

**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 January 2008. It also includes figures from the previous Integrated Performance and Finance Report (IPFR) report to permit comparison between current and previously reported figures.

	2007/08 Budget £000	November 2007 Net over or (-) Underspending £000	January 2008- Net over or (-) Underspending £000	Change since last report £000
Adult & Community	44,684	3,661	3,920	259
Children & Young People	23,218	703	1,032	329
Corporate & Customer	7,897	1,195	1,195	0
Environment	24,734	-407	-357	50
Central Services	2,971	-350	24	374
Resources	6,473	-60	-16	44
Human Resources	1,421	0	0	0
<i>Directorate Position</i>	<i>111,398</i>	<i>4,742</i>	<i>5,798</i>	<i>1,056</i>
Flood Damage Repairs	0	1,032	859	-173
Capital Financing Costs	10,753			
Interest Received	-1,220	-400	-859	-459
Invest to Save	3,524	-2,139	-2,800	-661
Transfers to Reserves	1,500			
Herefordshire Connects	1,893	-328	-398	-70
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>	<b>122,371</b>	<b>1,005</b>	<b>698</b>	<b>-307</b>

2. The overall position shows projected £0.698 million overspend. This is 0.6% of the Council's £122.37 million revenue budget (excluding Dedicated 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 £2.8m projected underspend against the allocations in the 2007/08 budget for modernising social care services.. The majority of the total relates to the allocation to modernise social care and community services for older people.
5. The January projected outturn shows an improvement over the position reported at the end of November. This is largely due to an increase in the level of underspend against the funding allocations for modernising social care services allocations of £661k and an increase in the projected interest received on cash balances due to continuing slippage in the capital programme.

### **Revenue Reserves Position as at 31st January 2008**

#### **General Reserves**

6. As at 1st April 2007 the balance on the 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 £5.9m after allowing for a planned use of reserve (£1.4m) and the £698k 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 had to be completed before the claim was 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 covered 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 £3.012m in respect of which a Bellwin claim totalling £2.392m was submitted. Of this overall total £1.983m is refundable after the threshold limit of £409k is deducted. The difference of £620k is the “insurable” part, which cannot be covered. On 21<sup>st</sup> February 2008 Government Office West Midlands confirmed that the claim of £1.983m would be met by central government funding.
12. The flooding badly affected a number of schools and other premises in the county with costs estimated at £620k. These are not recoverable 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 31st January 2008**

	<b>November 2007</b> <b>Net over or (-)</b> <b>underspending</b>  <b>£000</b>	<b>January 2008</b> <b>Net over or (-)</b> <b>underspending</b>  <b>£000</b>
Adult Services	+4,210	+4,430
Strategic Housing	+104	+15
Community Services	0	+109
Commissioning and Improvement	-153	-134
Less needs analysis monies	-500	-500
<b>Total</b>	<b>3,661</b>	<b>3,920</b>

**Adult Services**

13. The projected outturn for Adult Services is an overspend of £4.4 million which represents an increase on the November position. These figures are based on updated information up to January. Details of the major variances are as follows:
- a. Learning Disabilities - £2.9 million overspend
  - b. Physical Disabilities - £0.535 million overspend
  - c. Mental Health - £1.215 million overspend
  - d. Older People - £0.150 million underspend
14. The main area of concern remains Learning Disabilities. However, the level of increase has reduced from that experienced earlier in the year, and plans are in place to reduce unit costs of care packages in the future to enable forecast increases in demographics to be better managed.
15. Within the Section 75 pooled budget for Learning Disabilities there is a separate PCT-funded development fund of £453k for new initiatives. This fund will be underspent by £300k in 2007-08 however it is likely that further costs of at least £100k related to new developments could be identified within mainstream expenditure and set against the fund.
16. There has been a slight increase in Mental Health costs due to 2 new residential packages agreed in December. The overspend position within the Council mirrors the position within the PCT as part of the section 75 arrangements, and a joint recovery plan is being finalised.
17. The forecast underspend within Older People has decreased to take account of the impact of the "unitary fee" within the Shaw contract which commenced with the opening of the new Leadon Bank facility in mid-December 2007. Dialogue continues with Shaw

with a view to reducing the whole life costs of the scheme and to mitigate some of the risk to Shaw around the overall financial model.

18. 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 overseeing a range of projects designed to change the way in which services are provided. This will see a move 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. Further mitigation is from Supporting People funding 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.
19. There is a potential one-off cost in respect of writing off some debt due from the PCT.
20. 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 has not been allocated at this stage.
21. 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.

### **Strategic Housing**

22. The projected outturn for Strategic Housing has reduced to £15k overspent. This is due to an improvement in the homelessness position resulting from a range of cost saving actions.

