

REVENUE BUDGET MONITORING
Summary

1. The following table summarises the 2010/11 projected outturn based on the financial position as at 31st December 2010.

£'000	Budget	Projected (over) or under spend
Integrated Commissioning	46,496	(3,814)
Children & Young People	26,138	(665)
Deputy Chief Executive	14,168	180
Sustainable Communities	35,613	(992)
Public Health	2,135	0
Central Services	2,834	0
Resources	7,014	605
Directorate Position	134,398	(4,686)
Borrowing and investments	15,131	1,140
Revenue contribution to capital	460	500
Centrally held budget	995	0
WMS Profit Share	(624)	78
Transfer to/from Reserves	1,332	800
Total	<u>142,844</u>	<u>(2,168)</u>

2. The overall revenue budget position for 2010/11 shows a projected £2.2m overspend. This is approximately 1.5% of the council's £143m 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 continues to relate to Integrated Commissioning. The overspend has in part been carried over from last year, but activity levels continue to increase. Other service deficits are being mitigated by the recovery plans, although the winter weather has seen a dramatic increase in costs since the last forecast.
4. The availability of additional government funding distributed to NHH is being investigated. There is potentially over £800k to support Social Care, to be used in 2010/11. It is clear that the Integrated Commissioning position is a key financial risk.
5. There may be the opportunity to capitalise redundancy costs, if the expected cost exceeds £695k in the current year. The approach to pay back the capitalisation will be considered within the submission to Department of Community and Local Government, with a rapid turnaround for approval. The £500k redundancy reserve would be expected to fund most costs; but the opportunity to capitalise would allow this reserve to contribute towards the forecast deficit.

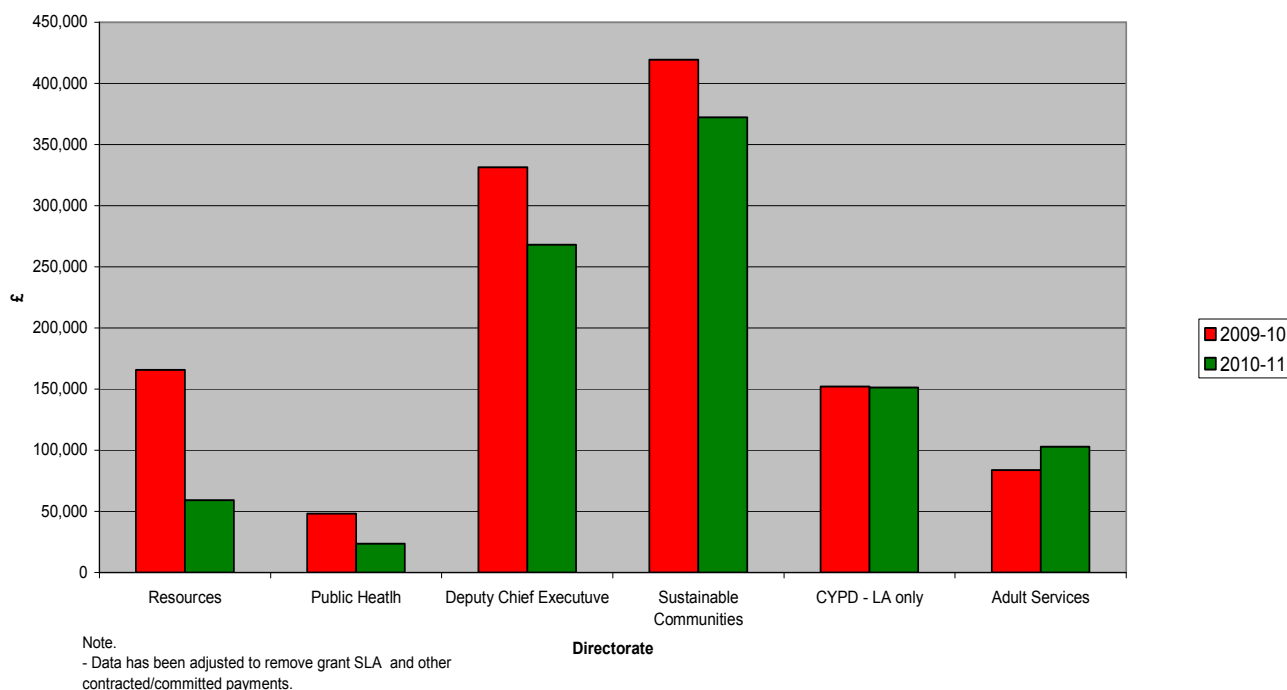
Further information on the subject of this report is available from
Anne Phillips Head of Financial Services on 01432 383173

