

2009/10 REVENUE BUDGET MONITORING

Summary

1. The following table summarises the 2009/10 projected outturn as at the 31st March 2010.

Area	2009/10 Budget £000	Projected net over or under (-) spend £000
Integrated Commissioning	45,243	2,731
Children & Young People	41,695	137
Deputy Chief Executive	4,299	-89
Environment and Culture	40,343	242
Regeneration	16,554	-65
Central Services	5,482	0
Resources	991	-360
Directorate Position	154,607	2,596
Borrowing	16,236	-644
Investments	-249	-5
Revenue contributions to Capital	548	0
LABGI	0	-87
Pay Award Savings	553	-553
Social Care Contingency	0	-772
Winter Maintenance Reserve	0	-500
WMS Profit Share	-615	-35
Area Based Grant and other grants	-10,535	0
Recharges, FRS17 and other year end adjustments	-21,251	0
Transfer from Earmarked Reserves to meet agreed purposes	-1,576	0
Total Budget	<u>137,718</u>	<u>0</u>

2. The Council delivered a balanced budget for 2009/10. The overall position includes the use of reserves and other central budgets.

Further information on the subject of this report is available from
Anne Phillips Head of Financial Services on 01432 383173

3. The underspend on the council's borrowing, exceeded expectation at £644k, due to slippage on the capital programme and management of external borrowing, resulting in a reduced minimum revenue provision (MRP) for debt repayment and less external interest payable in the year.
4. The agreed 1% pay award was less than the 2% budgeted and resulted in a saving of £553k, which was held centrally to support the overall position.
5. Savings of £700k arising from Hereford Connects were delivered (these are discussed further at Appendix D).
6. The overall figures reflect the requirement to allocate internal recharges to comply with CIPFA's Best Value Accounting Code of Practice (BVACOP). This makes the accounts comparable across all local authorities by ensuring services report their full costs, including overheads.

Revenue Reserves Position

General Reserves

7. The general reserve balance as at 1st April 2009 was £6.4 million. £1m was allocated to balance service budgets in 2009/10, as part of the budget setting process, reducing the closing balance as at 31st March 2010 to £5.4m. This has been fully replenished in 2010/11 via the FRM.

Earmarked Reserves

8. At 1st April 2009 the council held £16.064 million of earmarked reserves. This includes ring-fenced school balances reserves of £5.476m. This has been reduced to £14.236 million as at 31st March 2010, with Services instigating movements both to and from their specific reserves.
9. As highlighted in the table below, a number of earmarked reserves have been utilised for the purposes for which they were specified:

- Winter maintenance £500k
- Social care contingency £772k

10. Additional reserves have been established as part of the year end process including:

- Insurance Reserve £544k
In previous years a provision has been created for outstanding insurance claims. To comply with Audit recommendations this has now been amended, keeping a provision based on the level of current year claims and a reserve which represents the potential of both current and future year's claims, the latter subject to a less defined estimate.
- Pool Car Reserve £10k
This reserve was created from the surplus generated from running the fleet of pool cars. It enables a replacement programme to commence, funding new vehicles in future years and sustaining pool car availability.
- Local Development Framework £270k
The underspend on the Housing Planning Delivery Grant will be allocated towards the costs to deliver the Local Development Plan "Shaping our Place 2026", and has been approved by the funding body.
- Area Based Grant £53k

A small amount of the ABG grant identified for the Children's Trust was unspent. Approval was given to utilise the funding in 2010/11, thus the money has been ringfenced for this purpose

The following table summarises the earmarked reserves held:

Earmarked Reserves	1st April	31st March
	£'000	£'000
Commuted sums	78	78
Schools balance in hand	5,476	5,497
Industrial Estates – maintenance	333	372
Support Services & Equipment renewals	80	0
Schools Balance of Risk	85	173
Winter maintenance	500	0
Planning	24	24
College Hill Community Centre	180	180
Waste Disposal	2,774	2,774
LSC	32	0
Wye Valley ANOB (AONB)	104	94
Invest to Save/Initiatives fund	1,079	1,331
Contingent liabilities	300	300
Social care contingency	926	154
Modernisation plans	454	0
Edgar Street Grid	150	691
Whitecross School PFI	202	281
LPSA 2 reward grant	1,482	224
Carbon Reserve	30	20
Schools Redundancies	294	10
Service Delivery Review	112	0
Schools Rates Reserve	869	869
Economic Development	346	266
Herefordshire Safeguarding Children Board	21	21
Accommodation	133	0
Insurance Reserve	0	544
Pool Car Reserve	0	10
Local Development Framework	0	270
Area Based Grant	0	53
Total	<u>16,064</u>	<u>14,236</u>

11. A summary of the key variations between projected outturn and budget for each directorate is provided in the following paragraphs.

INTEGRATED COMMISSIONING DIRECTORATE

Directorate Summary as at 31st March 2010

£'000	Annual Budget	(Under) / Over spend
Learning Disabilities	11,798	1,415
Mental Health	7,259	178
Older People	14,602	1,146
Physical Disabilities / Sensory Impairment	3,925	478
Section 75 Arrangements	966	137
Adults	4,647	60
Commissioning Directorate	1,674	-83
Other Services	372	-600
Total	45,243	2,731

Overview

12. 2009/10 is the first full year of the implementation of Personal Budgets and Clients have been encouraged to take Personal Budgets where appropriate. There has been some corresponding reduction in the number of residential care packages and direct payments - 19 clients have transferred from residential care and 13 from direct payments. There have also been 53 new clients entering the system. The average cost of a Personal Budget package is approximately £320 per week giving a yearly spend of £849k full year for new clients where no budget provision exists.
13. Residential care is the most expensive category of care but in general terms the numbers are falling due to the move to Personal Budgets, apart from Older People which was at a relatively consistent level.
14. Learning Disabilities over spend of £1,415k.
15. The in year recovery plan delivered a saving of £10k. There was a contribution from Supporting People of £43k for use on housing related support.
16. The full year over spend relate to increased costs in:
 - The use of expensive packages for nursing and residential care, resulting in a total overspend of £1,016k. More complex needs have meant that the costs of packages have increased and although the numbers have decreased, this will cause pressure in 2010/11.
 - An increase in the number of new clients choosing to take personal budgets caused over spends of £648k.
 - 2009/10 budgets assumed numbers of clients would be at previous year's level. There have been three new clients with residential care packages, 23 new personal budgets approved and four new clients in supported accommodation.
 - The number of domiciliary care packages has increased with a £459k over spend.
17. The over spends are offset by under spends on staffing of £106k and Day Care £117k where there have been staff vacancies this year. These vacancies are expected to be filled next year.

18. A new pressure has emerged recently with the change in criteria for Independent Living Funding (ILF) funding. This will reduce future numbers eligible for funding.
19. **Mental Health. Over spend £178k.**
20. The over spend for nursing and residential care was £227k, and the main pressure is from dementia clients. The policy to put clients into residential care only where they have significant needs is in line with the move to supporting the more people with at home packages.
21. Reviews are taking place to ensure that current packages of care are appropriate according to assessed need. The government's "Putting People First" programme seeks to support for people within their own home as much as possible.
22. **Older People. Total over spend £1,146k.**
23. Supporting People money was approved for extra care facilities to the value of £155k. A further £94k was also attributed to aid Supported Living and for the home check facilities.
24. A £221k over spend relates to increased costs in residential and nursing care where there are more expensive and complex packages put into place. The number of nursing and residential care packages has increased since the start of the year from 260 to a high of 278, but at year end this fell to 252.
25. Domiciliary care over spent by £1,023k, due to a rise in the number of hours and packages.
26. The numbers of personal budgets approved rose by 26 (24 of which are new clients). This caused an over spend of £232k.
27. The Older People position is offset by vacancy under spends (£28k), Hereford Homecare (£114k), Promoting Independence (£60k), the Starrs team (£87k) and Roving Nights (£6k).
28. **Physical Disabilities The full year over spend of £478k.**
29. This is due to personal budgets £562k and domiciliary care increases of £108k, offset by the reduction in residential and nursing costs of £54k.
30. The number of personal budgets has risen from 2 at the start of the year to 40 in February. 24 of these are new clients and 13 have been transferred from direct payments. Residential and nursing packages have reduced from 28 to 24 year to date.

