

### 2008/09 REVENUE BUDGET MONITORING

#### Summary

1. The following table summarises the 2008/09 projected outturn as at the end of September 2008.
2. The overall revenue budget position for 2008/09 shows a projected £1.292 million overspend. This is just under 1% of the Council's £131.778 million revenue budget (excluding Dedicated Schools Grant funding). The position has improved by £379k since August 2008.

#### Revenue Reserves Position as at 30th September 2008

##### General Reserves

3. 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.
4. 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	1.292
Projected year end balance	5.436

## Earmarked Reserves

5. At 1 April 2008 the council held £16.572 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
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

6. 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.
7. 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.

## Summary

8. The following table summarises the 2008/09 projected outturn as at the end of September 2008.

Area	2008/09 Budget £000	August 2008 Net over or (-) underspend £000's	September 2008 Net over or (-) underspending £000	Movement Reduction (-) or increase(+) £000
Adult Services	38,637	331	300	-31
Children & Young People	24,519	267	6	-261
Deputy Chief Executive	12,140	170	220	+50
Environment and Culture	27,813	566	626	+60
Regeneration	9,899	537	340	-197
Central Services	2,618	0	0	0
Resources	7,915	0	0	0
<i>Directorate Position</i>	<i>123,541</i>	<i>1,871</i>	<i>1,492</i>	<i>-379</i>
Capital Financing Costs	12,703	0	0	0
Interest Received	-2,227	-200	-200	0
Transfers to Reserves	67	0	0	0
WMS Profit Share	-390	0	0	0
Transfer from Reserves	-1,916	0	0	0
<b>Net Position</b>	<b><u>131,778</u></b>	<b><u>1,671</u></b>	<b><u>1,292</u></b>	<b><u>-379</u></b>

## Recovery Plans

9. Following the initial budget outturn projections for 2008/09 that indicated a £1.671m overspend the Chief Executive gave clear instructions that Directorates are to deliver balanced budgets. As a result all directorates have put together budget recovery plans with the support of Financial Services. The plans are based on the latest projected outturn and include actions to deliver a balanced 2008/09 budget. The plans will form part of directorates routine budget monitoring and will be updated as the year progresses so that actions can be changed if required.

## ADULT SERVICES DIRECTORATE

### Directorate Summary as at 30 September 2008

	<b>Total Budget for 2008/09 £000</b>	<b>August 2008 Net over or (-) underspending £000</b>	<b>September 2008 Net over or (-) underspending £000</b>
Adult Social Care	36,264	491	510
Supporting People	0	0	6
Modernisation	1,214	-37	-55
Commissioning and Improvement	1,279	-123	-161
<b>Total</b>	<b>38,757</b>	<b>331</b>	<b>300</b>

10. The projected outturn for Adult Services is an overspend of £300k. 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.
11. Within the overall budget £1.185m is for new modernisation schemes and initiatives and as schemes develop the costs and budgets will be re-allocated to the appropriate services. At this point there is expected to be an underspend of £55k. Any slippage in the implementation timetable will reduce the spend further but the impact on projected savings in service costs will need to be considered.
12. 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 being reviewed by the Director of Integrated Commissioning. There is also the potential for some learning disability expenditure being appropriately met by Supporting People funding.

13. Within the supporting people service, the overall 2008/09 programme grant has reduced by £344k and administration grant by £678k. 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 use the available carried forward resources. Any remaining underspend will be carried forward.
14. The previous monitoring report confirmed that in October 2007 new national guidance for continuing health care was published. Consequently 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.
15. 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.

#### **Recovery Plan**

16. The Adults Services' recovery plan has identified a series of actions to produce planned savings. The identified actions meet the overall £300k requirement to balance the budget and include delaying some modernisation activity. At this stage further assessment of the timing of the slippage is needed before these are included.

## CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE

### Directorate Summary as at 30th September 2008

	<b>Total Budget for 2008/09</b>	<b>August 2008 Net over or(-) Underspending</b>	<b>September 2008 Net over or(-) Underspending</b>
	<b>£000</b>	<b>£'000</b>	<b>£'000</b>
Inclusion & Improvement	5,701	51	-120
Safeguarding and Assessment	11,001	0	-8
Planning, Performance & Development	7,101	-145	-118
Locality Teams	100	-23	0
Central Directorate - budget savings to be agreed	616	384	252
<b>Total</b>	<b>24,519</b>	<b>267</b>	<b>6</b>

17. The Directorate's financial position has improved by £261k since August 2008. This is mainly because of a £171k reduction in the Inclusion & Improvement service arising from greater clarity about the amount being spent against the Surestart Grant and a reduction in the Joint Agency Management budget. Additionally a projected overspend of £120k in the directorate's IT budget has been largely absorbed by an improving school transport position within the Planning, Performance and Development division. Overall a small overspend of £6k is forecast.
18. A new directorate management structure has been implemented since 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 however there will continue to be budget changes in each division as budget responsibilities are finalised.

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

19. Notification of the final grant allocation for 2008/09 has been received and the final amount 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.
20. The 2007/08 underspend of £1.2m has been distributed schools and £50k of the underspend used to match fund a pilot scheme in two school partnerships to support integrated partnership working between cluster schools. This pilot scheme has been approved by DCSF.
21. An underspend in Dedicated Schools Grant (DSG) of £474k is currently forecast comprising mainly applications for new banded funding (£203k), Joint Agency Management (£127k) and the additional grant (£112K). DSG is ring-fenced and any under or over spend must be carried forward to 2009/10.

### **Directorate Central Budgets**

22. The Dedicated Schools Grant does not fund the remaining education services such as strategic management, SEN assessment, asset management and transport.
23. The overall central directorate overspend is made up of the savings target of £205k which will reduce as savings continue to be realised and an overspend of £47k mainly on advertising for new Heads of Service and interim management costs. The ICT budgets (including an £120k overspend) have transferred to the Planning, Performance and Development Division as part of the Directorate restructuring.
24. The Council is required to meet any redundancy costs arising in 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 however actual costs will not be known until March 2009.
25. The Inclusion and Improvement Service budget position has improved since the end of August mainly due to the intended use of the Surestart Grant to offset £100k of family centre costs. The service is now expected to underspend by £120k rather than the previous forecast £51k overspend as at the end of August. There are some small variances within the service, for example a reduction in School Improvement service income from training courses and forecast underspends on the Joint Agency Management budget and Education Psychology Service.
26. Within the Planning, Performance and Development division, School Transport was underspent by £575k in 2007/08. Despite additional school days in the 2008/09 financial year, it is projected that school transport will underspend by £179k. The extra SEN costs following the judicial review are now estimated at £60k. Overall Planning and Performance is projected to underspend by £118k.

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

27. 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. 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.

28. 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 £92k on in-house fostering and £53k on agency fostering.

### **Summary**

29. Overall, the Children and Young People's budget is currently expected to overspend by £6k.

### **Efficiency Savings**

30. 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 30 September 2008

	<b>Total Budget 2008/09</b>	<b>August 2008 Net projected over or (-) under spend</b>	<b>September 2008 Net over or (-) under spend</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Herefordshire Connects	1,137	0	0
Herefordshire Partnership	258	40	40
Communications	395	0	0
Director and Administration	329	0	0
Emergency Planning	157	0	0
Legal and Democratic	2,615	180	180
INFO	1,782	-50	-50
Policy & Performance	732	0	0
Information Services	363	0	0
Corporate ICT Projects	784	0	0
ICT Services	1,022	0	0
Corporate Programmes	59	0	0
Community Network Costs	1,100	0	0
Human Resources	1,427	0	50
<b>TOTAL</b>	<b>10,733</b>	<b>170</b>	<b>220</b>

31. Legal and Democratic Services budget pressure is due to a reduction in income in Land Registry. Private sector companies are now competing for this income, 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 Coroners Services 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.