### **Community Services**

23. The budget recovery plan is on course to achieve the planned savings however there is no capacity to meet the annual ICT charges for public access points within County Libraries that will shortly be allocated. This is likely to result in an overspend of £109k. Discussions are being held between ICT and Community Services.
24. As indicated in previous Integrated Performance and Finance Reports (IPFRs) discussions with HALO continue regarding costs for the implementation of single status and job evaluation. HALO has provided detailed calculations that are being reviewed and challenged and further legal advice over the treatment of specific elements of the claim will be sought. A final position should be agreed shortly.
25. The initial 'Article 4' audit by Government Office of the ARCH (Actively Regenerating Communities in Herefordshire) programme has recently been completed. The auditors were content with the evidence provided around procurement and publicity and gave helpful recommendations for further work needed in preparation for the more detailed 'Article 10' audit due later this month. Work to identify and provide appropriate evidence continues and officers from Financial Services and Adult & Community Services are working closely to minimise any clawback of grant funding.

26. Both issues above are likely to result in additional costs but at this point it is difficult to give an accurate forecast of the impact. ARCH will be a one-off cost but the HALO issue will be an on-going budget pressure.

**Commissioning & Improvement**

27. This area is expected to underspend by £134k as a result of delayed recruitment following a restructuring and economies derived from carrying out a data cleansing exercise in- house rather than using external resources. There may be an opportunity to offset some ICT expenditure against grant funding which would further improve the position.

**Efficiency Savings**

28. All the Adult Services efficiency savings have been allocated out to client groups.
29. 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.

**CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE****Directorate Summary as at 31st January 2008**

	<b>November 2007</b> <b>Net over or (-)</b> <b>underspending</b>  <b>£000</b>	<b>January 2008</b> <b>Net over or (-)</b> <b>underspending</b>  <b>£000</b>
Central directorate Budgets	-208	+72
Safeguarding and Assessment	911	960
<b>Total</b>	<b>703</b>	<b>1,032</b>

30. The current position is a projected overspend of £1.032m compared to a projected overspend of £703k in November 2007. The forecast spend includes an assessment of expenditure to be covered by the funding allocation for modernising social care services. The projection does not include any allocation from the social care contingency. These will be applied during the closure of accounts and their impact is likely to see these budgets balance at year end.
31. The increase in the Children's and Young Peoples services overspend is caused by an additional £160k projected expenditure on the performance unit, costs associated with additional care packages and a review of recharge income. The expenditure on the performance unit will be met by the spend to save resources.

**Dedicated Schools Grant**

32. Dedicated Schools Grant is expected to under spend in total by £247k which comprises of an additional £416k extra grant from higher than expected pupil numbers.
33. However, there is a projected overspend of £498k on Nursery Education Funding to Private, Voluntary and Independent providers arising from an additional week's payment in this financial year and a temporary rise in numbers.
34. Special Needs Banded Funding is projected to overspend by £192k due to higher numbers of allocations at funding panel. This is offset by savings on fees to Independent Schools for SEN placements due to leavers and delayed new placements.
35. Legislation means that Dedicated Schools Grant (DSG) is ring-fenced and must be spent on schools and specific services to schools. Any under or over spend must be carried forward. The Schools Forum is planning that the under spend will be used to support next years school budgets.

**Directorate Central Budget**

36. The Dedicated Schools Grant does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport.
37. The Council is required to meet any redundancy costs arising from within schools. The position won't be known until March 2008 when schools consider their detailed budget



plans. The key pressure in this area is falling rolls and this budget was overspent by £285k last year.

38. School transport route reviews continue to deliver welcome savings and this year savings of £254k are projected. One off savings are also likely at a level of £229k largely due to the windfall arising from the transfer from Standards Fund academic year funding to financial year funding in the LAA.

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

39. Analysis of the number of placements shows a rise from 24 in April 2006 to 33 in December 2007. Similarly fostering placements have risen from 102 in April 2007 to 114 at the end of November 2007. The Council has a statutory responsibility to meet the needs of individual children if such placements are necessary. These placements can be expensive and typically each one costs in excess of £150k. This is a key pressure for 2008/09 financial year and unless placements can be reduced there will be a continuing cost pressure.

### **Summary**

40. Overall, the Children and Young People's budget is currently expected to overspend but after the application of the central contingency and spend to save funding a balanced year-end position is expected. This will continue to be monitored closely throughout the rest of the financial year.

