

## 2008/09 REVENUE BUDGET MONITORING

### Summary

1. The following table summarises the 2008/09 projected outturn as at the end of August 2008.

Area	2008/09 Budget £000	August 2008 Net projected over or (-) Underspending £000
Adult Services	38,757	331
Children & Young People	24,524	267
Deputy Chief Executive	10,733	170
Environment and Culture	27,812	566
Regeneration	9,858	537
Central Services	2,618	0
Resources	7,561	0
Human Resources	1,402	0
<i>Directorate Position</i>	<i>123,265</i>	<i>1,871</i>
Capital Financing Costs	12,703	0
Interest Received	-2,227	-200
Transfers to Reserves	67	0
Herefordshire Connects	0	0
WMS Profit Share	-390	0
Transfer from Reserves	-1,640	0
<b>Net Position</b>	<b><u>131,778</u></b>	<b><u>1,671</u></b>

2. The overall revenue budget position for 2008/09 shows a projected £1.671 million overspend. This is 1.2% of the Council's £131.778 million revenue budget (excluding Dedicated Schools Grant funding).
3. The August projected outturn is the first indication of the 2008/09 financial position. It should be noted that at this stage of the financial year projections tend to reflect a cautious assessment of the financial position by directors, and they have noted where they anticipate that the position will improve. However, this current

assessment is a much lower forecast of overspend at this point in the year than in previous years, reflecting the fact that a more vigorous approach to financial management at directorate level continues to develop.

## Revenue Reserves Position as at 31st August 2008

### General Reserves

4. As at 1 April 2008 the balance on the general reserve was £6.7 million. This is before any use to offset the projected negative cash flow in the early part of the restarted Herefordshire Connects programme in 2008/09. The council's Medium Term Financial Management Strategy (MTFMS) 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 identified key corporate financial risks.
5. The projected balance on the general reserve for the end of 2008/09 financial year is as follows:

	£m
Balance brought forward	6.728
Meeting the projected overspend	-1.671
Funding Herefordshire Connects in 2008/09 (after using the invest to save reserve)	-0.285
Projected year end balance	4.772

### Earmarked Reserves

6. At 1 April 2008 the council held £16.6 million of earmarked reserves. This includes ring-fenced school balances reserves of £5.657m. The following table summarises the earmarked reserves held:

<b>Reserve</b>	<b>£000</b>
Community Buildings	64
Commuted sums	78
Schools balance in hand	5,657
Industrial Estates – maintenance	223
Support Services & Equipment renewals	276
Schools Balance of Risk	289
Winter maintenance	500
Planning	24
SRB Schemes	51
College Hill Community Centre	180
Waste Disposal	2,274
LSC	32
Herefordshire Connects Project	420
Wye Valley ANOB (AONB)	79
Invest to Save/Initiatives fund	1,115
Contingent liabilities	300
Social care contingency	677
Standards fund	92
Modernisation plans	300
2008/09 budget capacity	1,500

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Further information on the subject of this report is available from  
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Edgar Street Grid	41
Whitecross School PFI	108
Bellwin Threshold	505
LPSA 2 reward grant	1,148
Herefordshire Safeguarding Children Board	48
Accommodation	591
<b>Total</b>	<b>16,572</b>

### **August 2007 Floods and the Restoration Fund**

7. A further allocation of central government funding for the 2007 floods was announced on 17 July 2008 that distributed the £30.6m Restoration Fund. A total of 62 local authorities received an allocation with Herefordshire's funding being £429k. The Government did not issue guidance on how the Restoration Fund should be spent. It has taken this approach because it feels that local authorities are best placed to decide what is best for their areas.
8. The allocation is a one-off source of funding and is to be allocated to the Environment & Culture Directorate to offset budget pressures in this financial year.

## ADULT SERVICES DIRECTORATE

### Directorate Summary as at 31 August 2008

	<b>Total Budget for 2008/09 £000</b>	<b>August 2008 Net over or (-) underspending £000</b>
Adult Social Care	36,264	491
Supporting People	0	0
Modernisation	1,214	-37
Commissioning and Improvement	1,279	-123
<b>Total</b>	<b>38,757</b>	<b>331</b>