6. In addition to the revenue overview, a capital monitoring summary is provided at Appendix B. The forecast outturn spend is £69.7m.
7. Appendix C provides a Treasury Management update and explains an expected underspend in the region of £1.04m to £1.09m on borrowing costs. This is in part due to a proactive programme of loan rescheduling that replaces higher cost loans with new borrowing at lower rates than budgeted.
8. Throughout the report reference is made to virements that have been actioned across the services. In particular it is now assumed that the winter maintenance reserve of £500k will be utilised in the coming weeks. Its replenishment is required as part of future financial planning.

Recovery Plan

9. As a result of the projected overspend, directorates must reduce spend on discretionary services, alongside vacancy management. The graph below for December 2010 demonstrates the comparative spend against the previous year (excluding schools). The data shows a significant reduction for December (19%); for November a 10% reduction was seen. The analysis focuses on the overall supplies and services spend category where managers have the capacity to reduce expenditure.

Comparison of supplies & services discretionary expenditure for December



Reserves Update

11. The general reserve balance as at 1st April 2010 was £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	0	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	0	869
Economic Development	346	(80)	266
Herefordshire Safeguarding Children Board	21	0	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
	16,064	(1,828)	14,236

INTEGRATED COMMISSIONING DIRECTORATE

£'000	Annual Budget	Under / (Over) spend
Learning Disabilities	12,370	(443)
Mental Health	7,442	(952)
Older People	13,469	(1,498)
Physical Disabilities / Sensory Impairment	4,659	(926)
Section 75 Arrangements	936	(22)
Commissioning Directorate	1,620	0
Other Services	6,000	27
Total	46,496	(3,814)

Overview

12. 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.
13. The forecast is a net overspend of £3.8m. This is based on existing commitments projected forward in combination with a realistic forecast of the remaining recovery measures of £0.9m.
14. The cost improvement plan shows delivery of £1.1m of recovery action achieved year to date leaving a further £0.9m to be delivered by 31st March 2011 to enable achievement of £2m recovery action. It is assumed the £2m will be realised. Business cases are being prepared for the remainder of the schemes including invest to save bids. The Directorate is also adhering to the Chief Executive's 'freeze on all discretionary spend' which is being monitored and reported to officers in the directorate.
15. There is potentially over £800k government funding to support Social Care, to be used in 2010/11. As yet the figures below have not been factored into the forecast. Further funding for 2011-12 has also been published.
 - £291k - To work with local authorities to develop local re-ablement capacity, according to local plans submitted to SHAs in December 2010
 - £592k - Funding must be transferred to local authorities, to spend on social care services, which also benefits health. PCTs and local authorities should jointly agree how the funding should be spent and the outcomes to be achieved
16. The Area Based Grant of £2,415k has been received to match year to date expenditure.

Major Budget Exceptions

17. Learning Disabilities - Forecast over spend £443k.
18. 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 where there are 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 along with the assumption that there will be 1 additional package from CYPD. There were 2 high value packages approved costing £192k and 3 smaller packages totalling £46k. The full year projection is now predicting an overspend of £74k.

- Domiciliary Care packages have increased year to date and resulted in an increase to the forecast.
- Personal Budgets and direct payment are predicted to under spend by £134k. The number of packages is currently 78, 19 above budget. More than anticipated Supporting People (SP) Grant money has been transferred £229k and is included in the income projection aiding the underspend 3 Direct Payment packages have been transferred to Personal Budgets and have created a saving with the Direct Payments budget. The extra packages anticipate additional costs of £192k, but there have also been surpluses refunded, £17k year to date.

