

2007/08 REVENUE BUDGET MONITORING

Summary

- The following table summarises the 2007/08 projected outturn as at the end of February 2008. It also includes figures from the previous Integrated Performance Report (IPR) report to permit comparison between current and previously reported figures.

	2007/08 Budget £000	January 2008 Net over or (-) Underspending £000	February 2008- Net over or (-) Underspending £000	Change since last report £000
Adult & Community	44,684	3,920	3,866	-54
Children & Young People	23,219	1,032	832	-200
Corporate & Customer	8,069	1,195	1,100	-95
Environment	24,734	-357	-77	280
Central Services	2,648	24	-1	-25
Resources	6,473	-16	-30	-14
Human Resources	1,421	0	0	0
<i>Directorate Position</i>	<i>111,248</i>	<i>5,798</i>	<i>5,690</i>	<i>-108</i>
Flood Damage Repairs	0	859	450	-409
Capital Financing Costs	10,753			
Interest Received	-1,220	-859	-859	0
Invest to Save	3,524	-2,800	-2,406	394
Transfers to Reserves	1,800			
Herefordshire Connects	1,893	-398	-395	3
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	-4,472	0	0	0
Transfer from Revenue Balances	-1,157	0	0	0
Net Position	<u>122,371</u>	<u>698</u>	<u>578</u>	<u>-120</u>

2. The overall position shows projected £0.578 million overspend. This is 0.5% 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 £2.4m 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 February projected outturn shows an improvement over the position reported at the end of February. This is largely due to a reduction in the projected overspend for directorates.

Revenue Reserves Position as at 29th February 2008

General Reserves

6. As at 1st April 2007 the balance on the General Reserve was £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 £6.0m after allowing for a planned use of reserve (£1.4m) and the £578k 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. Under the Government's Bellwin claim scheme £2.392m was submitted for reimbursement to meet flood related damage. The Council has received £1.983m after the deduction of the £409k "Threshold" that cannot be funded under current rules.
10. The projections now reflect the costs to be met by directorates after receipt of the £1.983m from central government. There remains £450k of costs currently held centrally pending insurance related discussions.

ADULT AND COMMUNITY SERVICES DIRECTORATE

Directorate Summary as at 29th February 2008

	January 2008 Net over or (-) underspending £000	February 2008 Net over or (-) underspending £000
Adult Services	+4,430	+4,233
Strategic Housing	+15	-9
Community Services	109	+306
Commissioning and Improvement	-134	-164
Less needs analysis monies	-500	-500
Total	3,920	3,866

Adult Services

11. The projected outturn for Adult Services is an overspend of £4.23 million which represents a decrease on the January position, this is mainly due to the allocation of preserved rights grant funding. Details of the major variances are as follows:
 - a. Learning Disabilities - £2.79 million overspend
 - b. Physical Disabilities - £0.496 million overspend
 - c. Mental Health - £1.182 million overspend
 - d. Older People - £0.203 million underspend
12. The position within Learning Disabilities has begun to stabilise, no new residential placements have been made, two home support packages have terminated and two new supported accommodation packages have been made. The final allocation of preserved rights grant has reduced the forecast overspend.
13. There has been one new residential package made in Mental Health, however the overall forecast overspend has reduced due to preserved rights grant allocations.
14. The position within Older People has improved further due to LPSA2 grant being applied to fund some staff costs. Dialogue continues with Shaw with a view to reducing the whole life costs of the overall scheme.
15. Work continues to bring expenditure back in line with budget, but as this requires a change to the model of service delivery this is a lengthy process. The Adult and Community Services Transformation Programme Board oversees 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 where agreement in principle has been reached to identify cases where such funding would be appropriate. A review of all existing clients is being carried out in conjunction with the PCT.

16. 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. It is likely £650k of this will be used to offset the overspend.
17. 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.
18. The final presentation of accounts for 2007/08 will include any underspend against spend to save against service areas. This will mean that the final reported figures are likely to be less than the headline figures in this report for both Adult Services and Children and Young Peoples Services.

Strategic Housing

19. The projected outturn for Strategic Housing is likely to be a small underspend, however homelessness remains an area where financial projection can change quickly as a result of service pressure.

Community Services

20. 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 £75k. Discussions are being held between ICT and Community Services.
21. Negotiations with HALO regarding costs for the implementation of single status and job evaluation have concluded. Detailed challenge of the calculations has resulted in a reduction of approximately £40k, however the final position will result in an overspend of £160k for 2007-08 and a further £67k relating to backdated amounts.
22. The outcome of the 'Article 10' audit by Government Office of the ARCH (Actively Regenerating Communities in Herefordshire) programme will not be known until 2008-09 and any grant clawback will be applied within the next financial year.

Commissioning & Improvement

23. This area is expected to underspend by £164k 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. Some ICT expenditure will be funded by grant funding which further improves the position.