9. The projected outturn for Adult Services is an overspend of £331k. Over the last two months a major budget review and re-allocation exercise has been undertaken which has matched resources to known and anticipated commitments in all areas within Adult Services. The projection assumes the PCT will meet the costs of individuals meeting the continuing health care criteria. This amounts to £942k.
10. There is currently £1.279m of budget allocated to new modernisation schemes and initiatives. As schemes develop the costs and budgets will be allocated to the appropriate services. Schemes will be closely monitored to ensure timescales for implementation are met and that anticipated savings and cost mitigation are achieved.
11. Within the learning disability service, two factors may impact on the final outturn position and affect the projected overspend. These include continuing healthcare assessments where initial investigations suggest there is the potential for some costs currently met by the council being met by the PCT. This is under discussion with the PCT. There is also the potential for some learning disability expenditure being appropriately met by supporting people funding.
12. Within the supporting people service, there have been reductions in the overall 2008/09 programme grant of £344k and administration grant of £7k. The carried forward underspend from previous years was £5.681m but the funding is ring-fenced to supporting people initiatives so cannot be used to offset overspends on mainstream expenditure. However, appropriate projects within the learning disability service are being developed to maximise the use of available resources. Any remaining underspend will be carried forward.
13. In October 2007 new national guidance for continuing health care was published. The Interim Director of Adult Social Care considered that there were a number of individuals with complex learning disability needs who have historically been funded by social care who were likely to be eligible for continuing health care funding in line with the new guidance. The PCT agreed with the council to jointly commission an

independent initial review of 60 individuals to identify those who were considered likely to be eligible. This reduced the number to 20 individuals who will now be fully assessed and if eligible will be entitled to full funding from the PCT. The full year impact will be approximately £942k of costs met by the PCT if all 20 are eligible for continuing health care. There has been some delay in identifying an individual who can carry out these assessments but this is now in place and it is hoped that the assessments will be completed within the next few weeks.

14. Over the past year, adult social care have worked closely with supporting people staff to consider ways in which supporting people funding could be appropriately used to provide support for individuals which might also reduce some of the need for some social care funding. Some of this relates to funding new pilot services and some to part funding existing care packages. It is anticipated that this will reduce adult social care spend by £158k, and this is included in the projections.
15. The Interim Director of Adult Social Care is currently reviewing the social care budget to identify areas where it would be possible to reduce expenditure if the two issues above are not resolved. This includes using the evident trend of reducing residential placements, reviewing modernisation projects across the whole county and slowing implementation as well as cutting back on interim and project management support. Any option is likely to have an impact on progressing the improvement agenda.
16. For 2008/09 there have been a number of additions to the Adult Social Care budget including Invest to Save and an element of the social care contingency. Additional income through fairer charging and new grant allocations have also been factored into the directorate's budget. The overall budget setting process for Adult Services saw the directorate's efficiency target reduced by £800k in recognition of the high priority this service is afforded in the Corporate Plan 2008 – 2011.

## CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE

### Directorate Summary as at 31 August 2008

	<b>Total Budget for 2008/09 £000</b>	<b>August 2008 Net over or(-) Underspending £'000</b>
Inclusion & Improvement	5,275	51
Safeguarding and Assessment	10,981	0
Planning, Performance & Development	6,712	-145
Locality Teams	100	-23
Central Directorate - budget savings to be agreed	1,364	384
<b>Total</b>	<b>24,432</b>	<b>267</b>

17. The final outturn for 2007/08 was a balanced budget after the application of the Invest to Save budget and a share of the social care contingency. The Invest to Save budget and £650k of the social care contingency budget have now been transferred into base budget for 2008/09. A detailed budget review is on-going to identify savings to meet the £631k efficiency target required to manage services within the agreed budget for the year. Taking into account the savings identified to date the overall forecast is a net overspend of £267k but this is expected to reduce as outstanding savings are realised.
18. A new directorate management structure has been implemented from 1 July 2008. This saw special educational needs (SEN) and school improvement combined in a new Inclusion & Improvement service. A Planning, Performance and Development service has also been established as part of the restructure. Other services (except Safeguarding & Assessment) will be devolved to locality teams during the remainder of the year. Budget monitoring now reflects the new directorate structure for 2008/09.

#### **Dedicated Schools Grant 2008/09**

19. Notification of the final grant allocation has been received and the final allocation of £85.16m is £112k more than the budget planning total. Schools Forum in July 2008 agreed to retain the additional grant to cover possible budget overspends in 2008/09. The increase in grant arises mainly from an additional 27 early years pupils.
20. Schools Forum also agreed the allocation of the 2007/08 underspend of £1.2m to all schools at £52.50 per pupil. It also agreed the retention of £50k to match fund a pilot scheme in two school partnerships for the development of school business managers to support integrated partnership working between cluster schools. Dedicated

Schools Grant is ring-fenced and any under or over spend must be carried forward.

