

REVENUE BUDGET MONITORING

Summary

- The following table summarises the 2010-11 projected outturn based on the financial position as at 31st March 2011.

£'000	Budget	Projected (over) or under spend
Integrated Commissioning	56,047	(4,346)
Children & Young People	46,652	(409)
Deputy Chief Executive	5,348	151
Sustainable Communities	49,057	1,274
Public Health	3,198	109
Central Services	(17,231)	(479)
Resources	3,454	1,037
Directorate Position	146,526	(2,663)
Borrowing and investments	15,450	1,557
Revenue contribution to capital	505	0
WMS Profit Share	(624)	91
Area Based Grant / LPSA	(14,348)	181
Year end adjustments including internal recharges	(13,943)	0
Transfer to/from Reserves	9,278	834
Total	142,844	0

- The Council delivered a balanced budget for 2010-11. The overall position includes the use of reserves, and paragraph 10 presents the final reserve position.
- Work continues on the range of tasks necessary to prepare the council's statutory Statement of Accounts.
- The most significant overspend relates to Integrated Commissioning. In addition to the previously reported activities linked to overspends, a change in accounting policy has required additional care expenditure be accrued in this financial year, totalling £651k. This will ensure no challenge arises from the audit process.
- The Council's efficiency programme delivered £1m from both recurrent and one off means.
- Adhering to changes in accounting practice has meant an estimation of future redundancy costs have been included as a provision in the accounts, based on those employees clearly at risk and could have an end date after 31st March. The provision totals £774k including schools.

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 £70.3m.
7. Appendix C provides a Treasury Management update and explains an expected underspend of £1.557 million on borrowing costs and interest received. This is in part due to slippage on the capital programme and loan rescheduling that replaced higher cost loans with new borrowing at lower rates than budgeted. The appendix also sets out the prudential indicators for the year which requires cabinet approval.
8. Throughout the report, reference is made to virements that have been actioned across the services. The year-end 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

9. The general reserve balance as at 31st March 2011 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 in line with the budget.

Earmarked Reserves

10. At 1st April 2010 the council held £19.3 million of earmarked reserves after adjusting for a change in accounting arrangements for unspent grants, £5.1m. In 2010/11 the council was required to adopt International Financial Reporting Standards (IFRS) which changed the accounting arrangements for unspent revenue grants, contributions and donations which would previously been held as 'receipts-in-advance'. If the grant is not used in the financial year and is able to be carried over to cover spend in future years, then it has been transferred to an earmarked reserve, provided the grant has no 'condition' attached.
11. Reserves reduced to £17.894 million as at 31st March 2011, with services instigating movements both to and from their specific reserves. This includes ring-fenced school balances reserves of £6m.
12. The table below sets out the amounts set aside in earmarked reserves to provide financing for future expenditure plans. A number of new reserves were set up:
 - Grange Court – this is a community building grant set aside for use in 2011-12.
 - The ICT reserve is to provide Agile Working, to meet the Corporate Strategy and support the business as it moves towards a citizen centric form of delivery with more flexibility around where officers work. This reserve is also to fund the Customer Organisation, using systems to re-engineer the front and back office roles centred around the customer.
 - The Members reserve has been set up to support the training and technical support requirements of the newly elected members.

Reserves

	31 Mar 2010	31 Mar 2011
	£000	£000
Balances held by schools under a scheme of delegation	5,497	6,002
Grange Court	0	41
Commuted sums	78	36
Industrial Estates - maintenance	372	400
Schools Balance of Risk	173	175
ICT	0	595
Members ICT	0	40
Planning	24	24
College Hill Community Centre	180	180
Waste Disposal	2,774	2,907
Wye Valley AONB	94	99
Invest to Save	1,331	305
Contingent liabilities	300	300
Social care contingency	154	0
Edgar Street Grid	691	482
Whitecross school PFI	281	331
LPSA 2 reward grant	224	210
Carbon Reserve	20	0
Schools Redundancies	10	0
Schools Rates Reserve	869	217
Economic Development	266	168
Safeguarding Children Board	21	0
Insurance reserve	544	296
Pool car reserve	10	10
Local development framework	270	0
Area based grant	53	0
Unused Grants cfwd	5,100	5,076
	19,336	17,894

INTEGRATED COMMISSIONING DIRECTORATE

£'000	Annual Budget	Under / (Over) spend
Learning Disabilities	12,564	(592)
Mental Health	7,448	(1,075)
Older People	13,823	(1,884)
Physical Disabilities / Sensory Impairment	4,780	(1,028)
Section 75 Arrangements	939	(59)
Commissioning Directorate	1,987	(0)
Other Services	14,506	292
Total	56,047	(4,346)

Overview

13. The net overspend for the year totalled £4.3m. In addition to the previously reported activities linked to overspends, a change in accounting policy has required additional care expenditure be accrued in this financial year, totalling £651k, this will ensure no challenge arises from the audit process.

