

**REVENUE BUDGET MONITORING**
**Summary**

1. The following table summarises the 2010-11 projected outturn based on the financial position at the end of July 2010.

£'000	Budget	Projected net (over) or under spend
Integrated Commissioning	40,695	(2,260)
Children & Young People	24,116	(503)
Deputy Chief Executive	13,628	(150)
Sustainable Communities	34,240	(125)
Public Health	2,136	(35)
Central Services	2,914	0
Resources	7,210	340
<b>Directorate Position</b>	<b>124,939</b>	<b>(2,733)</b>
Borrowing	15,380	800
Revenue contribution to capital	320	0
Centrally held budget	1,535	0
WMS Profit Share	(546)	0
Transfer to Reserves	1,465	0
<b>Total</b>	<b><u>142,844</u></b>	<b><u>(1,933)</u></b>

2. As of the end of July the overall revenue budget position for 2010-11 shows a projected £1.9m overspend. This is approximately 1.4% of the council's £143m million revenue budget (excluding Dedicated Schools Grant funding). In order to address the forecast position the delivery of recovery plans is required by the relevant Directorates, and ongoing monitoring by JMT of those recovery actions and their success takes place.
3. The most significant overspend relates to Integrated Commissioning, the overspend in part has carried over from last year, but in addition activity levels continue to increase. Other service deficits are being mitigated by the recovery plans.
4. Appendix C provides a Treasury Management update and explains why there will be a £800k underspend on borrowing costs. In summary there is a programme of loan rescheduling, replacing higher cost loans with lower rates and new borrowing is likely to be at lower rates than budgeted.
5. Throughout the report reference is made to virements that have been actioned across the services.

## Reserves Update

6. The general reserve balance as at 1<sup>st</sup> April 2010 is £6.4m after being replenished by £1m as part of the agreed budget setting process.
7. The council held the following earmarked reserves of £14.2 million at 31<sup>st</sup> March 2010.

	31.03.09	Transfer (to)/from	31.3.10
Commuted sums	78	0	78
Schools balances in hand	5,476	21	5,497
Industrial Estates - maintenance	333	39	372
Support Services & Equipment renewals	80	(80)	0
Schools Balance of Risk	85	88	173
Winter maintenance	500	(500)	0
Planning	24	0	24
College Hill Community Centre	180	0	180
Waste Disposal	2,774	0	2,774
LSC	32	(32)	0
Wye Valley AONB	104	(10)	94
Invest to Save	1,079	252	1,331
Contingent liabilities	300		300
Social care contingency	926	(772)	154
Modernisation plans	454	(454)	0
Edgar Street Grid	150	541	691
Whitecross school PFI	202	79	281
LPSA 2 reward grant	1,482	(1,258)	224
Carbon Reserve	30	(10)	20
Schools Redundancies	294	(284)	10
Service Delivery Review	112	(112)	0
Schools Rates Reserve	869		869
Economic Development	346	(80)	266
Herefordshire Safeguarding Children Board	21		21
Accommodation	133	(133)	0
Insurance reserve	0	544	544
Pool car reserve	0	10	10
Local development framework	0	270	270
Area based grant	0	53	53
	<b>16,064</b>	<b>(1,828)</b>	<b>14,236</b>

## Write Off

8. The table below sets out the numbers and amounts written off for individual debts exceeding £1,000 for the period year ended 31<sup>st</sup> March 2010, the previous years information is provided for comparison.

