitecross PFI project (£160k) and staff vacancies in the Directorate (£69k) and within the Youth Service (£57k).

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

32. The projected overspend on Children's Social Care has reduced by £63k from the previous £787k to £724k and is mainly related to external residential agency placements (£557k), fostering (£227k) and Social Work (£145k). These are offset by savings in Assessment and Family Support (£205k). External agency placements have risen from 24 at the beginning of the year to 30, a further increase of 1 since November 06 with each placement potentially 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 stabilised from an initial 111 at the beginning of the year, rising to 121 in October 06 and finally reducing to 113 in January 07; a net increase of 2 children over the year.

33. 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**

34. Overall, the Children and Young People's budget continues to overspend with a project deficit of £207k at the end of January compared with a projected overspend of £214k at the end of September.

**Efficiency Savings**

35. 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 31<sup>st</sup> January 2007**

	<b>January 2007 Net over or (-) underspending £000</b>	<b>November 2006 Net over or (-) underspending £000</b>
Herefordshire Partnership	-40	-40
Communications	-30	-20
Director and Administration	-45	-50
Emergency Planning	+7	+6
Legal and Democratic Services	+202	+187
Info. By Phone	0	0
Policy & Performance	-101	-82
Information Services	0	0
Corporate ICT Projects	+257	0
Herefordshire Connects	+320	0
ICT Trading Account	+500	0
<b>Total</b>	<b>+1,070</b>	<b>+1</b>

**Corporate and Customer Services**

36. 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.
37. As indicated in the previous IPR the Resources Directorate has worked with the Corporate and Customer Services Directorate to review the current year's financial position on the Corporate ICT Projects budget and the ICT Trading account. The work has now concluded and the exercise has also looked at the causes for the projected overspending position.
38. A review of the Corporate ICT Projects budget indicates some costs have been incurred because of the Herefordshire Connects project. For clarity these have been separated out in the above table but will be further reviewed in the closedown of accounts period. The remaining overspend is due to the cost of web services and e-gateway projects where the net shortfall is approximately £257k after applying underspends elsewhere on these budgets. These activities were previously funded externally through Herefordshire In Touch SRB but the funding has ceased part way through the year. The shortfall was brought to Cabinet's attention at the end of 2005/6.

39. The ICT trading account has also been reviewed and the assessment is that a £500k overspend will occur at the end of the year. The position is based on data from ICT's SAP system. A significant part of the ICT trading account operates by recovering costs through recharging a variety of clients for work. It is ICT's assessment that a large amount of work has been carried out on Herefordshire Connects activity which cannot be recovered through charges. It is estimated that this figure is £170k of the total and these associated costs are in the trading account and cannot be recovered from clients.
40. The previous IPR presentations to Cabinet have indicated that the level of ICT expenditure was under review. It is now evident that an overspend is projected against the 2006/7 budgets. The work to support Herefordshire Connects has had an impact and this will be confirmed when the final outturn is known. It should be noted that the balance sheet contains a reserve of £1.928m to support "Invest to Save" initiatives for the Herefordshire Connects programme and this may be a source of funding.



**ENVIRONMENT DIRECTORATE****Directorate Summary as at 31st January 2007**

	<b>January 2007 Net over or (-) underspending £000</b>	<b>November 2007 Net over or (-) underspending £000</b>
Environmental Health and Trading Standards	-575	0
Planning	-200	+25
Highways and Transportation	-26	0
<b>Total</b>	<b>-801</b>	<b>+25</b>

**Environmental Health and Trading Standards**

41. In previous IPRs it was indicated that the level of payment against the Waste Management contract was below the profiled budget. As the financial year draws to a close it is clear that this represents an actual underspend rather than a payments timing issue. The projected underspend is £600K and mainly due to delays in expected contract variations as well as lower levels of activity. 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.

**Highways and Transportation**

42. A current net projected underspend of £26K contains variations against specific budgets. The Concessionary Fare Scheme has seen strong uptake with a £172K overspend projected. Parking income is anticipated to be £150K below budgeted income. These overspends are offset by a projected £350K underspend on street lighting due to recruitment problems. Owen Williams have been brought in to carry out commissioning of schemes.

**Planning**

43. Planning Fee income has fallen slightly below income target for the Period to 31<sup>st</sup> January 2007. However current forecasts based on income patterns in previous years and the uncertainty of the impact of the introduction of Design & Access Statements indicate that it is likely that Fee income will meet target. The shortfall in Development Control income (£130k) is being met through the excess Building Control Fee income
44. It is likely that there will be an underspend position in Conservation of £100k due to the receipt of various grant income. It is difficult to estimate the outturn as this depends on the timing and conditions of the individual grants received. An application will be made at year end to carry forward budget into 2007/08 in order to complete projects where income has been received in 2006/07.
45. There is also likely to be a net underspend in relation to Planning Delivery Grant of £200k. This grant is required to meet future costs in relation to Local Development Framework and improve IT systems. In 2006/07 this underspend will be used to mitigate other pressures within the service in relation to IT Contract fees £100k. As with

Conservation grant, income on application will be made by the Directorate at year end for consideration to carry forward Planning Delivery Grant into 2007/08.

**Efficiency Savings**

46. 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 31st January 2007**

	<b>January 2007 Net over or (-) underspending £000</b>	<b>November 2006 Net over or (-) underspending £000</b>
Corporate Budgets	-114	-114
Property Services	0	0
Finance	+95	+103
Procurement	+32	+30
<b>Total</b>	<b>+13</b>	<b>+19</b>

**Corporate Budgets**

47. As indicated in the previous IPR, a net underspending of £114k is expected on Corporate budgets. Anticipated savings on corporate subscriptions, insurance and Environment Agency levies will be offset by an amendment to previous grant settlements of £165k.
48. As part of the budget setting process and in previous IPRs, Cabinet has been informed 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 some time this month (February 2007) and at this stage any income can only be estimated.

**Finance**

49. 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**

50. 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**

51. 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**

52. An underspending of £1m is the estimated outturn representing an increase of £250k on the previous report. To some extent this results from careful investment management but the major reason is 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.