Recovery Plan

14. A number of projects have been delivered successfully to the value of £2.696m.

Recovery actions achieved in year includes:

- Supporting People Grant (SLA) £1,117k.
- Capitalisation of Community Equipment £51k.
- Shaw contract voids. Reduction in residential care voids over the year £76k.
- Surpluses regained from deferred payments £301k.
- Day care services within Learning Disabilities £94k.
- In year underspend on Transformation Grant £507k.
- Funding relating to reablement transferred from the PCT £231k.
- Use of the stroke grant for care relating to clients who have had a stroke £55k.
- Capitalisation of the RAS (Resource Allocation System) Toolkit £47k and EMS (Electronic Monitoring System) £10k.
- Winter Pressures funding from the PCT to facilitate early discharge from hospital £80k and Intermediate Care for the Community Equipment Store £50k (Council's share £25k).
- The renegotiation of the Carer's Hub contract has made money available for care £16k.
- Use of the Mental Health Capacity Act to fund training for social workers on the implementation of the Act £30k.
- Community Equipment Store closing stock revaluation £112k (Council's share £56k).

Financial Pressures

15. Learning Disabilities - overspend for the full year is £592k.

- Residential / Nursing - The budget for 2010/11 provided for growth of one additional package (due to the remainder being provided through personal budgets) from Children's services. The final increase is 4 packages for the year. These additional packages plus an additional high value package due to more complex needs have created cost pressures.
- Domiciliary Care. The number of hours and clients has increased year on year as more clients were encouraged to stay at home. The final overspend was £218k.
- Personal Budgets were budgeted to increase from 53 to 61 for 2010/11. The final actual activity is 81 packages giving a budget pressure of £287k.
- Day centres and the social care teams underspent, mainly due to managing vacancies
- Learning Disabilities has benefited from supporting people monies of £662k.

16. Mental Health - Full Year over spend of £1,075k.

- The full year impact of the increase in standard rates for residential homes has the effect of £327k. Residential and Nursing has overspent on respite by £317k. The budget assumed a reduction in the number of clients by 33 for the full year from 209 to 176. The number of clients at the end of the year totalled 201, thus resulting in an overspend of £263k.
- There has been an increase in domiciliary care packages over the year, with an impact of £268k.
- It was assumed when the original Budget was set, that Personal Budgets would increase by 12 during 2010/11. This has not materialised, creating an underspend of £100k..
- The Supporting People (SP) SLA has contributed £101k to 'supported living' packages within supported accommodation.
- Carers Breaks has overspent by £123k due to more breaks approved than the budget available from the Area Based Grant.

17. Older People - Full Year over spend £1,884k

- The numbers of residential and nursing care packages are rising and more expensive packages put in place due to more complex needs. At the start of the year there were 242 packages, this rose to 268 in November but reduced by March to 254 packages, hence the overspend of £294k. This is offset by winter pressures money made available £80k.
- Domiciliary care overspend for this year is £629k some of this was offset by the Supporting People Grant transferred during October of £155k.
- The number of Personal budgets was expected to be the area of growth in 2010/11. 3 new packages were approved in the year but also 3 ceased not achieving the target anticipated. The total underspend for the year was £853k.
- A contribution from the Supporting People (SP) Grant SLA for 'supported living' packages of £224k aided the grants to voluntary organisations overspend. Carers' breaks are over the budget available from the Area Based Grant by £112k.

18. Physical Disabilities - Full year over spend of £1,028k

- Residential and nursing packages were assumed to reduce by 3 during the year to 21. At the end of March there were 24 packages, thus creating an overspend of £57k. There has been an increase in respite packages costing £25k. The increase in residential rates at the beginning of the year has the impact of £14k.
- The budget for domiciliary care assumed a rise by 5% following previous years' trends. 2010/11 over spent by £516k.
- At the end of March there were 69 Personal Budgets, 7 below budget resulting, in an underspend of £85k.

19. Section 75 agreements - Total over spend is £59k.

The Community Equipment Store finished the year with a total surplus £61.6k due to a successful bid made to the PCT for Winter Pressures funding of £50k which was to offset the increase in issue of pressure relieving mattresses, in order to allow prompt discharge from hospital. The, accounting for stock at the year end reduced spend by £112k.. Hillside overspent by £137k of which £30k was the Council's contribution.

