

**2007/08 REVENUE BUDGET MONITORING****Contents**

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## Summary

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

	2007/08 Budget	September 2007 Net over or (-) Underspending	November 2007 Net over or (-) Underspending	Change since last report
	£000	£000	£000	£000
Adult & Community	44,484	4,070	3,661	-409
Children & Young People	23,218	793	703	-90
Corporate & Customer	7,839	1,295	1,195	-100
Environment	24,734	-357	-407	-50
Central Services	3,254	-120	-350	-230
Resources	6,468	-60	-60	0
Human Resources	1,401	0	0	0
<i>Directorate Position</i>	<u>111,398</u>	<u>5,621</u>	<u>4,742</u>	<u>-879</u>
Flood Damage Repairs	0	800	1,032	232
Capital Financing Costs	10,753			
Interest Received	-1,220	-300	-400	-100
Invest to Save	3,524	-1,000	-2,139	-1,139
Transfers to Reserves	1,500			
Herefordshire Connects	1,893	0	-328	-328
Social Care Contingency	1,302	-1,302	-1,302	0
LABGI	-1,000	-600	-600	0
WMS Profit Share	-300	0	0	0
Transfer from Reserves	-4,322	0	0	0
Transfer from Revenue Balances	-1,157	0	0	0
<b>Net Position</b>	<u>122,371</u>	<u>3,219</u>	<u>1,005</u>	<u>-2,214</u>

2. The overall position shows a projected £1.005million overspend. This is just under 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 outturn figures include an estimated £2.0m projected underspend against the Spend to Save/Spend to mitigate allocations in the 2007/08 budget. The majority of the total relates to the allocation to modernise social care and community services for older people.
5. The November projected outturn shows an improvement over the position reported at the end of September. This is largely due to an increase in the level of underspend against the spend to save allocations of £3,524k, an increase in the projected interest to be received on cash balances due to continuing slippage in the capital programme and an estimated £328k underspend on the Herefordshire Connects programme.

### **Revenue Reserves Position as at 30<sup>th</sup> November 2007**

#### **General Reserves**

6. As at 1st April 2007 the estimated General Reserve is £8.0 million. This included releasing £100k contribution to the Partnership Fund with the PCT for developing the proposed PST arrangements.
7. 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. The estimated General reserve balance at the end of this financial year is £5.6m after allowing for a planned use of reserve (£1.4m) and the £1.0m projected overspend.

#### **Earmarked Reserves**

8. 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 and the Bellwin Claim**

9. 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.
10. 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 before the claim is submitted on 2<sup>nd</sup> 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 they are excluded.

11. 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. The latest estimate of damage is £3.545m of which £2.752m will be submitted as a Bellwin Claim. The difference of £793k comprises the “insurable” part that cannot be covered and the threshold sum of £409k.
12. The flooding badly affected a number of schools in the county, with costs now estimated at £655k. 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 grants of £170k from central government specifically for schools-related damage.

**ADULT AND COMMUNITY SERVICES DIRECTORATE****Directorate Summary as at 30<sup>th</sup> November 2007**

	<b>September 2007</b>	<b>November 2007</b>
	<b>Net over or (-)</b>	<b>Net over or (-)</b>
	<b>underspending</b>	<b>underspending</b>
	<b>£000</b>	<b>£000</b>
Adult Services	+4,614	+4,210
Strategic Housing	+19	+104
Community Services	+40	0
Commissioning and Improvement	-103	-153
Total	4,570	4,161
Less needs analysis monies	-500	-500
<b>Total</b>	<b>4,070</b>	<b>3,661</b>

**Adult Services**

13. The projected outturn for Adult Services is an overspend of £4.210 million, which is an improvement on the September position. These figures are based on updated information up to November. Details of the major variances are as follows:
  - a. Learning Disabilities - £2.832 million overspend
  - b. Physical Disabilities - £0.587 million overspend
  - c. Mental Health - £1.135 million overspend
  - d. Older People - £0.221 million underspend
14. The main area of concern is Learning Disabilities, which continues to increase. Other areas have demonstrated a reduction in the forecast spend level with the projected underspend on Older People increasing.
15. The recent pay award of 2.475% is higher than the 2% allowed for in council budgets. The shortfall will be addressed for 2008-09 onwards as part of the MTFMS update, however for the current year Directorates will be required to bear the cost, which is an added pressure and is the main contributor to the increase of £300k in Learning Disabilities since the last report to the end of September.
16. In line with national trends, the major budget pressures across all service groups within Adult Social Care continue to be residential and nursing care placements and domiciliary care costs. Since April the overall number of packages across learning disabilities, mental health, and physical disabilities have increased which inevitably impact on budgets, which were already under pressure.
17. The movements between September and November have been far less than the level of increases experienced earlier in the year, for example in August in Mental Health there was a net increase of nine placements, costing £213k in the current

year.