32. 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.
33. 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.
34. ICT is operating to a balanced budget, assuming SLA income 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.
35. For 2008/09 it is proposed that ICT and Corporate Programmes move to a base budget funded approach rather than rely on recharging for their services.

### **Human Resources**

36. Human Resources is now included within the Deputy Chief Executive's directorate. At this stage of the year the service are expected to over spend by £50k. This is due to the need to fill interim vacancies using agency staff. A new CRB team will be created this year without any budget available in this financial year. A full review will be under taken when the new Assistant Chief Executive is in post.

### **Recovery Plan**

37. The current projected overspend in Human Resources will be addressed through management of vacancies.
38. The directorate has identified savings to balance the budget in 2008/09. These will be reviewed over the coming months to ensure there is certainty around their delivery.

## ENVIRONMENT & CULTURE DIRECTORATE

### Directorate Summary as at 30 September 2008

	<b>Total Budget 2008/09</b>	<b>August 2008 Net over or (-) under spending</b>	<b>September 2008 Net over or (-) under spending</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Highways	5,960	695	645
Environmental Health and Trading Standards	2,130	0	0
Waste Management	11,551	0	110
Culture & Leisure	7,813	300	300
Directorate Management & Support	358	0	0
Restoration Fund	0	-429	-429
<b>Total</b>	<b>27,812</b>	<b>566</b>	<b>626</b>

39. The 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 costs associated with the 2007 floods. After this has been applied the directorate estimated outturn is an overspend of £626k. This represents an increase of £60k since August.

40. Agreement has been reached that an additional £200k of additional costs to support the service delivery review will be met from increased corporate investment income.

#### Highways

41. The current budget projections show an overspend on winter maintenance of £300k if the county has a likely predicted winter. 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.

42. 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 September indicates a £280k reduction on the previous year. The assessment is that the economic slow down has affected the level of income.

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

44. There is pressure on the Highways budgets in relation to contract inflation on Roads Maintenance and Street Cleansing. Whilst every effort is being made to manage

these pressures within budget, Street Cleansing is likely to overspend by £90k and Emergency maintenance by £25k.

45. A saving of £50k through staff vacancy management will be achieved. Overall there is a projected £645k overspend on highways.

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

46. The overall assessment is that this will balance to the budget although Markets and Fairs face continuing pressure.

### **Waste Management**

47. It is projected that Waste Management will be over budget by £110k with contract inflation on the Waste Collection contract an estimated pressure of £310k. This will be mitigated by the underspend on Waste Disposal and forecast increased income of £100k for commercial waste.
48. Current estimates from Worcestershire County Council (WCC) of Waste Disposal contract costs project an expected underspend of £100k on Herefordshire's Waste Disposal budget for 2008/09 and this is included in the overall projection.
49. WCC have indicated that waste disposal costs could significantly reduce following recent contract variations in relation to the Waste Electronic and Electrical Equipment expenditure. This is not included as we await further information.
50. The cost of the new waste disposal contract will be considerably higher than at present. In previous years any in-year underspend on the contract has been transferred to reserves to meet future waste management pressures.
51. 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 at a faster rate than Herefordshire's and there are risks that the trigger point may be hit. However, at this stage this is not addressed as a likely outcome.

### **Culture & Leisure**

52. An overspend of £300k is currently predicted for Culture & Leisure. Included in this amount is an expected overspend of £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. For 2008/09 this will be met by transferring the sum from reserves at year end.
53. The other main area of overspend is the cost of maintaining public access PCs within Libraries which resulted in an overspend of £88k in 2007/08. This year this is likely to increase to £100k.

## Directorate Management and Support

54. 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 when vacancy factors are taken into account.

## Recovery Plan

55. The overall position for the directorate is a projected £626k overspend before recovery action is taken. To date £340k of mitigation has been identified that includes the one-off transfer from reserves to deal with the Halo job evaluation. Further work is underway to close the gap.

