

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

1. The following table summarises the 2010-11 projected outturn based on the financial position as at 30th September 2010.

<b>£'000</b>	<b>Budget</b>	<b>Projected (over) or under spend</b>
Integrated Commissioning	40,516	(3,814)
Children & Young People	24,483	(1,081)
Deputy Chief Executive	13,726	0
Sustainable Communities	34,197	0
Public Health	2,136	(20)
Central Services	2,899	0
Resources	7,022	521
<b>Directorate Position</b>	<b>124,979</b>	<b>(4,394)</b>
Borrowing and investments	15,380	1,030
Revenue contribution to capital	320	500
Centrally held budget	995	0
WMS Profit Share	(546)	156
Transfer to/from Reserves	1,716	300
<b>Total</b>	<b><u>142,844</u></b>	<b><u>(2,408)</u></b>

2. The overall revenue budget position for 2010-11 shows a projected £2.4m overspend. This is approximately 1.75% 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.
3. The most significant overspend relates to Integrated Commissioning, the overspend in part has carried over from last year, but activity levels continue to increase. Other service deficits are being mitigated by the recovery plans. It is clear that the Integrated commissioning position is a key financial risk.
4. In addition to the revenue overview, a capital monitoring summary is provided at Appendix B. The forecast outturn spend is £74.7m.
5. Appendix C provides a Treasury Management update and explains an expected underspend of £990k on borrowing costs. This is in part due to a programme of loan rescheduling that replaces higher cost loans with new borrowing at lower rates than budgeted.
6. Throughout the report reference is made to virements that have been actioned across the services.

## Recovery Plan

7. As a result of the projected overspend the Chief Executive has required that council directorates meet additional savings targets. The targets are supported by the stop on discretionary spend. The combination of targets plus additional central financing activity will deliver a balanced budget if directorates take the necessary action.
8. The analysis of the prior year's spending profile indicates that spending targets for the months leading up to the end of the financial year will also help control expenditure. These targets are being put together by Financial Services for agreement with directorates.

## Reserves Update

9. The general reserve balance as at 1st April 2010 is £6.4m. The council held the following earmarked reserves of £14.2 million at 31st 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

	<b>31.03.09</b>	<b>Transfer to/(from)</b>	<b>31.3.10</b>
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>

## INTEGRATED COMMISSIONING DIRECTORATE

£'000	Annual Budget	Under / (Over) spend
Learning Disabilities	11,612	(1,607)
Mental Health	7,407	(917)
Older People	13,190	(2,016)
Physical Disabilities / Sensory Impairment	3,896	(1,293)
Section 75 Arrangements	936	(69)
Commissioning Directorate	1,620	0
Other Services	1,855	2,088
<b>Total</b>	<b>40,516</b>	<b>(3,814)</b>

### Overview

10. 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 only recently been given to providers. This gives a realistic target to the service areas, but clearly demonstrates the deficit starting position that has to be recovered.
11. The forecast is a net overspend of £3.8m. This is based on existing commitments projected forward in combination with realistic assumptions about the recovery measures of £2m.
12. The annual budget now includes virements of £2.2m transferred from central services.

### Major Budget Exceptions

13. Learning Disabilities - Total predicted over spend is £1,607k.
14. The full year anticipated over spend relates to increased costs in:
  - Residential/ Nursing. The Budget for residential and nursing care includes increases in the cost of packages for more complex needs. There was an overspend in 2009/10 of £1m at year end, thus this is included in the budget assumptions for 2010/11 along with the assumption that there will be 1 additional package previously funded by Children's Services. During September there were 2 high value packages approved costing £192k for the remainder of the year.
  - Domiciliary Care packages have increased year to date and resulted in an increase to the forecast.
  - Personal Budgets are proving to be a greater than anticipated pressure and predicted to overspend by £145k. The budget included the assumption for in year increases of 15% to 61 packages from 53 at the start of the year. The number has already reached 73, with six months remaining. Direct Payment packages are costing less than anticipated year to date with surpluses being refunded to the Council.
15. Mental Health - Anticipated over spend of £917k.
  - The projected outturn for the year within residential and nursing has increased by £105k

due to the increased use of respite care. The full year impact of the increase in standard rates for residential homes has the effect of £327k. The budget assumed a reduction in the number of clients by 33 for the full year and by 23 year to date. However the number of clients has only reduced by nine.

