

2007/08 REVENUE BUDGET MONITORING SUMMARY

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

	July 2007 Net over or (-) Underspending £000
Adult and Community	+3,900
Children & Young People's	+776
Customer and Corporate	+940
Environment	-500
Resources	<u>-278</u>
Net position	4,838
Less:	
Social Care Contingency	-1,302
Unused Spend to Save Resources	<u>-1,000</u>
Net Council projected overspend	<u>2,536</u>

2. The overall position shows a projected £2.54million overspend. This is 2.1% 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 includes an estimated £1.0m projected underspend against the Spend to Save/Spend to mitigate allocations in the 2007/08 budget. The majority of the total relates to the £2.04m to modernise social care and community services for older people.
5. The above table does not make any allowance for flooding or community network.
6. At this stage the financial year the projections include some estimates but what is clear is that the overall projected outturn is of concern given the potential implications for 2008/09 and the likelihood of a poor CSR 07 settlement for local government.

Revenue Reserves Position as at 31st July 2007

General Reserves

7. As at 1st April 2007 the estimated General Reserve is £8.502 million. This includes releasing £100k contribution to the Partnership Fund with the PCT for developing the proposed PST arrangements.
8. The Council's Medium Term Financial Management Strategy 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 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

9. 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

10. 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.
11. 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 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.
12. The overall estimate of damage as of the end of July was £3.605m. The largest single category covers Highways and Transportation at £2.058m. Within this total is work to repair roads and signs as well as checking and cleansing drainage systems.
13. 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. There will also be some grants central government specifically for schools related damage.
14. Other funding sources include the European Union Solidarity Fund (EUSF) but as with the Bellwin scheme it does not cover insurable items. A further report will be brought forward to cabinet on 6th September outlining the overall position.

DIRECTOR OF ADULT AND COMMUNITY SERVICES**Directorate Summary as at 31st July 2007**

	July 2007 Net over or (-) underspending £000
Adult Services	+3,789
Strategic Housing	+71
Community Services	+70
Commissioning and Improvement	-30
Total	3,900

Adult Services

15. The projected outturn for Adult Social Care is an overspend of £3.79million. Details of the projected area overspends are as follows:
- Learning Disabilities - £2.287million overspend
 - Older People – £0.413 million underspend
 - Physical Disabilities - £0.767 million overspend
 - Mental Health - £1.124 million overspend
 - Service Strategy - £0.038 million overspend
16. The reasons for the overspend include the full year impact of new packages commenced in the previous year, an upward trend in the numbers in residential care and/or those receiving domiciliary care and the inflationary pressures around care packages. Learning disabilities, mental health and physical /sensory disabilities, all of which overspent in 2006/7, are projected to overspend by 27.5%, 23.9% and 26.1% respectively.

Strategic Housing

17. The projected outturn for Strategic Housing is an overspend of £71k. This has arisen largely from an unexpected growth in numbers of people in bed and breakfast accommodation. Whilst the numbers of families in temporary accommodation has remained constant since the beginning of the year (average 5.4), single people in temporary accommodation have been consistently higher (average 16). There is a shortage of suitable accommodation with Homepoint being able to offer only one or two properties per week.

18. The reduction in grant income for repurchase and re-instatement has also impacted (£20k).
19. Some non-recurrent staff vacancy savings have assisted the underspend position. Once these posts have been filled the saving will cease.

Community Services

20. The projected overspend for this area is £70k with the impact of inflationary pressures being the major cause but as with other areas the policy of zero inflation on non-pay was part of the council's budget strategy for 2007/08. Savings to deal with the original shortfall of £180k have been identified but some of these will now only provide a part year saving.
21. The figures include the base budget adjustment agreed by Cabinet from the General Fund to mitigate Hereford City Council's refusal to contribute towards parks and countryside services (£138k).

Efficiency Savings

22. All the Adult Services efficiency savings have been allocated out to client groups and the relevant services are looking at savings measures to bring down the overspend.
23. The Community Services efficiency savings were all implemented into the base budget at the start of the year but the service is now indicating that it will be unable to meet the entire required savings target.

DIRECTOR OF CHILDREN AND YOUNG PEOPLE'S SERVICES**Directorate Summary as at 31st July 2007**

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

24. The current position is a projected overspend of £776k 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 a lesser extent the lack of compensating savings in other central directorate budgets.

Dedicated Schools Grant (DSG)

25. 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.
26. In 2006/07 Dedicated Schools Grant underspent by £223k and this was carried forward to the current year. Additionally £416,000 extra DSG has been received from government due to extra pupils. Subject to School Forum's agreement the extra funding will be used to support SEN Banded Funding, Joint Agency Management, as a carry forward to offset savings from falling rolls in 2008/09 and a general distribution to schools in this financial year.

Directorate Central Budgets

27. 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 £142k. With this resulting from savings on school transport.