19. Mental Health - Forecast over spend £952k.

- The full year impact of the increase in standard rates for residential homes has the effect of £327k within Mental Health. The payments were backdated to the 1st April 2010, affecting the projected outturn.
- The projected outturn for the year within residential and nursing has been increased by £177k due to the increase in respite. The budget assumed a reduction in the number of clients, 29 year to date, based on previous year trends. The number of clients up until September had reduced by 14 to 195 but has recently increased to 208, thus the forecast has been adjusted to reflect this £272k. Some client contributions have been increased after assessments, amounting to extra income of £12k.
- There has been an increase in domiciliary care packages. The intensive 'action4housing' packages are projected to have an impact of £202k for the year. Additional packages are anticipated to increase spend by a further £61k.
- It was assumed when the original Budget was set, that Personal Budgets would increase by 12 during 2010/11. There has actually been no change and the number remains at 7, thus the forecast has been reduced by £68k to take account of the lack of growth. Direct Payments have increased by 6, which has increased the overspend forecast by £35k.
- The cost of agency staff has increased due to the increase in workload relating to the number of safeguarding cases. Anticipated impact of £43k if agency costs continues for the full year.

20. Older People - Forecast over spend £1,498k.

- 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 258 packages. Predicted over spend in addition to the brought forward deficit is £347k.
- 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 £210k. The predicted outturn has been increased to reflect this giving a rise of £452k.
- The number of Personal budgets was expected to grow in order to achieve NI130

(supporting clients to live at home with a personal budget). The budget includes growth of 84 packages during the year. 3 new packages have been approved year to date and the forecast has been reduced by £726k to reflect this.

21. Physical Disabilities Forecast over spend £926k.

- The budget for 2010/11 assumes that the number of care packages reduces by 3. Year to date 2 packages have ended. The actual activity is slightly behind budget increasing the projection by £31k.
- 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 £392k 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 15 and the projected outturn has thus been reduced by £90k.

22. Section 75 agreements. Forecast overspend £22k.

23. There is an anticipated over spend within the Community Equipment Store of £101k. This will be met 50:50 with the PCT and is due to the high demand for (in particular) specialist equipment. We will use capital grant to mitigate the impact on council budgets

24. Hillside is predicting an overspend of £125k with the Council's contribution to this being £36k. The year end forecast is based on current pressures of agency, physiotherapy cover, utilities and unachieved efficiency savings

Recovery Plan

25. 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	4,891	16
Safeguarding and Assessment	12,257	(1,018)
Planning, Performance & Development (PP&D)	6,966	487
Community Operations	301	148
Central Directorate - ABG	28	(298)
Total	24,443	(665)

Overview

26. Although the pressures on Safeguarding continue with further increases in the number of children needing to be looked after, other savings have been identified which have helped to reduce the predicted overspend to £665k.
27. Additional savings through utilisation of current unringfenced grant funding and capitalisations are also being explored.
28. As a result of the recent settlement and cuts in grant funding for 2011/12 it is likely that a number of posts within the CYPD restructure will remain vacant (previously assumed to be filled in quarter 4) which is likely to deliver additional savings. The impact has not yet been quantified but will be included in the next report.

Major Budget Exceptions

29. The key changes reflected in the forecast are:

Central Costs

30. It is assumed that £100k of the Common Assessment Framework PCT funds can be contributed to the savings target and this is built into the central costs forecast.

Improvement & Inclusion (I&I)

31. Savings have been made within Improvement and Inclusion management as a result of agreeing to allocate 25% of Assistant Director's salary to additional savings identified in Learning Skills Council (LSC)/Connexions (ABG) and reduced forecasts for recruitment and conference expenditure. Total saving £50k.
32. Additional savings have been taken within early years Local Authority budgets by funding from the Surestart grant under spend, these comprise the nursery education officer post £20k and Homestart contract £10k.
33. In addition a proportion of the 11-19 head of service salary has also been charged against the

additional savings identified within LSC/Connexions £16k.