CHILDREN AND YOUNG PEOPLE'S SERVICES DIRECTORATE (CYPD)

£'000	Annual Budget	Under / (Over) Spend
Improvement & Inclusion	10,038	243
Safeguarding and Assessment	14,042	(1,241)
Planning, Performance & Development (PP&D)	20,421	788
Community Operations	1,270	160
Central Directorate	881	(359)
Total	46,652	(409)

* Budget and actual expenditure now include the corporate recharges and capital costs.

Key Points Summary

20. The final outturn for Children's Services is an over spend of £409k. This represents a reduction of £176k compared to the predicted outturn in March.

Budget Pressures

21. Children's Services began the year needing to deliver £493k of savings through vacancy management, with a further £857k of unidentified savings to be made in order to achieve a balanced budget.
22. As previously reported in year pressures emerged for external placements for looked after children and placements for children with complex needs resulting in over spends totalling £1249k and £300k respectively. In both cases this is due to additional cases coming through the system.
23. The other key pressures in year related to costs for the CYPD restructure (including redundancy costs and additional HR support) plus additional costs associated with having an interim Director, Herefordshire's proportion of the redundancy costs related to the closure of the student grants service and additional work commissioned for service level agreements and traded services. These pressures added expenditure of approximately £290k.
24. The total pressures including the unidentified target savings built into the budget and the actual in year overspends highlighted above total £2,695k.

Savings Delivered

25. Savings of £2,286k have therefore been delivered to reduce the net over spend for the directorate to the reported position of £409k over spend.
26. Children's Services has received additional budget virements totalling £550k, however the majority of the savings have been achieved through a combination of operational savings and the maximisation of available grants.
27. The schools transport budget has delivered savings of £545k primarily through a combination of route review savings and additional income generation through a higher than anticipated uptake of places by post 16 students.
28. Savings through vacancy management have delivered approximately £170k of additional savings above the budgeted £493k. This excludes the impact of charging additional staff costs to grants.

29. £612k of savings have been delivered by appropriately allocating staff and senior management time to various grants.
30. Other grant adjustments include £105k of contributions from the Think Family grants to the Action for Children and Women's Aid contracts, with other grant adjustments in total of £199k.
31. Other savings of £142k have been delivered through a combination of activities including additional income generated from training activities, (+£41k), and other savings arising from tight controls over discretionary spend and stopping non essential activities.

Grant Outcomes

32. The grants for Surestart (total £5,222k) and the Think Family activities (total £360k) have been fully utilised.
33. Expenditure on area based grant (ABG) activities totalled £3,684k (excluding corporate costs) this was in line with the budget which incorporated a 5% reduction.

Other Key Financial Information

34. Although the numbers of Looked after Children have now stabilised after the autumn 2010 peak the numbers the closing figures for March 2011 are 35% higher than for March 2010 and this will continue to create budget pressures in 2011/12.
35. The budgets have been set for 2011/12 and, in accordance with corporate policies, cuts have been made in services where grants have been withdrawn. As a result of the significant cuts in Children's Services grants for 2011/12 there will be a further consultation commencing in May on the additional post cuts required as a result of funding cuts.
36. The materiality of the reductions required for 2011/12 (£1.7m on local authority expenditure and £3.0m on grant funded expenditure) will create major challenges for Children's Services to deliver a balanced budget. A number of key work streams have been initiated to develop and deliver the savings required. Progress will be monitored and reported corporately in 2011/12.
37. Four schools have already converted to academy status, a further twelve have applied to convert of which five have been approved and are in the process of conversion. Additional schools are expected to apply and as more schools consider adopting academy status there will be an increasing impact on the central services delivered through Dedicated Schools Grant (DSG) funding, as budgets are top sliced each time a school changes status. In the medium to longer term this will impact the viability of service delivery.
38. School balances in 2010/11 increased to £6.091m, despite the conversion to academy of four schools. £0.5m of the increase is due to a relaxing of the balance claw back regulations in anticipation of their removal in 2012, which enabled schools to apply to the Director of Children's Services to retain their balances.
39. Four schools ended the year in deficit (one was less than £1k). Dilwyn is closing in August 2011. Aylestone and Broadlands' deficits are expected to increase in 2011/12.