- There has been an increase in domiciliary care packages. There are five new 'action4housing' packages where clients require high levels of intensive care. These are averaging £1,500 per week. The impact of these is £202k for the year. Additional packages are anticipated to increase spend by a further £61k.
- 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.

16. Older People - Total predicted over spend £2,016k.

- Residential and nursing care packages continue to rise along with more expensive package requirements. Last financial year resulted in an over spend of £221k. It is anticipated that due to demographics the number of older people requiring care will rise and built into the budget is a 3% increase in the number of packages. At the start of year there were 242 packages, this rose to 255 in July and is currently 254 packages. Predicted over spend in addition to the brought forward deficit is £160k.
- Domiciliary care was over spent by £1m last financial year. The current budget assumes a 5% rise on the actual spend last year. Year to date there is an overspend on the budgeted figure of £161k. The predicted outturn has been increased to reflect this giving a rise of £391k.
- The number of Personal Budgets for older people is only slightly higher than last year.

17. Physical Disabilities Full year forecast over spend of £1,293k.

- The budget for 2010/11 assumes that the number of packages reduces by three during the year. At the end of August 1 package had been lost, saving £19k and during September one client moved to a Personal Budget.
- Domiciliary Care over spent in 2009/10 by £108k. The full year projection for 2010/11 is based on year to date activity and an over spend of £389k is predicted.
- In 2009/10 there was an overspend of £562k on personal budgets. 2010/11 budget assumed there would be a rise by a further 26 during the year. Year to date this has increased by 12 and the projected outturn has thus been reduced by £70k.

18. Section 75 agreements. Total predicted over spend is £69k.

- There is an anticipated over spend within the Community Equipment Store of £141k. This will be met 50:50 with the PCT and is due to the high demand for (in particular) specialist equipment.

19. Hillside is predicting an overspend of £114k with the Council's contribution to this being £33k. The year end forecast is based on current pressures of agency, physiotherapy cover, utilities and unachieved efficiency savings

### **Recovery Plan**

20. All directorates projecting a overspend are required to submit a recovery plan. The Recovery Plan actions for Integrated Commissioning are now being developed into business cases and

implemented where possible, they include

- review of all legacy homecare and residential packages
- review of Out of County Placements for all client groups
- increase reablement on hospital discharge
- higher use of Telecare
- decommissioning of Norfolk House
- 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 and Rose gardens
- 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

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

£'000	Annual Budget	Under / (Over) Spend
Improvement & Inclusion	4,895	(126)
Safeguarding and Assessment	12,181	(913)
Planning, Performance & Development (PP&D)	6,932	488
Community Operations	301	145
Central Directorate	174	(675)
<b>Total</b>	<b>24,483</b>	<b>(1,081)</b>

### Key Points Summary

21. The overall forecast shows a net over spend of £1,081k. Recent pressures on external placements and placements for children with complex needs comprise £1,022k of the total over-spend, £722k and £300k respectively. In both cases this is due to additional cases coming through the system.
22. Other savings across the directorate have delivered the planned saving of £857k as well as the 5% saving included in the local authority budget for vacancy management, £493k.
23. The number of looked after children showed a significant increase over the summer period with increased numbers of children being placed with agency foster carers up from 28 at the end of July to 37 at the end of August. Since then the numbers have continued to rise significantly with numbers as at 12th October being 14 in residential placements and 45 in agency foster placements.
24. The numbers also increase budget pressures on staffing costs and court costs. Case loads per social worker are currently increasing.
25. In addition to the pressures on placements for looked after children there are staffing pressures particularly within the referral and assessment team. Additional agency social workers have been brought in to provide cover for vacancies and also to provide additional experience to support the high number of newly qualified social workers. Due to a national shortage of social workers hourly rates are increasing and the cost per hour is at least 50% more than employing own staff. This has resulted in increased staff costs within the Safeguarding area.
26. Case numbers for both Child Protection, 190 and Looked After Children, 205 are very high and CYPD indicate that these have to be allocated to social workers with at least four years post qualification experience. As there are currently only nine permanent staff meeting this criteria there has been a need to bring in experienced agency social workers. Actions are underway to resolve these issues.
27. Complex Needs cases also continue to increase reflecting national trends encompassing Safeguarding, special educational needs and health issues. The average annual cost per case is approximately £160k per annum although some cases can cost considerably more.