Recovery Plan

31. Recovery measures to the value of £1,088k were achieved and this is a continuing process.

2010/11

32. The consequences of the 2009/10 overspend is likely to affect the starting financial position for 2010/11.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE (CYPD)

Directorate Summary as at 31st March 2010

£'000	Total Budget 2009/10	Actual Net over / Underspend ()
Improvement & Inclusion	5,383	-73
Safeguarding and Assessment	13,003	889
Planning, Performance & Development	16,540	-806
Community Operations	154	20
Central Directorate, grants, savings to be agreed	6,615	107
Total	41,695	137

33. The final outturn for 2009/10 shows a net over spend of £137k, the improvement is as a result of actions taken to maximise use of grants and capital.
34. As previously reported the key area of concern within Children's Services is the increasing demands for Safeguarding and looked after children, which is consistent with national trends. The costs of agency fostering and residential placements comprised £681k of the total Safeguarding overspend, with the other major overspend relating to the associated court costs at £153k. This is of particular concern as the Safeguarding spend represents over 50% of the total local authority spend on Children's Services. Costs for placements increased by £72k from the last projection due to some emergency placements in March.
35. Numbers of children in agency and residential placements have shown an increasing trend over the past three years, with a peak of 47 in May 2009, although numbers have remained stable since January 2010 at 42.
36. Previous reports flagged the impact of a court ruling (Homeless 16/17 year olds re: RG v Southwark LB) which resulted in a requirement for Children's services to provide accommodation for homeless 16/17 year olds. The cost of £95k was covered by the Supporting People fund. This is an ongoing requirement and additional funding will be sought in 2010/11.
37. As reported above court costs for referrals and other court matters were overspent by £153k, but will continue to be an ongoing service pressure due to the close link to referral numbers.
38. Overspends in Safeguarding and central costs were offset by savings elsewhere. The most significant savings were in Planning Performance & Development (PP&D) where expenditure was £806k below budget. The principle area of underspend was within schools transport £761k. This was through a variety of factors including one off adjustments for snow closures (approx £116k), additional income (£117k), utilisation of grants (£100k) and route savings.
39. Additional savings were achieved within PP&D through staff vacancies and the maximisation of various grants including Contact Point, Workforce Development and Think Family to offset expenditure.
40. Improvement and Inclusion delivered savings of £73k. Savings were achieved through a combination of managing vacancies and utilisation of grants. Key savings areas were School Improvement (£115k), Youth Services (£61k), Youth Offending (£21k), SEN (£21k), Education Psychology (£26k).

41. In addition the joint agency managed budget achieved savings of £34k, although this was significantly less than the previous year's under-spend. This reflects the increasing demands within the Safeguarding area. This is a high cost area and one placement can cost in excess of £200k per annum.

Dedicated Schools Grant (DSG)

42. The Department for Children, Schools and Families (DCSF) confirmed DSG at £84.526 million for 2009/10 School balances of £5,497k have been carried forward to the new financial year – this is an increase of £21k from the previous year. Primary school balances are £2,882k (a net reduction of £54k), high school balances are £1,853k (a net reduction of £139k), special school balances are £179k (a net increase of £115k). Pupil Referral Units and Extended schools account for the remaining increase of £99k.
43. At the end of 2009/10 six schools were in deficit Dillwyn, Broadlands, St Weonards, Weobley, Aylestone and Brookfield, the total deficit was £233k compared previously with 6 schools and a total deficit of £262k at the end of 2008/09. Recovery plans will be agreed with those schools newly entering a deficit position.
44. As required by DSG grant regulations, a DSG under spend of £727k has been carried forward to 2010/11.
45. Additionally, £70k was carried forward for Governor Services and a deficit of £160k for the Music Services was carried forward. The Music Service is currently working to a deficit recovery plan to recover the deficit.