DEPUTY CHIEF EXECUTIVE DIRECTORATE

£'000	Annual Budget	Under / (Over) Forecast
Legal & Democratic Services	2,272	(362)
Communications	10	15
Director and Administration	290	38
Policy & Performance	60	41
Herefordshire Partnership	496	33
Customer Services	65	(12)
ICT	1,839	102
Human Resources	316	296
Total	5,348	151

Major Budget Exceptions

40. ICT, Human Resources and Policy & Performance have achieved major underspends by holding vacant posts for the full year and controlling all discretionary spend. This has put all areas under pressure to continue to deliver service.
41. Herefordshire Partnership has achieved grant funding to pay for several of the activities that have been undertaken this financial year.

Recovery Plan Actions Instigated

42. The recovery plan for Legal and Democratic Services includes;
 - The use of interim management staff has ceased; these have been filled with one permanent member of staff.
 - A full restructure of the service is underway which will remove the reliance on Locums.
43. Income generated from Registrars and Local Land Charges is being reviewed to ensure income is maximised and subsidisation reduced. The service is aware that its lost £70k income from land charges must be delivered from other budgets in 2011-12.

SUSTAINABLE COMMUNITIES

£'000	Annual Budget	Under / (Over) Forecast
Highways, Transport & Community Services	16,406	(405)
Environment, Planning & Waste	15,372	1,266
Homes & Communities	5,085	192
Economy & Culture	10,688	29
Directorate Management & Support	1,317	(3)
Savings	189	195
Total	49,057	1,274

Overview

44. The final budget position for Sustainable Communities is an underspend of £1.274 million, this mainly relates to the reduction in costs on Winter Maintenance of £480k following the mild weather in February and March. There were also further reductions in Waste Management costs for the year of £630k.

Major Budget Exceptions

Highways, transport & Community Services

45. The final outturn on Winter Maintenance for 2010/11 was £1.383m with a closing stock of salt of over 5,500 Tonnes at 31st March 2011. Previous projections took a cautious view of the impact of much colder conditions as experienced in previous years but February and March 2011 proved much milder. The outturn position is also mitigated by annual savings on fleet drawn out of the Amey MAC contract and use of the Detrunking Grant.
46. There is a specific reserve to meet exceptional Winter costs of £500k which will be used to mitigate this pressure. In 2011/12 £500k has been added to the base budget.
47. There is an overspend on Street Lighting of £205k. Of this £90k relates to energy costs, previously highlighted, and is as a result of increases in the energy tariff. The remaining overspend of £115k relates to the works and services provided directly by Amey Herefordshire. Whilst Amey have managed their overall spend within the allocated budgets, they have overspent the street lighting allocation. This is in part a direct result of their work to improve the quality of the information held on the asset in the form of our inventory. Through this exercise Amey have gained much better understanding of the condition of the street lighting asset. This has resulted in an increase in the need for urgent intervention, particularly in regard to a 7 older columns which had experienced extensive hidden corrosion (usually below ground). Further spend has occurred to enable reductions in carbon and energy usage, this investment should realise a return once we have been able to switch to from our current non-half hour payment arrangements to passive half hour payment.
48. Transportation previously forecast an under spend of £65k, the final outturn was an under spend of £115k. This was due to extra funding for the school travel advisor being achieved whilst still meeting the costs from the existing base budget, and an increase in the amount of staff time rechargeable to the capital programme. Further savings on discretionary spending were also made.
49. Bus route subsidies results were better than expected and came in less overspent than

forecast, whilst Concessionary travel came in more expensive than forecast, but with only a net £10k additional overspend to earlier forecast figures.

Environment, Planning & Waste

50. There were no major exceptions on planning budgets. Overall income targets were met and an overspend of £25k occurred due to the costs of document storage pending the introduction of document scanning, which is anticipated to start in August 2011.
51. The joint waste disposal contract outturn was £6.51m, an underspend of £720k. This reflects the reduction in the amount of waste being sent to the Energy from Waste plant and the delays in finalising contract variations meaning legal and other specialist consultancy costs have not yet been incurred. Contract costs are expected to escalate substantially in 2011/12 and beyond once planning permission for the new Envirecover Energy from Waste plant is agreed.
52. There is currently a specific reserve, topped up to £2.907m to help mitigate future costs of Waste Disposal.
53. The Waste Collection budgets have underspent in total by £495k for the year. As previously reported, reductions in the contract with FOCSA were made during the year reducing costs by £250k. The costs of recycling pick up by Amey Wye Valley has also been recently resolved, this reflected the reduction in the required pick up from 'bring' sites since the extension of kerbside recycling collection in November 2009. The remainder of the underspend has been achieved through stopping discretionary spend, in particular promotional activities.
54. The extension of recycling to charities, schools and village halls means it is unlikely that these savings will be achievable in 2011/12

Homes & Communities

55. Homes & Communities budgets underspent by £192k, £92k more than previously reported. This relates to reduced number of prevention loans and reduction in material costs for the Handy Person Scheme and staff vacancy savings. The service also utilised a one-off grant contribution from Supporting People.