Income Type	2009/10 (Full year)		2008/9 (Full year)	
	No. of cases	Amount	No. of cases	Amount
Council Tax	41	£70,477.72	9	£14,661.12
Business Rates	55	£304,193.6	33	£158,687.53
Benefit Overpayments	16	£31,912.82	8	£18,069.87
Debtors	36	£149,001.28	49	£123,496.52

9. For Business Rates (National Non-Domestic Rates), irrecoverable amounts are fully reimbursed by Central Government subject to the approval of the Audit Commission; therefore, there is no cost to the Authority. The amount written off increased in 2009/10 because of the difficult financial climate which affected some larger businesses.
10. For benefit overpayments, a provision is made for irrecoverable amounts from the budget subsidy which is paid by the Department for Work and Pensions. Irrecoverable amounts for Sundry Debtors are recharged to the originating department.
11. In general, debts considered for write-off fall into the following categories:
- Bankruptcy or liquidation
  - Debt relief order
  - Remitted by Magistrates at a Committal hearing
  - Unable to trace debtors
  - Debtor deceased with no estate
  - No further action possible
12. For bankruptcies and liquidations, a claim is lodged with the Receiver and no further effective action can be taken as, under current legislation, local authority debts are non-preferential.
13. An individual with debts of less than £15,000 and a low income can apply for a debt relief order if they cannot afford to pay off their debts. It is granted by the Insolvency Service and is a cheaper option than bankruptcy.
14. Council Tax and Business Rates cases are, where possible, progressed to the Committal stage of recovery. Although the Magistrates have the power to remit part or all of the debt, the amount remitted is written off.
15. A summary of the key variations between projected outturn and budget for each directorate is provided in the following paragraphs.

## INTEGRATED COMMISSIONING DIRECTORATE

£'000	Annual Budget	Under / (Over) spend
Learning Disabilities	12,377	(615)
Mental Health	7,407	(111)
Older People	13,737	(1,260)
Physical Disabilities / Sensory Impairment	4,296	(293)
Section 75 Arrangements	936	(54)
Commissioning Directorate	1,620	0
Other Services	322	73
<b>Total</b>	<b>40,695</b>	<b>(2,260)</b>

### Overview

16. The 2010/11 budget has been set using actual outturn activity and predicted increase in demographics and client numbers phased throughout the year, alongside contract inflation that has been given to providers. This gives a realistic target to the service areas and demonstrates the deficit starting position that has to be recovered.
17. Area Based Grant has been topsliced by 6% which has an impact of a £194k and further cuts are being reviewed by the Partnership Board, especially in areas where funding is as yet uncommitted.
18. The forecast is a net overspend of £2.26m. This is based on existing commitments projected forward in combination with realistic assumptions about the recovery measures of £929k and a further £1m yet to be identified and costed. This also includes budget virements of £2.2m from central services, being monies allocated to services as part of budget setting, but held centrally pending business cases to substantiate the need for virement.

### Major Budget Exceptions

19. Learning Disabilities - Total predicted over spend for the full year is £615k.
20. The full year anticipated over spend relates to increased costs in:
  - Residential and nursing care packages costs have increased due to more complex needs. There was an overspend in 2009/10 of £1m at year end, this is included in the budget assumptions for 2010/11 with a growth factor of 8% in the number of clients supported.
  - An increase in the number of new clients choosing to take personal budgets. In 2009/10 the number of personal budget increased from 36 to 53, the increase built into the assumption for 2010/11 is to increase by a further 15% to 61 packages.
21. Mental Health - Anticipated over spend of £111k
22. To date there has been an increase in the use of respite and projected outturn has increased by £105k. An increase in agency staff within the Mental Health Older People Team, to cover the increase in workload relating to the number of safeguarding cases, has a financial impact

of £43k if it continues for the full year.

23. Older People - Total predicted over spend £1,259k
24. Since March, an increase of 10 placements, for residential and nursing care packages and more expensive packages put in place for complex needs. There is a predicted over spend £115k. Domiciliary care over spent by £1m last year, this deficit has rolled into 2010/11, the budget also assumes a 5% rise on that actual spend. Year to date there is an additional overspend on the budgeted figure of £164k, thus the predicted outturn has been increased to reflect this, a rise of £278k.
25. Physical Disabilities Full year forecast over spend of £293k
26. The budget for residential and nursing packages assumed a reduction in the number of packages. This has yet to happen and thus the forecast has been increased by £31k.
27. Year to date domiciliary care is over spent by £48k, thus the predicted outturn has increased by £111k.
28. Section 75 agreements. Total predicted over spend is £54k
29. There is an anticipated over spend within the Community Equipment Store of £133k, split 50:50 with the PCT, due to the high demand for equipment and in particular specialist equipment. If demand increases, as expected with the implementation of the Personalisation Agenda, to keep more people at home and be more independent, there will extra items required from the Equipment Store putting more pressure on the budget.
30. Hillside is predicting an overspend of £110k with the Council's contribution to this being £32k. The year end forecast is based on current pressures of agency physiotherapy cover, utilities and unachieved efficiency savings.