Efficiency Savings

24. All the Adult Services efficiency savings have been allocated out to client groups.
25. The Community Services efficiency savings were implemented into the base budget at the start of the year and savings are being achieved on an on-going basis.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE

Directorate Summary as at 29th February 2008

	January 2008 Net over or (-) underspending £000	February 2008 Net over or(-) Underspending £'000
Central directorate Budgets	+72	-28
Safeguarding and Assessment	+960	+860
Total	+1,032	+832

26. The current position is a projected overspend of £832k compared to a projected overspend of £1.032m in January 2008. 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.
27. The reduction in the Children's and Young Peoples services overspend is caused by a reduction in spend on school transport and early years expenditure due to grant underspends.

Dedicated Schools Grant

28. Current estimates are that Dedicated Schools Grant (DSG) is expected to under spend in total by £244k which comprises of an additional £416k extra grant from higher than expected pupil numbers.
29. 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.
30. 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.
31. Legislation means that Dedicated Schools Grant 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 has agreed that half the under spend (£122k) will be used to support school budgets in 2008/09.

Directorate Central Budget

32. The Dedicated Schools Grant does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport.

33. The Council is required to meet any redundancy costs arising from within schools. The position will not be fully known until the end of March 2008 however all the signs are of increasing costs. The key pressure in this area is falling rolls and this budget was overspent by £285k last year.
34. 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

35. 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. 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

36. 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

37. 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 29TH February 2008

	January 2008 Net over or (-) underspend £000	February 2008 Net over or (-) underspend £000
Herefordshire Partnership	0	0
Communications	0	20
Director and Administration	0	0
Emergency Planning	0	5
Legal and Democratic Services	100	100
Info by Phone	0	-100
Policy& Performance	0	-30
Information Services	0	5
Corporate ICT Projects	-427	-205
ICT Trading Account	217	0
Corporate Programmes	205	205
Community Network Costs	1,100	1,100
CCSD TOTAL	1,195	1,100

38. The Budget review of ICT removed several posts from the establishment, reduced contractors from 27 to 5, and put all vacancies on hold. Internal charging between ICT projects and the Trading Account has been stopped, allowing visibility of spending. Spending and income is now matched with the correct budget ensuring that in 07/08 the trading account will balance.
39. Corporate Programmes in the early part of 07/08 was structured included 7 consultants, this has been reduced during the year to 2. For 08/09 the structure in place has been developed to ensure that only 2 consultants remain.
40. The ICT Trading Account and Corporate ICT projects are performing in line with revised budgeted projections.

41. 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. To date budget projections indicate that 50% is secure in 08/09.
42. Within Legal and Democratic Services further work continues to reduce overspends. 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 the outstanding invoices have now been paid. However there is a continuing legacy of some unachievable income targets which need to be resolved.
43. 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. The overall position is offset by areas identified to date that see a reduction in costs for line rental and call charges. This will help to reduce the full year overspend. The detail is still awaited for end of year charges.

ENVIRONMENT DIRECTORATE

Directorate Summary as at 29th February 2008

	January 2008 Net over or (-) underspending £000	February 2008 Net over or (-) underspending £000
Environmental Health and Trading Standards	-700	-700
Planning	293	293
Highways and Transportation	50	330
Directorate Management & Support	0	0
TOTAL	-357	-77

Environmental Health and Trading Standards

44. 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. In previous years, any underspend against the contract has been transferred to reserves to meet future waste management pressures.
45. One area of risk is current waste contract volume percentages between Herefordshire Council and Worcestershire County Council. These are close 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.
46. 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.
47. There is also a projected underspend of £50k in relation to licensing, due to income exceeding budgets. This increase in income was intended to fund additional staff but the directorate has not been able to recruit.

Planning

48. 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.
49. There is also an additional projected overspend of £43k in relation to a revenue contribution to capital for the purchase of land at Belmont.

50. 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.

Highways & Transportation

51. Concessionary travel is expected to overspend by £50k. 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.
52. Winter Maintenance budget is forecast to overspend by £210k. This reflects the costs for an average winter and July flood works.
53. Income on Car Parking has been less than was anticipated and is likely to fall short of target by £70,000.

Efficiency Savings

54. 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 29th February 2008

	January 2008 Net over or (-) underspending £000	February 2008 Net over or (-) underspending £000
Corporate Budget	24	-1

55. At the end of February 2008 a net underspend of £1k 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.
56. 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 29th February 2008

	January 2008 Net over or (-) underspending £000	February 2008 Net over or (-) underspending £000
Asset Management & Property Services	0	0
Audit, Benefit and Exchequer and Financial Services	-16	-30
Total	-16	-30

Asset Management & Property Services

57. At this stage of the year there is an estimated break even financial position at year end.
58. Additional expenses for office accommodation are causing an increased risk of an overspend.

Audit Services, Benefit and Exchequer Services and Financial Services

59. Overall there is a projected underspend of £30k. This is largely due to savings around rent rebates.

HUMAN RESOURCES DIRECTORATE

Summary as at 29th February 2008

	January 2008 Net over or (-) underspending £000	February 2008 Net over or (-) underspending £000
Human Resources	0	0

Human Resources

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

Efficiency Savings

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