DEPUTY CHIEF EXECUTIVE DIRECTORATE

Directorate Summary as at 31st March 2010

£'000	Total Budget 2009/10	Net projected over or (-) under spend
Herefordshire Connects	-48	0
Herefordshire Partnership	430	18
Communications	23	-23
Director and Administration	-324	329
Legal and Democratic	2,559	261
Customer Services	782	-123
Policy & Performance	19	29
ICT Services	590	-619
Corporate Programmes	47	-34
Human Resources	221	-222
Shared Services	0	295
Total	4,299	-89

46. The directorate underspend by £89k but some significant pressures were also evident. Legal and Democratic Services faced significant budget pressures. These included:
- a. A shortfall in staffing budget within Members Services which has been resolved as part of the budget setting process for 2010-11
 - b. A judicial review of a previously held inquest has been ordered, which is likely to result in a £90k additional costs.
 - c. A shortfall in income for land charges of £75k. This is due to external economic conditions affecting the housing market and competition from the private sector.
47. The withdrawal of funding from Learning Skills Council and West Mercia Police has caused overspends in both Herefordshire Partnership and Policy & Performance. Both services are currently identifying external funding to ensure the services are able to deliver activities in 2010/11.
48. Shared Services costs have been met by the savings within the Directorate. There will be a payback against this outlay when the project is implemented in late 2010.

ENVIRONMENT & CULTURE DIRECTORATE

Directorate Summary as at 31st March 2010

£,000	Total Budget 2009/10	Net over or (-) under spend
Highways	12,353	744
Environmental Health and Trading Standards	2,134	151
Waste Management	13,261	-982
Culture & Leisure	10,884	-254
Directorate Management & Support	875	182
Emergency Planning	233	60
Community Safety	850	2
Managing Agent Contract (MAC) Client Team	128	-36
MAC Services	-375	375
Total	40,343	242

49. The overall outturn position for Environment & Culture is a net overspend of £242k.
50. From 1st September 2009, as a result of the service delivery review, Highways, Public Rights of Way and Parks and other ancillary services form part of a managing agent contract with Amey Wye Valley. Through this contract Amey Wye Valley will deliver £1m annual savings. The amount includes an element of central services reductions.

Highways

51. As previously reported, following the severe winter weather in early 2010, there was an overspend of £975k on the Winter Maintenance budget. This is slightly better than previously predicted following lower than forecast number of gritting runs in February and March. The Winter Maintenance Reserve of £500k helped to meet costs incurred due to such conditions. This was replaced as part of the 2010/11 budget.
52. A saving of £85k through staff vacancy management was achieved in Highways mainly due to the recruitment freeze pending the service delivery review.
53. Within the overall Highways revenue budget of approximately £12m, there was a limited underspend on budgets which are managed on the Council's behalf by Amey Herefordshire of £70k on roads maintenance and £77k on Street Lighting. This reflects the redirection of resources to manage the extreme winter condition in January and the subsequent emergency repair works.

Environmental Health & Trading Standards

54. Environmental Health and Trading Standards' outturn for 2009/10 was a net overspend of £151k.
55. Markets and Fairs over spent by £92k, largely due to a shortfall in income on the Hereford

Butter Market. The market lost a major trader last year.

56. Whilst income from the Crematorium & Cemeteries outperform the income budget by £90k, additional energy and building maintenance costs were incurred resulting in a net underspend of £14k.
57. Parking budgets outturn exceeded budget by £60k, although income targets for the year from Car Parking additional costs in relation to rent and rates had to be met.