### **Recovery Plan Actions Instigated**

31. All directorates projecting a overspend are required to submit a recovery plan.
32. The Recovery Plan actions for Integrated Commissioning include
  - review of Out of County Placements for all client groups
  - savings in transferring clients into supported living
  - contracts review – including a major review of the Shaw contract - voids and maximising value from all contracts and clawback from under performance
  - review of in-house services to improve efficiency, including review of STARRS
  - review of daycare services
  - Implementing a new charging policy, potentially instigating new and increased charges
  - introduction of the Electronic Monitoring System – reducing inefficiencies within payments to suppliers in line with actual hours delivered

### **Other Risks**

33. Independent Living funding (ILF) criteria has changed in 2010/11. It has been announced that no new applications will be accepted in order to protect those already receiving funding. The impact is likely to be around £20k per year.

34. The grant budget assumed a 6% cut in the ABG (approx impact £200k) which has been re-allocated by the Partnership. The recently announced cut in ABG amounts to £1.158m for the council as a whole. The impact of this reduction is currently being assessed.
35. Demographics. The budget assumes that the number of people over 65 will increase by 18% over the next 5 years. Mental Health and Physical disabilities following a trend of 4% rise in the number of clients. There is a risk that this is exceeded.
36. Transitions from Children's Services involving expensive packages transferred (estimated to be £279k). The budget assumes a savings target of 30% due to the redesign of care.

## CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE (CYPD)

£'000	Annual Budget	Under / (Over) Spend
Improvement & Inclusion	4,895	(154)
Safeguarding and Assessment	12,240	(117)
Planning, Performance & Development (PP&D)	6,932	265
Community Operations	301	205
Central Directorate	(252)	(702)
<b>Total</b>	<b>24,116</b>	<b>(503)</b>

### Overview

37. The original budget has been updated to reflect the recently confirmed budget virement of £450k for additional funds to support growth in residential and agency placements.
38. To reach a balanced budget position for 2010/11 the Children's Services budget included a 5% vacancy management target of £493k and a savings target of £857k. Current indications are that the directorate is on track to achieve the vacancy management target. To date other savings have been identified totalling £700k.
39. However, in year pressures totalling £646k have been highlighted, £143k of the identified savings will help to offset the pressures but there remains a forecast over-spend of £503k. Further work is ongoing in terms of identifying savings for example through the development of income generation and the restructure which may deliver some savings in year dependent.

### Major Budget Exceptions

40. The principal pressures included in the forecast are:
  - Complex Additional Needs (JAM) £300k – increasing numbers of placements (this has an equivalent impact on Dedicated Schools Grant (DSG)). Numbers of children have been increasing over recent years whilst the budget has not increased.
  - Costs of interim director / recruitment of new director £90k
  - Safeguarding pressures include costs for adoption agency (£50k) for two difficult to place children, additional specific family support (£52k) and £70k of redundancy costs.
  - Herefordshire share of redundancy costs from the transfer of student finance services from Worcestershire to the Student Loan Company equating to £27k.
  - Additional HR support costs required to deliver the restructure (£35k).

### Recovery Plan Actions Instigated

41. Following the restructure review senior managers were tasked with identifying 10% in year savings. These proposals have been independently reviewed by Financial Services to confirm the validity and timing of the savings and incorporated into an action plan that has been shared with the Director of Resources. The outcomes from this form the basis of the savings to cover the unidentified 5% target saving built into the base budget.