## REGENERATION DIRECTORATE

### Directorate Summary as at 30 September 2008

	<b>Total Budget for 2008/09</b>	<b>August 2008 Net over or (-) underspending</b>	<b>September 2008 Net over or (-) underspending</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Planning	1,866	225	162
Transportation	3,481	0	0
Community Regeneration	2,112	0	0
Strategic Housing	1,957	312	273
Management & Admin	503	0	-95
<b>Total</b>	<b>9,919</b>	<b>537</b>	<b>340</b>

56. The overall position is a £340k projected overspend, an improvement of £197k since the position reported at the end of August.

## Planning

57. The latest position in Planning shows a reduction in the reported overspend. This is due to an upturn in Planning fee income in September, however future income is likely to be affected by the current economic climate so the position could change.
58. The forecast now includes a planning delivery grant payment that was not previously anticipated.
59. A number of cost pressures remain. These include 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.

60. 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 programme.
61. Overall Planning Services is currently projected to overspend by £162k.

### **Strategic Housing**

62. Based on the latest projections Strategic Housing is predicted to overspend its budget by £273k by the end of the year.
63. The projected cost of Bed & Breakfast (B&B) accommodation is now 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 a forecast overspend of £293k.
64. Progress has been made in reducing the numbers in B&B accommodation. The position at the end of August was 11 families, 15 singles and one other. At the end of September this had reduced to 5 families and 10 singles.
65. Opportunities to provide cheaper accommodation throughout the county are being pursued. The council has been able to secure the use of four accommodation units in Ledbury on a company let basis enabling homeless families to be housed temporarily without the expense of B&B.
66. 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 now 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 as required to support and agree approaches taken, particularly in complex cases.
67. 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.
68. A number of individual small savings within Housing Needs, Private Sector Housing and the Community equipment store totalling £60k have been identified, however there will be a shortfall of £37k resulting from a reduction in the Repurchase & Reinstatement grant. This grant drops out entirely in 2009/10.

### **Community & Economic Development**

69. The Government Office for the West Midlands (GOWM) 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 GOWM for a decision.
70. 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.

### **Directorate Recovery Plan**

71. There is £95k unallocated budget within the Management heading which will be retained as a contingency budget to offset the overspending in the current year.
72. A number of actions across the Directorate are being taken to deliver a balanced budget at year end. All vacancies for the remainder of the year will be frozen, with any appointments being authorised by the Director based on clearly demonstrated operational need. An initial exercise suggests this action could generate at least £100k of in-year savings, more work detailed will be needed to assess the operational sustainability of this approach.
73. The Bed & Breakfast forecast used in arriving at the prediction of £293k overspend was based on number of occupants rising in line with last year's trend. The Homelessness Manager assesses that numbers will stabilise for the remainder of the year. If this scenario holds this will reduce the overspend by a further £115k, however the current economic climate could have an adverse effect on the position.
74. A number of other measures including possible savings in rent deposit schemes and storage costs are being investigated, which could generate further savings of £60k.

## **CORPORATE BUDGETS**

### **Summary as at 30 September 2008**

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

75. Expenditure is expected to remain within budget for Corporate Budgets. It includes the Organisational Development Fund that is ringfenced for future spend and the balance kept on a reserve.
76. The current assessment is that an additional £200k of interest will be made against the Council's investments after contributing £200k to support the service review project.

## RESOURCES DIRECTORATE

### Directorate Summary as at 30 September 2008

	<b>Total Budget 2008/09 £'000</b>	<b>August 2008 Net over or (-) underspending £000</b>	<b>September 2008 Net over or (-) underspending £000</b>
Asset Management & Property Services	3,170	0	0
Audit	418	0	0
Benefit and Exchequer	2,077	0	0
Financial Services	2,072	0	0
Director	178	0	0
<b>Total</b>	<b>7,915</b>	<b>0</b>	<b>0</b>

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

77. At this stage of the year it is estimated the service will stay within its cash limited budget. However, 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**

78. At this stage of the year there is an estimated break even financial position at year end.
79. The various resources teams continue to help deliver the £750k efficiency savings forming part of the Council's 2008/09 budget.