18. Under the terms of the agreement with Shaw Homes, the Council must pay a standard 'unitary fee' for the new accommodation at Leadon Bank in Ledbury, which is in addition to the rent and other charges paid by the tenants. The amount is index-linked and the full year effect for the current year would be approximately £430k. The arrangement commences from December 21<sup>st</sup> and the projected cost for 2007-08 will be approximately £116k, however this amount will be mitigated by a reduction in the charge paid for the existing facility, which is due to close. This unitary charge represents a significant cost for future years. There is also a likely additional benefit cost of £60k. Officers are in dialogue with Shaw with a view to reducing the whole life costs of the scheme and to mitigate some of the risk around the overall financial model. These discussions should enable the financial impact of the scheme on the overall Social care budget to be clearly demonstrated.
19. In recognition of the demographic pressures in social care (both adults and children's) a centrally held contingency of £1.3m has been set aside, but the allocation between the directorates has not yet been determined.
20. Invest to save monies of £2.7m have been ring-fenced to address issues highlighted in the Older People's Needs Analysis completed in the autumn of 2006. As this funding will be underspent at the year-end, £500k has been used to fund specific short-term packages, pending redesign of service provision. Once these packages have ceased, the funding will not be used for further residential care but will revert to its original purpose of supporting the operational change agenda.
21. Work continues to bring expenditure back in line with budget, but changing the model of service delivery is a lengthy process. The Adult and Community Services Transformation Programme Board is driving forward a range of projects designed to change the way in which services are provided across the board, with a view to moving away from residential care towards more cost-effective community-based solutions. As well as reducing costs, income generation schemes including fairer charging are being implemented and a more stringent assessment process introduced. Supporting People funding has been agreed in principle to identify cases where such funding would be appropriate. A review of all existing clients is being carried out to ensure that income from the PCT is optimised and the appropriate level of care provided. The report assessing the financial impact of the strategies to bring the expenditure back in line with budget is being finalised.
22. There is a potential one-off cost in respect of writing off some debt due from the PCT, however recent changes in management arrangements may provide an opportunity to re-negotiate the position.

### **Strategic Housing**

23. The projected outturn for Strategic Housing has increased to an overspend of £104k. This is due to increases in temporary accommodation within Homelessness which was predicted in the last IPR. There has also been an increase in staff costs to cover temporary staff during the course of the restructure. Opportunities to house a number of bed and breakfast tenants are likely to arise soon due to improvements in voids management at Herefordshire Housing.

### **Community Services**

24. Action has been taken to address the projected overspends highlighted in the previous IPR and further action is required to address the impact of the pay award (£20k). However, it is anticipated that sufficient one-off savings can be identified to cover this amount. The figures include the base budget adjustment to mitigate the effect of Hereford City Council's refusal to contribute towards parks and countryside services (£138k).
25. An issue has emerged regarding the Council's responsibility to indemnify HALO for the costs related to their implementation of single status and job evaluation. HALO has submitted claims in excess of the available budget however these claims are being challenged and negotiations with HALO continue.
26. The ARCH (Actively Regenerating Communities in Herefordshire) programme (a £1.7m programme funded by European Objective 2 grant money) recently received an audit visit by GOWM. Herefordshire Council is the accountable body for this programme, which is mainly delivered by third party organisations. A significant number of eligibility and evidence issues emerged and a dedicated team has been tasked to resolve issues where possible. The Council has until February to work with third party providers to demonstrate compliance with eligibility criteria and to identify satisfactory evidence. Although this work is on-going it is likely that GOWM will claw-back some of the grant funding and as the accountable body, Herefordshire Council will be responsible for repaying any grant.
27. The issues outlined above will result in additional costs however until the work outlined above is completed it is too early to be able to give an accurate figure.