## Other Risks

42. Redundancies (Central) – Other than the Safeguarding redundancy costs the forecast does not include any estimate of the cost of potential redundancies arising from the restructuring as all efforts will be made to minimise the impacts through a combination of natural wastage, matching “at risk” staff to similar posts etc.
43. Looked After Children – there is huge volatility in the numbers of children being brought in to be looked after, for example recently in a single week 12 children had to be placed in emergency agency placements and whilst 5 of the children were returned to their families very quickly 7 of these children remain in placements. As the projected end dates for these placements are still being confirmed the costs are not yet factored into the forecast.
44. Severances – schools redundancy costs for 09/10 were approximately £200k above the original budget, but the over-spend was covered by reserves. As it cannot be quantified at the present time the extent of the spend for 2010/11 the forecast is held at the original 09/10 budget figure. Estimates will be available in February on the predicted spend for 2010/11.
45. Delivery of identified savings – some of the savings identified include the removal of posts or cancellation of contracts. For the savings to be achieved the notice must be given on the contracts and the restructure must be actioned if savings are to be achieved in Q4 as predicted.

## Grants

46. ABG - The Department for Education (DfE) has cut £934k from the area based grant for Herefordshire for 2010/11, this equates to approximately 25% of the annual budget. Further work is underway to determine how the savings will be achieved across the Partnership.
47. Other Grants - The Think Family grant has been unringfenced which has enabled the funds to be utilised more widely and contribute to in year savings.
48. DSG– The Department for Education (DfE) has confirmed the Dedicated Schools Grant for 2010/11 (based on pupil numbers of 22,564) at a total £90.304m. This is £10k more than the planning assumptions used to set school budgets. Recoupment of grant for the Hereford Academy is estimated at £2.987m although this has yet to be confirmed by the DfE.

## Schools

49. In addition to the JAM cost pressures mentioned above, the revaluation of school business rates (after school budgets had been issued) has resulted in increased costs of £198k. The DSG 2009/10 under-spend of £128k has been allocated to meet the increased costs for Pupil Referral Units introducing the minimum 25 hour tuition from September 2010. All of these additional costs are expected to feed through into 2011/12 and given the expected reduced DSG settlement in the autumn, difficult budget decisions will be necessary.

## Academies

50. The government has offered the opportunity for outstanding schools to opt into the academies programme. If schools follow this path there will be a financial impact on both the DSG and the local authority budget. It is estimated that for a large high school the local authority budget will be top sliced by between £250k and £300k and DSG reduced by approximately £225k for a full year.
51. The top-slice of local authority budgets is based on the budget for school improvement and strategic management and is estimated by the DfE at £270 per pupil.
52. The DSG will be reduced in-year for schools taking academy status in 2010/11 however the Local Authority (LA) budget will not be reduced until 2011/12. The DfE will be consulting authorities on the final methodology for academy recoupment in the autumn. Depending on the number of schools opting for academy status there could be a significant financial impact



on both the DSG and LA budget although this cannot be calculated accurately until the numbers of schools transferring are known. The potential impact of academies has been included in the Council's Medium Term Financial Strategy so that the potential cost is recognised in the budget process.

53. Currently one school is going through the formal process to become an academy – it is likely that John Kyrle High School will achieve academy status from 1<sup>st</sup> January 2011.

## DEPUTY CHIEF EXECUTIVE DIRECTORATE

£'000	Annual Budget	Under / (Over)
		<b>Forecast</b>
Legal & Democratic Services	3,009	(350)
Communications	362	0
Director and Administration	202	0
Policy & Performance	707	0
Herefordshire Partnership	246	0
Customer Services	1,537	0
ICT	6,098	100
Corporate Programmes	(5)	0
Human Resources	1,517	100
Shared Services / Connects	(45)	0
	<b>13,628</b>	<b>(150)</b>

### Major Budget Exceptions

54. There are two major pressures affecting the Legal budget:
- Local Land Charges is to become a FOI requirement; the service will not longer be able to charge for Personal Searches. An initial estimate suggests this will reduce the income achievable by £200k.
  - The cost of interim posts for the first half of 2010-11 for Legal and Democratic Services is likely to be £130k, additional agency staff are also being used within the service expected to cost 33k above budget.