34. Additional income generated through the ICT Service Level Agreement (SLA) with schools has enabled a contribution of £45k towards the salary of the school improvement team IT/security advisor.

Safeguarding

35. The forecast for residential and agency foster placements has increased by £199k since October as a result of additional children being taken into care and changes/extensions in residential placements.
36. The savings have been partially offset through funding the advocacy costs through the Connexions budget and utilising additional Think Family grant savings (£76k) to offset part of the costs of the Action for Children contract (relating to intensive family support).

Schools

37. The forecast overspend on central DSG is £50k. This may be mitigated by use of underspend on Surestart Grant at year. The overspend relates to SEN banded funding and SEN complex needs, but offset by underspends on SEN support staff and early years support. SEN is a cost pressures in 2011-12.
38. Latest estimates based on expenditure to the end of December forecast 7 schools in deficit, totalling £350k.

Action Plan / Savings Update

39. The action plan has been updated with the feedback received from DLT and is circulated for information and includes the additional savings identified and included in the revised forecast.
40. Key amendments include
41. Allocating £100k of the CAF funds to the savings target.
42. Allocating £76k of additional Think Family grants to offset Action for Children contract costs
43. Using part of additional savings identified in LSC / Connexions to offset salaries costs for I&I (£41k) and costs for advocacy team (£38k)
44. Savings of £25k for conference / room hire within I&I management
45. Additional income from ICT SLA mostly funding 3rd ICT support post (£45k)

Other Developments

46. CYPD is progressing with three work streams, Looked After Children (LAC), Edge of Care and Complex Needs Solutions (CNS) to develop solutions to the increasing pressures in terms of numbers of children requiring LAC / CNS services with high costs per child. The approach focuses on reducing current contract costs, developing alternative service options (e.g. increasing numbers of own in house foster carers) and early intervention to reduce numbers coming into the system requiring high cost support.
47. Two schools became academies at the beginning of January with more schools now considering applications. As more schools move to academy status this will increase pressures on DSG funded services such as Additional Needs due to the top slice of funds.

DEPUTY CHIEF EXECUTIVE DIRECTORATE

£'000	Annual Budget	Under / (Over) Forecast
Legal & Democratic Services	3,024	(230)
Communications	372	0
Director and Administration	374	45
Policy & Performance	707	15
Herefordshire Partnership	249	15
Customer Services	1,547	0
ICT	6,181	50
Human Resources	1,612	265
Corporate Programmes	(5)	20
Total	14,061	180

Major Budget Exceptions

52. 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 management posts in Legal & Democratic Services is £50k; this is now addressed with a permanent recruitment. Locums in Legal Services are expected to cost £100k above budget; the Shared Services Structure will remove the need for Locums.

Recovery Plan Actions Instigated

53. In addition to the current under spend the Directorate is looking to achieve an additional £60k under spend across all services to contribute towards the corporate position.

Other Risks

54. An impact assessment is currently underway covering changes to land charges income

Major Virements Completed

55. The costs and the budget of £65k relating to the Licences for Ordnance Survey have been transferred from Democratic Reporting and Management in Central Services to the GIS team in the Deputy Chief Executive Directorate.
56. ABG allocation of £95k was distributed to Corporate Training, Human Resources to match costs.

SUSTAINABLE COMMUNITIES

£'000	Annual Budget	Under / (Over) Forecast
Highways, Transport & Community Services	11,577	(1,537)
Environment, Planning & Waste	13,383	170
Homes & Communities	2,859	30
Economy & Culture	7,068	0
Directorate Management & Support	460	0
Savings	266	345
Total	35,613	(992)