### **Directorate Central Budgets**

21. The Dedicated Schools Grant does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport.
22. The central directorate overspend is made up of the savings target of £273k which will reduce as savings are realised and potential overspends of £83k on the ICT SLA and £30k on advertising and interim management.
23. The Council is required to meet any redundancy costs arising from within schools. The budget was overspent by £466k last year and this level of expenditure is expected to continue in future years. For 2008/09 the budget has been increased to £649k to cover the expected cost.
24. The Inclusion and Improvement service is currently expected to be overspent by £51k. There are some small variances within the service, with overspends on the School Improvement service and the contribution to the Joint Agency Management budget being partly offset by an underspend on Education Psychology.
25. Within the Planning, Performance and Development division, School Transport was underspent by £575k last year. Despite increases in fuel costs and additional school days in the 2008/09 financial year, it is projected that school transport will underspend by £155k. Included in the forecast is a provisional estimate of £100k for additional SEN transport costs following a very recent judicial review of an individual pupil's case. Officers still have to assess the wider implications for SEN transport and £100k is the best assessment of extra cost until a much more detailed review is completed. Savings from route reviews continue to be made for the new academic year. Overall Planning and Performance is projected to underspend by £145k.

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

26. Analysis of the number of residential and external agency placements shows a continuing rise in the number of placements. For background it should be noted that there were 24 placements in April 2006, peaking at 35 in May 2007 before falling back to 29 placements in March 2008. This level has continued with 29 placements in July 2008. Although external placements have reduced from last year's high point, the number of future placements can vary. Therefore, it is prudent to expect numbers to rise to an estimated 32 residential and fostering places during the remainder of the year. These placements can be expensive and typically each one costs in excess of £150k. Hence any additional placements will significantly impact on the forecast expenditure. The Council has a statutory responsibility to meet the needs of individual children if such placements are necessary.
27. In-house fostering placements have risen from 102 in April 2007, peaking at 113 in February 2008 before falling back to 99 in August 2008. This gives a projected overspend on the fostering budget of £98k on in-house fostering and £64k on agency fostering.

## **Summary**

28. Overall, the Children and Young People's budget is currently expected to overspend by £267k.

## **Efficiency Savings**

29. The efficiency savings required for 2008/09 continue to be based upon the social care modernisation proposals approved by Cabinet last year, additional transport savings identified from route reviews effective from September 2008 and a continued increase in the Directorate's performance as measured by a basket of performance indicators. The Directorate continues to work with Herefordshire Connects to continue to improve working practices.



## DEPUTY CHIEF EXECUTIVE DIRECTORATE

### Directorate Summary as at 31 August 2008

	<b>Total Budget 2008/09</b>	<b>August 2008 Net over or (-) under spend £000</b>
Herefordshire Connects	1,137	0
Herefordshire Partnership	258	40
Communications	395	0
Director and Administration	329	0
Emergency Planning	157	0
Legal and Democratic Services	2,615	180
INFO	1,782	-50
Policy & Performance	732	0
Information Services	363	0
Corporate ICT Projects	784	0
ICT Services	1,022	0
Corporate Programmes	59	0
Community Network Costs	1,100	0
<b>TOTAL</b>	<b>10,733</b>	<b>170</b>

30. The Legal and Democratic Services budget pressure is due to a reduction in local land charges income. Private sector companies are now competing for this work and the current trend suggests income will be less than budget by £100k. Work is underway to look at the charges for land charges enquiries. The costs relating to the Coroner's Service is uncertain as the council is now required to pay for inquests for service personnel. Additionally costs of up to £80k will be incurred for an inquest in which there was a Coroner's error last year.
31. INFO has additional funding of £500k in 2008/09, at the current full establishment this would generate a £50k under spend. However the purchase of additional CRM licences and maintenance could cost £80k. The customer services strategy is currently being reviewed, to assess how the service is taken forward. As agreed in

the Medium Term Financial Management Strategy (MTFMS) from 2009/10 the additional £500k of temporary funding to support service change will be withdrawn.

32. The Corporate Programmes budget is funded from generating income through work on projects. Any change in the demand for corporate programmes involvement will affect the budget outturn.
33. ICT is operating to a balanced budget, assuming service level agreement income from directorates of £2.3m and recharges to directorates for project work of £500k. To help deliver the ICT strategy £247k has been allocated to Corporate ICT Projects as part of the 2008/09 budget. For 2009/10 it is proposed that ICT and Corporate Programmes move to a base budget funded approach in line with all other support services.