### Recovery Plan Actions Instigated

55. The recruitment of permanent staff is underway to remove the use of interim posts. A review of Coroners Services should result in a reduction to costs, and the consolidation of Registrar Services will also create administration savings.
56. Long term sickness is being closely monitored to reduce the impact to the service. Corporate Programmes are also reviewing the services that are chargeable to maximise income without increasing charge out rates.

### Major Virements Completed

57. The budget virements completed in 2009-10 for the Herefordshire Connects savings target of £700k have been rolled into 2010-11 for those savings identified on a recurrent basis. Connects savings were transferred from Sustainable Communities of £66k for P+ savings. Additionally Connects savings of £25k were transferred for savings in relation to the Civica system.
58. The Community Network savings for 2010/11 of £65,940 have been transferred from ICT to Central Services Corporate Management.
59. Procurement budget of £174,620 will transfer from Resources to the Deputy Chief Executive from the 1<sup>st</sup> August 2010, to mirror the management arrangements.

## **Other Risks**

60. An impact assessment is currently underway covering changes to land charges income
61. ABG and Grant funding cuts will affect Corporate Training's ability to deliver the Adult Social Care training programme. The service currently receives 70% (£470k) of its funding from ABG. The Grant cuts will also affect the programme of work delivered by Diversity and Herefordshire Partnership.

## SUSTAINABLE COMMUNITIES

£'000	Annual Budget	Under / (Over) Forecast
Highways, Transport & Community Services	12,458	(125)
Environment, Planning & Waste	13,644	0
Homes & Communities	2,595	0
Economy & Culture	5,019	0
Directorate Management & Support	524	0
	<b>34,240</b>	<b>(125)</b>

### Major Budget Exceptions

62. Based on the income received to the end of July 2010, parking ticket income is 3% lower than the same period in 2009. The charges have not been increased for inflation and both these factors produce a shortfall of £170k against the budget. Income from Penalty charge notices will be below target by £60k.
63. Vacancy management savings of £105k have been identified mainly in the Countryside and Public Rights of Way teams and will be vired to reduce the Parking income budget.
64. It was previously reported that the Markets budget was under pressure in relation to a shortfall of rental income on the Hereford Butter Market of £90k, this has now reduced to a shortfall of £45k due to additional income received from Street Trading and the Hereford Open Retail Market. Income from Crematorium Fees has exceeded budget to date and this is expected to mitigate the overspend in Markets for the year.
65. The latest forecasts for Development Control income indicates a shortfall of £50k whilst Building Control indicates that income will come in on or near to budget. Due to the unpredictability of these income streams they will be closely monitored during the coming months and mitigation plans sought if the situation remains or deteriorates further. The current shortfall can be met from the receipt of the planning delivery grant.
66. The IDOX contract cost of document scanning in planning is now expected to continue throughout the current financial year at a cost of approximately £65k. This cost will be managed within existing budgets, but is not sustainable beyond this financial year.
67. The latest forecasts for public transport route subsidies indicate an over spend of £63k but this will be managed within existing budgets due in the main to staff vacancy savings.

### Recovery Plan Actions Instigated

68. The total savings target for this Directorate is £1.68m and following the disaggregation of the Environment and Culture Directorate savings have been identified across the services within this process. These will be closely monitored throughout the year.
69. Libraries have identified savings in relation to staffing levels and library opening hours to address the previously forecast overspend of £85k, this will be closely monitored throughout the year.