### Savings Identified to Date

28. Savings have been identified across the directorate through a combination of vacancy management (pending restructure), minimising non essential spend, contract re-negotiation

and route rationalisation on schools transport. Savings are also being targeted on all available grants and used to offset local authority spend wherever possible.

29. Within Improvement and Inclusion the School Improvement team has found vacancy savings of £32k plus £65k to offset versus grants. Early years and additional needs team costs have been charged to grants.
30. The Safeguarding vulnerable children service has identified savings within the other looked after children and fostering team primarily due to court costs and post 16 provision, children with disabilities and Family Assessment from contract savings and special guardianship.
31. PP&D savings have been driven through a combination of vacancy management (which has absorbed the cost of the withdrawal of the contact point grant and delivered additional savings of approximately £125k plus savings on schools transport totalling £355k. These comprise route review £107k, revision of year end estimate of year end accrual £58k (one off benefit), historical income performance £106k, increases in season ticket charges denominational £16k, and additional college students £7k.
32. Savings of approximately £100k have been included as an estimate of the quarter 4 savings to be made following completion of the staff restructure.

## **ACTIONS**

33. Action is underway to identify alternative ways of sourcing the additional social workers required to minimise the financial impact, focusing on negotiations with Pertemps and recruiting experienced staff. A recruitment event is being planned and will be targeted to attract more experienced social workers.
34. Reviews of current placements will be undertaken to ensure that children are returned home from placements as soon as it is appropriate to do so.
35. The forecasts already reflect actions being taken to reduce contract costs across the directorate.
36. Herefordshire is actively recruiting new foster carers with 4 attending the November fostering assessment panel with a further 3 scheduled for December.
37. Actions to develop a more integrated approach to commissioning placements for both looked after children and complex needs cases are being explored by the Integrated Children's Commissioning Group.
38. Options for income generation are being developed and additional savings will be driven out through continued tight financial controls over non essential expenditure.

## **Other Key Financial Information**

39. It has now been confirmed that Wigmore is likely to apply for academy status this is in addition to John Kyrle. It is currently estimated that the financial effect would be £300k in DSG funding and £400k on local authority budgets (from April 2011). An early estimate is that potentially up to 50% of the shortfall could be recovered by charging for services but that the remainder could not be absorbed by CYPD. However the details of which services will be top-sliced has still to be confirmed by the Department for Education and the implications worked through in detail with the affected service areas.



## DEPUTY CHIEF EXECUTIVE DIRECTORATE

£'000	Annual Budget	Under / (Over) Forecast
Legal & Democratic Services	3,024	(200)
Communications	372	0
Director and Administration	202	0
Policy & Performance	707	0
Herefordshire Partnership	246	0
Customer Services	1,547	0
ICT	6,111	100
Human Resources	1,517	100
	<b>13,726</b>	<b>(0)</b>

### Major Budget Exceptions

40. 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. The impact to income is estimated at £70k.
  - The cost of interim posts for the first half of 2010/11 for Legal and Democratic Services is likely to be £30k, additional agency staff are also being used within the service expected to cost £100k above budget.

### Recovery Plan Actions Instigated

41. 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.