Economy & Culture

56. Overall economy and culture under spent by £29k which is less than the previous £85k forecast and is due in the main to Tourism which has overspent by £110k, being predominantly due to meeting redundancy costs of £85k prior to the transfer of the tourism services to Visit Herefordshire. This has been partially offset by discretionary spending savings across the economy and culture service areas.

Savings

57. To help mitigate the Council budget pressures in 2010/11, the Directorate identified additional savings of £345k, achieved mainly in relation to increased Planning income and use of grant received in previous years. A further £170k was also achieved through the hold on discretionary spend in relation to Supplies and Services expenditure and this has contributed to the Council Connects savings target for the year.

PUBLIC HEALTH

£'000	Annual Budget	Under / (Over) Forecast
Environmental Health & Trading Standards	2,932	105
Emergency Planning	240	2
Public Health Support Team	16	2
Total	3,198	109

Overview

58. Public Health is has underspent by £109k in 2010/11.
59. This underspend reflects additional Sales and Fee income received in relation to Environmental Health and Trading Standards during the year of £58k mainly in relation to Water Pollution.
60. In response to the stopping of discretionary spend there have also been further underspend on expenditure budgets of £60k, this mainly relates to contract work on Landfill Sites which was delayed until 2011/12.

Recovery Plan Actions Instigated

61. Annual savings of £189k were also identified through vacancy management savings and will have a positive impact on 2011-12 budgets.

CENTRAL SERVICES BUDGETS

£000's	Annual Budget	Under / (Over) Forecast
Chief Executive	459	179
Director of Public Health	296	55
Director of Clinical Leadership & Quality	56	9
Other Central	(22,018)	(156)
Corporate Management	3,978	(566)
Total	(17,231)	(479)

Major Budget Exceptions

61. In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing Herefordshire Council's liabilities in the pension scheme by £22.5 million and has been recognised as a past service gain under Central Costs as required by accounting rules. There is no impact on the General Fund.

RESOURCES DIRECTORATE

£'000	Annual Budget	Under / (Over) Forecast
Asset Management & Property Services	2,010	10
Financial Services	190	213
Audit Services	22	27
Benefits and Exchequer Services	1,200	852
Central Budgets	32	(65)
Total	3,454	1,037

Overview

62. Overall the Directorate underspent by £1,037k.
63. Historically the authority has received higher benefit subsidy than the actual payments to claimants. This is achieved because the current process rewards “efficiency”. Changes to housing benefit are likely to mean a lower level of subsidy in future years. Subject to audit of the final claim the subsidy surplus is expected to be £388k compared with the previous estimate of £315k, which did not reflect the full impact of 'local authority error' subsidy and overpayments recovered.
64. As a provider of support services much of the expenditure of the directorate and matching budget is distributed to operating units within the council in line with accounting requirements. Hence the overall budget for the directorate has been reduced from the previously reported £6,527k to £2,946k

Major Budget Exceptions

65. Asset management and property services produced an underspend of £145k on retail properties but this was matched by a similar level of overspend on maintenance and outgoings on highways depots. The predicted savings on Plough lane offices were eliminated by the need to provide £80k for energy costs, and £23k refurbishment costs being charged to revenue rather than capital.
66. Financial Services previously reported underspending arising from vacancy management and redistributing workload amongst existing staff, increased income from schools and stopping discretionary spend. The underspend has now increased by capitalising some £129k of staff costs associated with setting up Agresso.
67. Vacancy management is the main area of underspend within audit.
68. Although still subject to audit inspection, the housing benefit subsidy surplus is better than previously estimated. The authority receives subsidy for general benefit overpayments (40% of the amount overpaid). In respect of 'local authority error' overpayments 100% subsidy is received provided the total value of such overpayments is below the threshold determined by the DWP. In addition the council retain overpayments recovered from claimants. The level of recovery has contributed to the overall surplus.
69. Council tax collection costs were £244k less than budget due to increased income from recovery costs (£152k) and staff savings (£55k) in respect of management posts.
70. The overspend within central budgets relates to project management costs.