### Major Virements Completed

70. Connects savings were transferred from Sustainable Communities of £66k for P+ savings.

71. A saving of £196k was achieved through the Organisational Restructure and is being held centrally.

**Other Risks**

72. The Transportation route subsidies rely heavily on the Area Based Grant so any reduction in this grant will cause further overspending if current contracts are maintained. It is however possible to end contracts and reduce costs accordingly but these will incur the payment of a financial penalty, dependant upon the individual contracts.
73. Community Safety staffing and Safer Roads Partnership funding is also reliant upon Area Based Grant funding so any significant loss of this funding could result in potential redundancies and reduced support to partners.

## PUBLIC HEALTH

<b>£'000</b>	<b>Annual Budget</b>	<b>Under / (Over) Forecast</b>
Environmental Health & Trading Standards	1,968	0
Emergency Planning	152	(35)
Public Health Support Team	16	0
	<b>2,136</b>	<b>(35)</b>

### Major Budget Exceptions

74. In the development of the Joint Emergency Planning Unit, staffing costs for the Emergency Planning team are expected to exceed budget by £35k.

### Recovery Plan Actions Instigated

75. Whilst additional contributions are being negotiated with the Primary Care Trust and Hereford Hospital Trust which will mitigate the pressure on Emergency Planning budgets, this has not yet been agreed.
76. Annual savings of £189k have been identified through expected vacancy management savings.

### Major Virements Completed

77. Connects savings of £25k were transferred for savings in relation to the Civica system.

## CENTRAL SERVICES BUDGETS

£000's	Annual Budget	Under / (Over)
		<b>Forecast</b>
PST Chief Executive	393	0
Director of Public Health	296	0
Director of Clinical Leadership & Quality	55	0
Chairman's Fund	12	0
Lord Lieutenancy	10	0
Levies	208	0
Corporate Management	1,127	0
Pension Related Costs	591	0
Corporate Subscriptions	222	0
	<b>2,914</b>	<b>0</b>

### Major Budget Exceptions

78. There are no expected variations from Budget. The Organisational and Development budget has been fully drawn down, both the PCT and the Council will need to make new contributions towards any costs incurred in the year.

### Major Virements Completed

79. The Community Network savings for 2010/11 of £65,940 have been transferred from ICT and are now held centrally. Similarly the Environment directorate transferred £198,000 for the Director post that has been removed from the establishment.

## RESOURCES DIRECTORATE

£'000	Annual Budget	Under / (Over) Forecast
Asset Management & Property Services	3,139	0
Financial Services	1,952	0
Audit Services	426	0
Benefits and Exchequer Services	1,512	400
Central Budgets	181	(60)
<b>Total</b>	<b>7,210</b>	<b>340</b>

### Current Position

80. Overall the Directorate is predicted to underspend by £340k. Historically the authority has received higher benefits subsidy than the actual costs of payments to claimants. Latest estimates show this continuing in the current year with an anticipated surplus of £400k which more than offsets unavoidable overspends in the central budget.

### Major Budget Exceptions

81. Within Benefits and Exchequer there are some anticipated cost overspends including £23k for archiving costs, court and bailiff costs of £15k, ICT software £12k and agency staff covering staff diverted to Aggresso implementation.
82. The central budget is expected to overspend by £60k due to consultancy and additional staff time for the change management process.
83. In Financial Services overall employment costs are about £12k below budget but these will mitigate software overspends on maintaining the Cedar ledger. Income from schools SLAs is £28k more than anticipated.
84. Unbudgeted supplementary rent has continued to be received in respect of Maylord Orchards with some £54k having been received to date.

### Recovery Plan Actions Instigated

85. Staff vacancies are being actively managed within Benefits and Exchequer to offset costs pressures identified above.
86. Staffing reductions in audit are due to be implemented at the end of July.

### Major Virements Completed

87. The budget has been increased by £70k to cover the costs of extended reception opening times.

### Other Risks

88. Charges to the Court Service for Shire Hall are still to be agreed with the Home Office. An income of £80k was accrued for 2009/10. If any items are disputed or agreed as ineligible this will impact on the current year.
89. A relatively high proportion of the property maintenance budget is spent on responsive maintenance which is necessarily difficult to predict.
90. Any unpredicted increases in benefits claims may affect Revenues and Benefits.