### **Efficiency Savings**

41. The efficiency savings required for 2007/08 have been based upon the social care modernisation 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 31st January 2008

	November 2007 Net over or (-) underspend  £000	January 2008 Net over or (-) underspend  £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	0	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>1,195</b>	<b>1,195</b>

42. The ICT Trading Account and Corporate ICT projects are performing in line with revised budgeted projections.
43. Info by Phone is anticipated to under spend due to staff vacancies. Work is continuing with directorates to identify those services which will become part of the Customer Services function during the next year. Until the end of 2008/09 there is £500k of additional funding for Customer Services and securing base budget provision from the transferred services beyond 2008/09 is a priority for the Directorate.
44. Within Legal and Democratic Services there is an over spend on members' expenses because of the purchase of new computers and training for all members after the election. These will balance out over the next three years. Operating costs in Members' Services continue to rise in support of increasing numbers of meetings. In Legal Services some of the outstanding invoices have now been paid. However there is a continuing legacy of some unachievable income targets that need to be resolved.
45. Investigations into the planned funding for the community network upgrade have established that the annual revenue cost is £1.6m, reduced to £1.1m after contributions from school funding. However, work is in progress to challenge elements of the Siemens contract in order to reduce the cost. Savings are being identified for both the Schools and the Council. The areas identified to date cover line rental and call charges and this will help to reduce the full year overspend.

**ENVIRONMENT DIRECTORATE****Directorate Summary as at 31st January 2008**

	<b>November 2007</b> <b>Net over or (-)</b> <b>underspending</b>  <b>£000</b>	<b>January 2008</b> <b>Net over or (-)</b> <b>underspending</b>  <b>£000</b>
Environmental Health and Trading Standards	-650	-700
Planning	143	293
Highways and Transportation	100	50
Directorate Management & Support	0	0
<b>TOTAL</b>	<b>-407</b>	<b>-357</b>

**Environmental Health and Trading Standards**

46. There is a projected underspend of £600k relating 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.
47. One area of risk is that current Waste Contract volume percentages between Herefordshire Council and Worcestershire County Council are getting closer to a potential 1% increase for Herefordshire Council. If this happens this would mean an additional cost of £300k which is not reflected in the outturn.
48. There is a projected underspend in relation to Commercial Environmental Services of £50k. This is the 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.
49. There is also a projected underspend of £50k in relation to licensing, due to income exceeding budgets following a review of Taxi license fees. This increase in income was intended to fund additional staff but the directorate has not been able to recruit.

**Planning**

50. 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.
51. There is also an additional projected overspend of £43k in relation to a revenue

contribution to capital for the purchase of land at Belmont.

52. There is also a predicted overspend over £150k in relation to IT contract fees for scanning and legal costs, again in the previous year these pressure were met by Planning Delivery Grant however there is no capacity to do this in the current year.
53. Although Planning Fee income is on target for the Period to 31<sup>st</sup> January 2008, current forecasts based on income patterns in the previous two years, which take seasonal fluctuations into account, indicate a potential shortfall of income of £60-75k for the year. However, the proposed changes to Planning Fees from 1st April 2008 may lead to more applications in March. Any surplus will be used to mitigate overspends within the Planning service.

### **Highways & Transportation**

54. 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. An underspend of £50k, in relation to Highways running costs, will mitigate this overspend.

### **Efficiency Savings**

55. 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

## Summary as at 31st January 2008

	<b>November 2007</b>	<b>January 2008</b>
	<b>Net over or (-) underspending</b>	<b>Net over or (-) underspending</b>
	<b>£000</b>	<b>£000</b>
Corporate Budget	-350	24

56. At the end of January 2008 a net overspending of £24k is expected on corporate budgets. Additional one off payments this year exceed the anticipated savings on corporate subscriptions, insurance, audit commission fees and Environment Agency levies.
57. There will be a transfer of £960k budget for Job Evaluation adjustments and unfunded pensions to other directorates.
58. 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 31st January 2008

	November 2007	January 2008
	Net over or (-) underspending	Net over or (-) underspending
	£000	£000
Asset Management & Property Services	0	0
Audit, Benefit and Exchequer and Financial Services	-60	-16
Total	-60	-16

**Asset Management & Property Services**

59. At this stage of the year there is an estimated break even financial position at year end.

60. Additional expenses for office accommodation are causing an increased risk of an overspend.

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

61. Overall there is a projected underspend of £16k. This is largely due to savings around rent rebates.

**HUMAN RESOURCES**Summary as at 31<sup>st</sup> January 2008

	<b>November 2007</b> <b>Net over or (-)</b> <b>underspending</b>  <b>£000</b>	<b>January 2008</b> <b>Net over or (-)</b> <b>underspending</b>  <b>£000</b>
Human Resources	0	0

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

63. However due to vacancies being filled using interim agency staff it is possible this area could overspend.

**Efficiency Savings**

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