#### **Commissioning & Improvement**

28. This area is expected to underspend by £153k as a result of delayed recruitment following a restructuring and economies derived from carrying out a data cleansing exercise in-house rather than utilising external resources.

#### **Efficiency Savings**

29. All the Adult Services efficiency savings have been allocated out to client groups.
30. The Community Services efficiency savings were all netted off at the start of the year and the required savings are being achieved on an on-going basis.

**CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE**

Directorate Summary as at 30th November 2007

	<b>September 2007</b>	<b>November 2007</b>
	<b>Net over or (-)</b>	<b>Net over or (-)</b>
	<b>underspending</b>	<b>underspending</b>
	<b>£000</b>	<b>£000</b>
Central directorate Budgets	-85	-208
Safeguarding and Assessment	+878	+911
<b>Total</b>	<b>+793</b>	<b>+703</b>

31. The current position is a projected overspend of £703k compared to a projected overspend of £793k in September 2007. The reduction in the overspend is mainly due to the confirmation that the £100,000 'Invest to Save' funding can be used to offset staffing costs for performance management.

**Dedicated Schools Grant**

32. The Dedicated Schools Grant (DSG) funds delegated school budgets and central services to schools and pupils. DSG is determined by government based on the number of pupils in the county and is finalised in June annually. Any under or overspending must be carried forward into the DSG for 2008/09.
33. DSG has been now been finalised at £82.535m which is £416k greater than expected. However, the extra income must be used to fund the additional costs arising from extra nursery pupils estimated at £440k. Expenditure on the Joint Agency Management budget is expected to be approximately £300k lower than the original budget of £1.751m and expenditure on Banded Funding is expected to be £192k overspent. School Forum has agreed that the overall underspend of £245k should be used to help meet savings in the Schools Budget in 08/09.

**Directorate Central Budgets**

34. 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 £208k mainly arising from savings on school transport (£184k) and carried forward Standards Fund from 2006/07 which used to offset costs in the School Improvement Service (£156k). The budget for severances is expected to overspend but cannot be accurately assessed until schools begin to set their budgets early in the new year.

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

35. The projected overspend on Children's Social Care is £911k and is mainly related to external residential agency placements (£714k) and fostering (£222k). External agency placements have risen last year from 24 in April 2006, 37 in September 2007 falling to 32 in October but rising to 34 in November. 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 had largely stabilised at around 103 in August and September however has increased to 114 in November.

**Summary**

36. Overall, the Children and Young People's budget is expected to overspend with a projected deficit of £703k. This will continue to be monitored closely throughout the rest of the financial year.

**Efficiency Savings**

37. 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.

## CORPORATE AND CUSTOMER SERVICES DIRECTORATE

Directorate Summary as at 30<sup>th</sup> November 2007

	September 2007 Net over or (-) underspending	November 2007 Net over or (-) underspending
	£000	£000
Herefordshire Partnership	0	0
Communications	0	0
Director and Administration	0	0
Emergency Planning	0	0
Legal and Democratic Services	100	100
Info. By Phone	100	0
Policy & Performance	0	0
Information Services	0	0
Corporate ICT Projects	-427	-427
ICT Trading Account	217	217
Corporate Programmes	205	205
Community Network Costs	1,100	1,100
<b>Total</b>	<b>1,295</b>	<b>1,195</b>

38. The ICT Trading Account and Corporate ICT projects are performing in line with revised budgeted projections. The vacancies identified have been frozen until April 2008. This still assumes that all existing contractual commitments for software and other operating costs have been identified and budgeted for.
39. Considerable work has been done on identifying the costs and software to successfully complete phase 2 of Customer Services. It is anticipated Customer Services will not overspend the budget. Work is continuing with directorates to integrate with Customer Services. Customer Services has until the end of 2008-09 to lever £500k of customer-facing functions from directorates and this has not yet been fully identified.
40. Legal and Democratic Services have 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. Members Services' operating costs continue to rise to support the increasing number of meetings. The Legal Services budget includes some unachievable income targets. However, the projected overspend is likely to come down as work on establishing robust SLA's is developed and the services are reimbursed for work already delivered.
41. Investigations into the planned funding for the community network upgrade have established that the annual revenue cost is £1.6m. However, work is in progress to challenge elements of the Siemens contract in order to drive down the cost. £500k of the revenue cost will be funded from the Standards Fund within Children's Services

but the remainder is still unfunded and represents a significant projected overspend. Assumptions around savings in the old network have yet to be realised because of delays in decommissioning some building's connectivity to the network.