## ENVIRONMENT & CULTURE DIRECTORATE

### Directorate Summary as at 31 August 2008

	<b>Total Budget 2008/09</b>	<b>August 2008 Net over or (-) under spending</b>
	<b>£000</b>	<b>£000</b>
Highways	5,960	695
Environmental Health and Trading Standards	2,130	0
Waste Management	11,551	0
Culture & Leisure	7,813	300
Directorate Management & Support	358	0
Restoration Fund	0	-429
<b>TOTAL</b>	<b>27,812</b>	<b>566</b>

34. The overall position for the directorate is assisted by the non-recurring funding available in 2008/09 with the council's £429k Restoration Fund allocation being applied to meet budget pressures in 2008/09. After this has been applied the directorate estimated outturn is an overspend of £566k.

35. In addition agreement has been reached to fund £200k of additional costs to support the service review from increased investment income.

#### Highways

36. The current budget projections show an overspend on winter maintenance of £300k providing winter conditions are unexceptional. There is a £500k winter maintenance reserve available for one-off funding but this is for exceptional conditions. The current projection does not include drawing on this non-recurring source of funding.

37. Car parking fee income was expected to increase in 2008/09 following the introduction of parking fee increases on 1 June 2008. Despite the increase in charges, the overall income received to the end of August shows a £280k reduction against budget. The assessment is that the economic slow down has affected the level of income.

38. The de-trunking of the A465 has seen a £125k grant allocated to the council for the road's maintenance. The director's assessment is that this will be required in 2008/09 so cannot make a contribution to closing the projected overspend.

39. There is also pressure on the Highways budgets in relation to Roads Maintenance, Street Cleansing and Public Toilets services. Whilst every effort is being made to manage these pressures within the service budget through efficiency gains, Street Cleansing is likely to overspend by £90k and Emergency maintenance by £25k.

40. Work is currently being carried out in Highways to identify efficiency savings in 2008/09.

41. Overall there is a projected £695k overspend on Highways.

#### **Environmental Health & Trading Standards**

42. The overall assessment is that this will balance to the budget although the Markets and Fairs service faces pressure staying within their cash limited allocation.

#### **Waste Management**

43. The overall assessment is that this will be on budget and an increased target for commercial waste income is included to help achieve the projection.

44. The efficiency target for the Waste Collection service is £395k. This will be mitigated by the underspend on Waste Disposal. There are risks that if waste growth/reduction between Herefordshire and Worcestershire varies by more than 1% to the detriment of Herefordshire then Herefordshire will need to increase its contract payments by £300k. Currently Worcestershire's waste tonnages are decreasing faster than Herefordshire's and there are risks that the trigger point may be hit. However, at this stage it is believed we will not hit the trigger.

45. Current estimates from Worcestershire County Council of Waste Disposal contract costs project an expected underspend of £300k on Herefordshire's Waste Disposal budget for 2008/09. As previously indicated the cost of the future new contract will be considerably higher than at present and any underspend on the contract should be transferred to reserves to meet future waste management pressures.

#### **Culture & Leisure**

46. A projected overspend of £300k is the current estimated year end position. The JE budget now forms part of the Culture and Leisure 2008/09 budget. No sums are held centrally.

47. Leisure is expected to overspend by £200k in relation to the HALO Job evaluation payment issue. The council has a legal requirement to meet in full the financial impact of increases in pay of transferred posts affected by the single status agreement. The original central budget was set based on assumptions that were reasonable at the time about pay grades. Over time funding has become insufficient as staff have progressed through pay grades.

48. The other main area of overspend of £100k is the cost of maintaining public access PCs within Libraries which resulted in an overspend of £88k in 2007/08.

#### **Directorate Management and Support**

49. The Big Conversation consultation exercise is estimated to cost £78k with costs being met from vacancy management. The overall position is that the budget will balance for this area with vacancy factors taken into account.

## REGENERATION DIRECTORATE

### Directorate Summary as at 31 August 2008

	<b>Total Budget 2008/09</b>	<b>August 2008 Net over or (-) under spending</b>
	<b>£000</b>	<b>£000</b>
Planning	1,866	225
Transportation	3,445	0
Economic and Community Services	2,144	0
Strategic Housing	1,918	312
Management & Support	485	0
<b>TOTAL</b>	<b>9,858</b>	<b>537</b>

#### Planning

50. A projection of Planning Services income based on the amounts received to date and likely seasonal trends indicates a significant drop in anticipated income. This projection may be further affected by the current economic climate which may result in fewer applications and therefore less income. The position will be closely monitored.
51. Planning faces a number of other cost pressures including monthly costs for scanning of plans that will continue until a new system is implemented. Legal and consultant costs of £63k have already been incurred due to planning appeals and more costs could arise. ICT service level agreement costs of £75k remain an unfunded pressure.
52. Planning has identified a need for a new system to manage and record applications, as the current system will not be supported after October 2008. The system is planned to be part of Herefordshire Connects.
53. Overall Planning Services is projected to overspend by £225k.