Waste Management

58. The final outturn on the joint Waste Disposal PFI contract for 09/10 was an underspend of £850k.
59. A provision has been made in 2009/10 accounts to reflect the risk that if waste growth/reduction between Herefordshire and Worcestershire vary by more than 1% to the detriment of Herefordshire then an increase of £330k would be incurred by Herefordshire. The current tonnage figure indicates a 0.8% move of overall tonnages in Worcestershire's favour. The final reconciliation for 2009/10 will be done when the actual figure will be known.
60. The new Waste Collection contract extends recycling services to all residents in the County. Previously only 75% of residents had a recycling collection from their home. The Household Waste Recycling Act requires all waste collection authorities to provide a comprehensive kerbside recycling service by the end of December 2010. The range of recyclables to be collected has also been extended. The aim is for us to achieve our National Indicator target of 40% by the end of 2010. Recycling outturn for 2009/10 year was 33.92% and our current standing is 35.40%.
61. There was an underspend on the Waste Collection contract of £125k and income from Trade Waste exceeded income target by £115k, this helped mitigate additional costs incurred in relation to the marketing and publicity costs incurred in relation to the introduction of the new contract in 2009/10.

Culture & Leisure

62. Culture & Leisure expenditure was expected to overspend by £25k in 2009/10, but due to the underspend on Parks Countryside and Public Rights of Way and also Halo budgets the final outcome was £254k underspend
63. The outturn for Parks and Countryside is an underspend of £179k
64. There is a an underspend of £60k on Public Rights of Way, due to the recruitment freeze leading up to the service delivery review and subsequent vacancy management.
65. The Libraries budget was overspent by £96k relating to employee costs and the building running costs. It should be noted that Library visitors have fallen by 4% for the year 2009/2010 compared with the previous year 2008/2009.

Managing Agent Contract Services

66. Savings achievable following the Service Delivery Review reflect on the transfer date of 1st September 2009 and are pro rata against the guaranteed annual savings of £1m. Whilst the annual operational saving target of £900k was not expected to be achieved in 2009/10 due to delays in contract negotiations, staff savings of £120k were achieved through vacancy management prior the staff transfer. The £100k savings in overheads that make up the balance of the £1m have been achieved.

REGENERATION DIRECTORATE

Directorate Outturn Summary as at 31st March 2010

	Total Budget for 2009/10 £000	Net over or (-) underspend £000
Tourism	792	79
Planning & Transportation	7,425	-27
Econ. & Com. Regeneration	2,574	18
Strategic Housing	4,797	-52
Management & Admin	966	-83
Total	16,554	-65

67. Following the successful delivery of a recovery plan that addressed a projected overspend the overall outturn position for Regeneration is an under spend of £65k.

Tourism

68. The outturn for Tourism was an over spend of £79k. This was due to a number of factors including staffing costs. Added to this sales income levels from Tourist Information Centres were lower than anticipated in the final quarter of the year.

Planning and Transportation

69. The overall outturn position spend for Planning and Transportation was an under spend of £27k.
70. The number of valid planning applications received for the Year to 31st March 2010 was 2,789 compared to 2,625 for the year to 31st March 2009. This represents an increase of approximately 6%. Despite this improvement in numbers of applications, planning fees, income fell short of meeting its budgeted target by £129k.
71. The new Civica system was implemented during the financial year. However the need for existing document scanning continued throughout the year and resulted in an overspend of £65k for the year. A further overspend of £61k was incurred for document storage and retrieval costs.
72. Within Transportation the current downturn in concessionary fare passengers continued throughout the last financial year and resulted in an under spend of £155k for the year.
73. Several bus contracts were renegotiated during the year and a net saving of £29k was achieved on the Transport route subsidies budget. Further renegotiations and potential savings are expected in the next financial year.
74. Staff vacancies in Transportation amounted to £32k and surplus income of £33k on section 38 fees were also achieved.