## ENVIRONMENT DIRECTORATE

Directorate Summary as at 30<sup>th</sup> November 2007

	September 2007 Net over or (-) underspending	November 2007 Net over or (-) underspending
	£000	£000
Environmental Health and Trading Standards	-600	-650
Planning	143	143
Highways and Transportation	100	100
Directorate Management & Support	0	0
<b>Total</b>	<b>-357</b>	<b>-407</b>

**Environmental Health and Trading Standards**

42. In order to meet Waste Collection contract inflation pressures, budget was re-allocated at the beginning of the financial year from the Roads Maintenance budget. However, Waste Contract prices did not increase at the estimated level of 10% therefore £165k revenue budget has been transferred back to the Roads Maintenance budget.
43. The current projected underspend of £600k 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 against the contract will need to be earmarked for reserves to meet future waste management pressures.
44. There is also a projected underspend in relation to Commercial Environmental Services of £50k. This relates to additional income received in the current year in relation to the Cadbury's case compensation for expenditure incurred and loss of inspection income in the previous year.

**Planning**

45. There is likely to be an overspend in relation to IT SLA charges in Planning of £100k. This is being reviewed to check the impact on the ICT trading account. In the previous year, on a one-off basis, this pressure was met by Planning Delivery Grant however there is no capacity to do this in the current year.
46. There is also an additional projected overspend of £43k in relation to a revenue contribution to capital for the purchase of land at Belmont.
47. Although Planning Fee income is on target for the Period to 30<sup>th</sup> November 2007, current forecasts based on income patterns in the previous two years, which take seasonal fluctuations into account, indicate a potential shortfall of income of £30-50k

for the year. However, the proposed changes to Planning Fees from 1st April 2008 may create a surge of applications in March, hopefully meeting the annual income targets. Any surplus will be used to mitigate IT charges.

**Highways & Transportation**

- 48. Concessionary travel is expected to overspend by £100k. This projection is based on inflationary increases during the year on fares of 10% and an increase of patronage of 5%, based on increases already seen so far this year.
- 49. Pressure on the Roads Maintenance budget have been reduced following the re-allocation of £165k budget from the Waste contract budget.

**Efficiency Savings**

- 50. The efficiency savings have all been taken into account in the Directorate's budget. Action is being taken to ensure the savings are made.

## CORPORATE BUDGETS

	<b>September 2007</b>	<b>November 2007</b>
	<b>Net over or (-) underspending</b>	<b>Net over or (-) underspending</b>
	<b>£000</b>	<b>£000</b>
Corporate Budget	-120	-350

51. A net underspending of £350k is expected on Corporate budgets due to the anticipated savings on corporate subscriptions, insurance, audit commission fees and Environment Agency levies.
52. There will be a transfer of £1.16m budget for Job Evaluation adjustments and unfunded pensions to other Directorates.
53. The remaining Corporate capacity budget and agency staff efficiency savings will be allocated in the 2008/09 base budget to Directorates.

## RESOURCES DIRECTORATE

Summary as at 30th November 2007

	September 2007 Net over or (-) underspending	November 2007 Net over or (-) underspending
	£000	£000
Asset Managementt & Property Services	0	0
Audit, Benefit and Exchequer and Financial Services	-60	-60
<b>Total</b>	<b>-60</b>	<b>-60</b>

**Asset Management & Property Services**

54. At this stage of the year there is an estimated break even.

**Audit Services, Benefit and Exchequer Services and Financial Services**

55. There is a projected underspend of £60k due to savings from rent rebates expenditure.

**HUMAN RESOURCES**

Summary as at 30th November 2007

	<b>September 2007 Net over or (-) underspending</b>	<b>November 2007 Net over or (-) underspending</b>
	<b>£000</b>	<b>£000</b>
Human Resources	0	0

**Human Resources**

56. At this stage of the year there is an estimated break even.
57. However due to vacancies being filled using interim agency staff it is possible this area could overspend.

**Efficiency Savings**

58. The efficiency savings have all been taken into account in the Directorate's budget. Action is being taken to ensure the savings are made.