Children's Social Care/ Safeguarding and Assessment Services

28. The projected overspend on Children's Social Care is £918k and is mainly related to external residential agency placements (£578k), fostering (£356). External agency placements have risen last year from 24 in April 2006 to 37 in July 2007 and unless numbers can be reduced or the service provided in a more cost effective way, this cost pressure will continue into future financial years. The number of children in foster care has largely stabilised.

Summary

29. Overall, the Children and Young People's budget is expected to overspend with a projected deficit of £776k. This will continue to be monitored closely throughout the rest of the financial year.

Efficiency Savings

30. 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.

DIRECTOR OF CORPORATE AND CUSTOMER SERVICES**Directorate Summary as at 31st July 2007**

	July 2007 Net over or (-) underspending £000
Herefordshire Partnership	0
Communications	0
Director and Administration	0
Emergency Planning	0
Legal and Democratic Services	100
Customer Services	200
Policy & Performance	0
Information Services	0
Corporate ICT Projects	-200
ICT Trading Account	600
Corporate Programmes	240
Total	940

31. The Members Scrutiny review conducted by Strategic Monitoring Committee recommended a thorough review of the way in which ICT budgets are treated. The assessment of the financial position in ICT has been the subject of detailed and lengthy work between ICT Services and Financial Services. The current position is clearer but a number of assumptions have been made about likely spending levels given the absence of detailed information in some areas.
32. The ICT trading account figure is based on the assumption that the vacant posts in the structure are filled within the next 2 months, however a number of vacancies are currently being held so the outturn position is likely to be less than indicated. ICT services are reviewing which vacancies are considered business-critical and need to be filled.
33. Work has been completed on a full audit of PC locations in Directorates. It has been confirmed that the number of PCs in Directorates has increased. This should lead to

an increase in SLA income to further reduce the projected overspend but will result in increased charges to Directorates and in effect shifts the shortfall into directorates.

34. The corporate programmes team has been separated out of the trading account and is now picking up its share of the SAP back-office system. The reduction in the number of projects and capital schemes means less income is projected to meet core costs, however the number of contractors employed is being reduced to mitigate this.
35. Customer Services is likely to generate an underspend in direct staff costs due to vacancies, however there are considerable non-staff costs emerging that have not been budgeted for including consultants costs, operating costs and a proportion of the SAP team within the trading account which supports the call system. These costs will be partly mitigated through savings pulled out of directorates as services migrate over during phase two of the project.
36. The ICT corporate projects budget includes provision for new developments but this has not yet been committed. If no new expenditure is made an underspend will be achieved.
37. Work is progressing to establish the full revenue impact of the Community Network. This is likely to cost considerably more than the old network and is not included in the above projections.
38. Legal and Democratic Services has a shortfall in staff budget within Members Services, over a full year this is in the region of £100,000 however the service is carrying some vacancies which should reduce the shortfall. The Legal Services budget includes some income targets that are not going to be met and these need to be addressed.
39. The Director of Corporate and Customer Services is reviewing the overall position and given a clear lead to the service to resolve financial issues around the ICT trading account by looking at the costs incurred on the account.

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

	July 2007 Net over or (-) underspending £000
Environmental Health and Trading Standards	-500
Planning	0
Highways and Transportation	0
Directorate Management & Support	0
Total	-500

Environmental Health and Trading Standards

40. The current projected underspend of £500k 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 may need to be earmarked for reserves to meet future waste management pressures. However given the likely requirement to fund the Bellwin threshold of £408,526 this will need to be reviewed at a later date.
41. The projected outturn for other services is expected to be on budget for the year.

Efficiency Savings

42. 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 July 2007**

	January 2007 Net over or (-) underspending £000
Corporate Budgets	0
Asset Management and Property Services	0
Audit Service, Benefit and Exchequer Services and Financial Services	-278
Total	-278

Corporate Budgets

43. At this stage of the year corporate budgets are expected to be on target.
44. As part of the budget setting process and in previous Integrated Performance Reports, Cabinet has been informed of 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. In 2006/07 confirmed the Council received £1.4m. The allocation of this funding within the Council is a matter for local decision-making and in 2007/8 it is being used as 'cover' for Herefordshire Connects.

Audit Service, Benefit and Exchequer Services and Financial Services

45. There is a projected underspend of £278k in Audit Service, Benefit and Exchequer Services and Financial Services largely due to the continued improved performance around benefits processing.

Asset Management and Property Services

46. At this stage of the year Property Services is estimated to break even.

FINANCING TRANSACTIONS

47. A review of this budget as part of the 2007/08 budget process indicated the "base" income target could be increased. This has been done and now forms part of cover for Herefordshire Connects
48. The overall position for 2007/08 is expected to break even. However, this could change if there is slippage in the Capital programme leading to decreased levels of repayment and a higher amount of cash for temporary investment.