Major Budget Exceptions

57. There is an overspend of £1.582m in relation to Winter Maintenance; this reflects the impact of a heavy winter thus far. As at 31st December 2010, 7053 tonnes of salt had been used compared with 1800 tonnes used for the same period last year. Up to the end of December 2010 the gritting teams carried out 65 priority runs, 12 secondary ones and 11 part treatments, compared to the period up to December 2009 when there were 36 priority runs, 4 secondary runs and 4 part treatments.
58. Transportation is forecasting an under spend of £45k due to the recent bad weather resulting in reduced costs for concessionary fares.
59. The latest estimates of the joint Waste Disposal PFI contract costs for 2010/11 predicts an underspend of £170k for Herefordshire. The outturn estimate reflects a one-off Landfill Tax credit £613k, of which £113k has been received to date, and reduced costs for Energy for Waste.
60. There is an underspend of £30k in relation to staff vacancy savings in the Private Sector Housing team.
61. There is currently a saving of £345k identified by the Directorate in response to the Chief Executive's discretionary spend edict to help mitigate the council's overall budget overspend position in October. This is derived from various one off savings across the Directorate including surplus planning fee income of £155k and utilisation of Housing and Planning Delivery Grant received in previous years.

Recovery Plan Actions Instigated

62. There is a winter reserve of £500k has been assumed to be required in the overall figures on page 1, it is needed to mitigate the pressure caused by the severe winter conditions.
63. The Directorate is also adhering to the Chief Executive's 'freeze on all discretionary spend' which is being monitored and reported.

Other Risks

64. Planning income has fallen during December and based on previous years trends there is a risk that if planning income continues to fall short of budgeted target income then the service is

likely to over spend. These income targets will be closely monitored over the coming weeks and any continued deterioration reported.

Major Virements Instigated

65. There is additional budget of £1,037k in relation to the allocation of Area Based Grant funding to match costs incurred to 31st October 2010.

PUBLIC HEALTH

£'000	Annual Budget	Under / (Over) Forecast
Environmental Health & Trading Standards	1,967	0
Emergency Planning	152	0
Public Health Support Team	16	0
Total	2,135	0

Major Budget Exceptions

66. In the development of the Joint Emergency Planning Unit, staffing costs for the Emergency Planning team are expected to exceed budget by £15k however this will be met by additional contributions from the Primary Care Trust and Hereford Hospital Trust.

Recovery Plan Actions Instigated

67. Annual savings of £189k have been identified through expected vacancy management savings.
68. The Directorate is also adhering to the Chief Executive's 'freeze on all discretionary spend' which is being monitored and reported. There is an overall target of £49k savings allocated to the directorate and this is expected to be met in the coming months through additional licensing and pest control income along with the reduction in discretionary spend.

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	963	0
Corporate Management	1,127	0
Total	2,834	0

Major Budget Exceptions

69. There are no expected variations to the budget.

Major Virements Completed

70. The Costs and the Budget of £65k relating to the Licences for Ordnance Survey have been transferred from Democratic Reporting and Management in Central Services to the GIS team in the Deputy Chief Executive Directorate.

RESOURCES DIRECTORATE

£'000	Annual Budget	Under / (Over) Forecast
Asset Management & Property Services	3,137	156
Financial Services	1,759	88
Audit Services	426	10
Benefits and Exchequer Services	1,511	419
Central Budgets	181	(68)
Total	7,014	605

Current Position

71. Overall the Directorate is predicted to underspend by £605k.

Major Budget Exceptions

72. Asset management and property services underspend assumes full contribution from the NHSH in respect of office accommodation. Additional income is also expected in respect of maintenance works ongoing at learning disability establishments that were transferred in March 2010. A mitigating effect is that the recent cold weather is likely to cause an overspend on property maintenance.
73. Financial services underspend includes £40k unallocated budget which may be required for property valuation work necessary in implementing International Financial Reporting Standards. Service level income from schools buying in the finance service is £28k higher than budgeted.
74. Audit underspend results from training income and staff cost savings.
75. Historically the authority has received higher benefits subsidy than the actual costs of payments to claimants. This is due to efficiencies (low level of local authority error), 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. In benefits and exchequer potential overspends on archiving, software and bailiff costs are being offset by holding staff vacancies.
76. The overspend within central budgets relates to project management costs.