### Other Risks

42. An impact assessment is currently underway covering changes to land charges income
43. 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	(48)
Environment, Planning & Waste	13,563	0
Homes & Communities	2,632	0
Economy & Culture	5,019	0
Directorate Management & Support	524	48
	<b>34,197</b>	<b>0</b>

### Major Budget Exceptions

44. Following the virement to reduce the income budget the shortfall on Parking income has reduced to £65k. Income from the sales of Car Park tickets to the end of September 2010, continues to be 3% lower than the same period in 2009. The charges have not been increased for inflation and both these factors produce the shortfall against the budget. Income from penalty charge notices will be below target by £60k.
45. Vacancy management savings of £105k previously identified were vired to reduce the income budget in Parking.
46. Further savings have been identified within Highways, Transport and Community Services to assist in managing the remaining pressure in Parking. These relate to ceasing Security Patrols in Car Parks, reducing, equipment maintenance and licence fee reductions along with further vacancy savings within the service.
47. Both Building and Development Control have exceeded their budgeted income targets at this point in the year; Building Control by £77k and Development Control by 99k.
48. The latest estimates from Worcestershire County Council (WCC) of waste disposal contract costs project an overspend of £420k against the current budget but this will largely be mitigated by an unrealised provision made in 2009/10. This provision reflected the risk that waste growth between Herefordshire and Worcestershire would vary by more than 1% to the detriment of Herefordshire. The final position for 2009/10 was an increase of 0.94% for Herefordshire so the additional 1% increase in contract costs was not triggered. If required the Waste Disposal reserve will be used.
49. The outturn estimates from WCC is based on an increased share of 1% as waste growth at the end of August triggering the 1% variance. The current increase in waste growth at the end of August is 1.6% and reflects the additional waste being managed within the joint contract as a result of extending the recycling service.
50. Although trade waste income budget was initially increased by £70k as part of the 2010/11 savings target, this is now not expected to be achieved – since 1<sup>st</sup> April 2010, 85 contracts have been cancelled and these are mainly due to lower prices and recycling with other companies. This shortfall is mitigated by the reduced costs of the collection contract, some of which are directly related to the reduced volume of trade waste contracts.
51. After accounting for the savings made from the introduction of performance plus a net saving of £48k is forecast for directorate support. This comes from staff vacancy savings.

## **Other Risks**

52. 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.
53. 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	(20)
Public Health Support Team	16	0
	<b>2,136</b>	<b>(20)</b>

### Major Budget Exceptions

54. In the development of the Joint Emergency Planning Unit, staffing costs for the Emergency Planning team are expected to exceed budget by £20k.

### Recovery Plan Actions Instigated

55. 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.
56. Annual savings of £189k have been identified through expected vacancy management savings.

## CENTRAL SERVICES BUDGETS

£000's	Annual Budget	Under / (Over) Forecast
Chief Executive	393	0
Director of Public Health	296	0
Director of Clinical Leadership & Quality	55	0
Other Central	1,028	0
Corporate Management	1,127	0
	<b>2,899</b>	<b>0</b>

### Major Budget Exceptions

57. There are no expected variations from Budget.

### Major Virements Completed

58. A Budget provision has been made for the Monitoring Officer Duties in Legal and Democratic Services of £15k.

## RESOURCES DIRECTORATE

£'000	Annual Budget	Under / (Over) Forecast
Asset Management & Property Services	3,139	150
Financial Services	1,759	87
Audit Services	426	11
Benefits and Exchequer Services	1,516	358
Central Budgets	181	(84)
<b>Total</b>	<b>7,021</b>	<b>521</b>

### Current Position

59. Overall the Directorate is predicted to underspend by £521k.
60. Historically the authority has received higher benefits subsidy than the actual costs of payments to claimants. This is due to efficiencies that attract higher subsidy. Latest estimates show this continuing in the current year with an anticipated surplus of £315k which more than offsets unavoidable overspends in the central budget.

### Major Budget Exceptions

61. Asset management and property services include a predicted surplus on retail properties which exceeds budget by £143k mainly due to supplementary rental income from Maylord Orchards.
62. Some £40k of the predicted underspend in financial services is an amount currently unallocated but which may be required for property valuation work necessary in implementing International Financial Reporting Standards. Employment costs are likely to be £23k below the budgeted level. Total income from schools finance is expected to be £18k better than budgeted.
63. Staffing is the main area of underspending within audit.
64. In benefits and exchequer potential overspends on archiving, software and bailiff costs are being offset by holding staff vacancies.
65. The overspend within central budgets relates to project management costs.