Economic and Community Development

75. Economic Development overspent by £18k due to extra costs identified in respect of Model Farm Enterprise Park in Ross on Wye.
76. An amount of £96k received from the Area Based Grant (ABG) was used to address the economic downturn. Within Economic Development this funding was used to support a number of initiatives.
77. The Business Booster grant, was aimed at supporting the growth or diversification of established local businesses by enabling the businesses to carry out a range of initiatives including research and development, marketing, product development, diversification, construction etc. This scheme has helped 11 businesses by awarding grant of £35k in support of a range of initiatives. It was anticipated that 17 jobs would be created.
78. The training voucher scheme provided financial support for businesses to send employees on training that will make a difference to the viability or diversification of the business. This scheme successfully helped 16 businesses by awarding a total grant of £10k in support of a range of training activity. It was anticipated 72 people would benefit, either directly or indirectly, from the training. A Business Portal is also being developed to enable local companies to be aware of public service contracts.
79. The Economic Development Team administers a Rural Enterprise Grant scheme for the whole of the region on behalf of Advantage West Midlands (AWM). To date 944 enquiries have been received and grants totalling £367k have been awarded to Herefordshire businesses. AWM also provide funding to the council to cover costs incurred in administering of the scheme.
80. Community Regeneration continues to support local voluntary organisations and has also given extra support to the Citizen's Advice Bureau (CAB) to meet the demands of unemployment and debt enquiries. The service administers grants for community buildings and shop fronts and works closely with local parish councils. A new grant for the Leader Vital programme was awarded and to date 17 enquiries, 7 applications and 5 approved projects to the value of £431k have been made.

Strategic Housing

81. The outturn result for Strategic Housing was an under spend of £52k
82. Homelessness is under spent by £32k at financial year end. This is due to under spends on the Prevention Fund and Homelessness Temporary Accommodation (which includes bed and breakfast). The average use of B&B per month has been 8.5 in 2009/10 compared with 22.75 in 2008/09.
83. Private Sector Housing underspent by £41k, mainly due to the receipt of extra grant income from Supporting People. In 2009/10 the team were involved in the processing of over 2,000 grants for energy efficiency, care alarms, repairs on prescription, minor rapid-response, Kickstart and handyman materials.
84. Homepoint is showing a balanced budget. During the year the team advertised 1,214 properties, processed nearly 55,000 telephone calls, dealt with 21,531 visitors to the front office and administered 17,679 bids (for properties) received from clients

Management & Admin

85. Directorate Management made savings of £83k due in the main to vacant posts and the secondment of an officer to Housing that was not backfilled.

CORPORATE BUDGETS

Summary as at 31st March 2010

£'000	Total Budget 2009/10	Net over or (-) underspend
Central Services	5,482	0

87. These areas include the budget and spend for the Audit Commission, bank charges, insurance, corporate subscriptions and levies. No issues were identified at year end.
88. The Council's share of the organisational development costs is included in Central Services. The PCT contributed to the cost. This budget funded leadership training which both organisations' senior teams participated in.
89. A significant part of this budget is for the accounting entries made to service budgets as part of the FRS17 year end adjustments, which has no real impact on the financial bottom line.

RESOURCES DIRECTORATE

Directorate Summary as at 31st March 2010

	Total Budget 2009/10 £'000	Net over or (-) underspend £000
Asset Management & Property Services	-23	-19
Financial Services	-115	115
Audit Services	-34	34
Benefits and Exchequer Services	1,167	-494
Central	-4	4
Total	991	-360

Asset Management & Property Services

90. Net expenditure was in line with previous reports. Key savings were generated from administrative buildings and income that offset overspends on property maintenance.
91. The purchase of the Plough Lane offices led to an overall part year rental saving of £146k.
92. Better than anticipated property rental income accounted for an excess of income over budget of £136k. Pressure on corporate pooled property maintenance costs led to an overspend of £331k.

Audit

93. Additional audit costs and one off agency costs created an over spend on Audit budgets.

Benefit and Exchequer

94. The underspend on Benefits and Exchequer relates to benefits subsidy and administrative savings.
95. Benefits subsidy was higher than expected due to the level of authority error being within Department for Works & Pensions (DWP) threshold limits, the successful recovery of overpayments and the increased level of benefit claims. This area is difficult to estimate and a prudent approach meant this surplus was not predicted in year.
96. Administrative savings arose from lower than estimated IT costs releasing £45k and staff vacancies saving £38k.

Financial Services

97. Key areas of overspend in Financial Services were due to the use of interim staff in Procurement prior to the recent appointment of a Procurement Manager. An upgrade to software also produced financial pressure.