#### Housing

54. Based on the latest projections Strategic Housing is predicted to overspend its budget by £312k by the end of the year.
55. The projected cost of Bed & Breakfast (B&B) accommodation has been calculated on a number of scenarios. Taking a prudent view based on current levels of occupancy and assuming that the same percentage fluctuations occur in the remainder of this year as happened last year produces an overspend of £312k.

56. An officer task and finish group chaired by the Director of Regeneration has met and implementation of the agreed approaches for tackling the increasing cost of bed & breakfast accommodation has started. The homelessness team has reduced the numbers placed in B&B from a peak of 22 families, 18 singles and two others at the start of August to 11 families, 15 singles and one other by the beginning of September. There are four families which the team are aware of which may need to be placed in temporary accommodation in the near future.
57. Applicants presenting themselves as homeless are often placed in B&B pending assessment. Assessment interviews are now taking place within three days of applications being received and a decision about eligibility is made within a week of the interview. The homelessness team are taking a more robust line with applicants who fail to attend appointments for assessment. Any applicants who miss more than two appointments will now lose their entitlement to temporary accommodation. A group of officers headed by the Homelessness Manager meets each week to consider the more challenging applications. The Head of Service attends on an ad hoc basis to support and agree approaches taken, particularly in complex cases.
58. Applicants unhappy with the outcome of their assessment for homelessness can appeal. Reviews of homelessness applications are still slower than desired. None of the applicants awaiting appeal are currently in B&B although this situation can vary.
59. Work is progressing on formulating a charging policy for those placed in temporary accommodation. Currently the only income received is via Housing Benefit. It is proposed that charges will be based on rents charged by registered social landlords for those in employment. Many clients will be able to claim housing benefit.
60. The Bed & Breakfast realistic forecast used in arriving at the prediction of £312k overspend was based on number of occupants rising in line with last year's trend. The Homelessness Manager is however confident that numbers will stabilise at nine occupants (three families, one other and five singles) for the remainder of the year. If this scenario holds this will reduce the overspend by a further £120k.

### **Prevention Fund**

61. For this report it has been assumed that the trend of expenditure for the remainder of the year will match that experienced last year. This methodology matches that used for projecting B&B costs. The resultant projection is expenditure of £162k compared with £200k budget.

### **Community & Economic Development**

62. The Government Office for the West Midlands has agreed in principle that there is likely to be a clawback of grant used for the ARCH project. The position will undergo evaluation by Government Office West Midlands for a decision.
63. The Council is likely to have some indications of the outcome at the end of September. The total grant claimed to date has been £871k. The clawback will be based on an unknown percentage of this sum.

## CORPORATE BUDGETS

### Directorate Summary as at 31 August 2008

	<b>Total Budget 2008/09 £'000</b>	<b>August 2008 Net over or (-) underspending £000</b>
Corporate Budget	2,618	0

64. Expenditure is expected to remain within budget for Corporate Budgets.

## RESOURCES DIRECTORATE

### Directorate Summary as at 31 August 2008

	<b>Total Budget 2008/09 £'000</b>	<b>August 2008 Net over or (-) underspending £000</b>
Asset Management & Property Services	3,170	0
Audit, Benefit and Exchequer and Financial Services	4,391	0
Total	7,561	0

### **Asset Management & Property Services**

65. At this stage of the year it is estimated the service will stay within its cash limited budget.
66. Additional expenses for office accommodation are creating pressure. These include the adaptation costs at Plough Lane, other associated costs and dual running costs while buildings are not vacated. Utility costs will be a pressure and whilst this is likely to be manageable this year the assessment is that this will be a significant cost pressure in 2009/10.

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

67. At this stage there is an estimated break even financial position at year end. The reorganisation of the Children and Young People's Finance Team is likely to create a cost pressure.
68. The various resources teams continue to help deliver the £750k efficiency savings forming part of the Council's 2008/09 budget.

69. The current assessment is that an additional £200k of interest will be made from the Council's investments. This is after contributing £200k to support the service review project within the Environment and Culture directorate.

## **HUMAN RESOURCES DIRECTORATE**

### **Directorate Summary as at 31 August 2008**

<b>Total Budget 2008/09</b>	<b>August 2008 Net over or (-) underspending £000</b>
1,402	0

#### **Human Resources**

70. At this stage of the year the service will manage within their cash limited budget.
71. However due to vacancies being filled using interim agency staff it is possible this area could overspend.
72. A full review will be undertaken when the new Assistant Chief Executive is in post.