

REVENUE BUDGET MONITORING
Summary

1. The following table summarises the 2011-12 projected outturn based on the financial position as at 31st May 2011.

£'000	Budget	Projected (over) or under spend
Director of People's Services	73,945	(3,046)
Director for Places and Communities	34,729	0
Deputy Chief Executive and Director of Corporate Services	23,225	0
Directorate Position	131,899	(3,046)
Borrowing and investments	16,608	450
Revenue contribution to capital	95	0
WMS Profit Share	(624)	0
Centrally Held Budgets	1,645	0
Government grants	(2,810)	(70)
Transfer to/from Reserves	(500)	
Total	146,313	(2,666)

2. As of the end of May 2011 the overall revenue budget position for 2011/12 shows a projected £2.67m overspend. This is approximately 1.8% of the council's £146m 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 HPSLT of those recovery actions and their success takes place.
3. The most significant overspend relates to commissioning of adult services, which relates to the inherent overspend within adult social care base budget plus increasing service pressures.
4. In addition to the revenue overview, a capital monitoring summary is provided at Appendix B. The forecast outturn spend is £53.9m.
5. Appendix C provides a Treasury Management update and explains an expected underspend of £450k on borrowing costs and interest received. This is in partly due to slippage on the capital programme and timing of borrowing within the current year.

Revenue Reserves Position

6. The general reserve balance as at 31st March 2011 was £6.4m. The council has a policy of maintaining a minimum of £4.5m of general reserves as a contingency against unforeseen emergencies and events.
7. At 1st April 2011 the council held £17.9 million of earmarked reserves, which are detailed in the table below

Earmarked Reserves

	31 Mar 2011
	£000
Balances held by schools under a scheme of delegation	6,002
Grange Court	41
Commuted sums	36
Industrial Estates - maintenance	400
Schools Balance of Risk	175
ICT	595
Members ICT	40
Planning	24
College Hill Community Centre	180
Waste Disposal	2,907
Wye Valley AONB	99
Invest to Save	305
Contingent liabilities	300
Edgar Street Grid	482
Whitecross school PFI	331
LPSA 2 reward grant	210
Schools Rates Reserve	217
Economic Development	168
Insurance reserve	296
Pool car reserve	10
Unused Grants cfwd	5,076
	17,894

DIRECTOR FOR PEOPLE'S SERVICES

£'000	Annual Budget	Under / (Over) spend
Services Commissioning – Adults	48,043	(2,571)
- Childrens*		
Public Health	2,108	0
Children's and Young People Provider Services*	23,794	(475)
Total	73,945	(3,046)

8. * The allocation of the Children and Young People's Directorate budget between Provider Services and Commissioning has not yet been finalised, therefore the full budget is shown against provider services. This will be updated when budgets are confirmed.

Services Commissioning - Adults

9. Adult Services has a well developed process for monitoring budgets and developing recovery plans. This forms the basis of ongoing actions to balance the budget. The current projection is that a potential £2,571k overspend could occur by year end. The service area is dealing with continuing demand for services largely driven by demographic pressures and a series of change programmes have been developed to address the underlying overspend.

Recovery Plan

10. The Director of People's Services is consulting the Chief Finance Officer about the recovery plan and discussions are underway about the phasing of this over more than one year.
11. This has resulted in a review of the cost improvement plan increasing the recurrent savings to £3,565k for 2011/12. At the end of May 2011 a total of £600k had been delivered.
12. The schemes within the recovery plan are underway although some will only be realised as a part year effect due to the ability to: review cases, implement more effective processes and procedures for care planning and further the work in effective contract monitoring. The charging policy is due to be implemented in October 2011 with work underway to improve financial assessments and collection which will start to make savings over the coming months.
13. The recovery measures are monitored on a monthly basis by the Cost Improvement Programme (CIP) Board and also through the Benefits Board. The CIP has three main themes; Managing Demand, Diverting Demand and Reducing Demand which, includes 16 schemes for delivery.
14. The recovery plan is constantly under revision and adaptation in order to bring forward new schemes upon presentation of sound business cases in order to achieve the target of budget balance by April 2013.

Public Health

15. This service expects to meet budget for 2011/12, achieving the expected savings of £297k for the year.
16. The introduction of the Income Strategy will provide further opportunity to make savings in the year by increasing non statutory charges and a review of Regulatory Services will incorporate a business review of many of the areas within this service drawing out further sustainable savings in the future.

Children's Services

17. Children's Services is currently predicting an overspend of £475k. However there is a clear expectation that a balanced budget will be delivered by the end of the financial year. The overspend relates principally to Safeguarding costs where costs for agency and residential placements are predicted to be £415k over budget, with the remaining £60k relating to the anticipated non delivery of the targeted 30% reduction in court costs due to the high numbers of court proceedings.
18. There are other significant savings targets to be delivered as part of the Children's Services and, although there are some areas of risk, there are opportunities to use grant funding to mitigate these pressures. This has been factored in to the overall forecast outturn.
19. There are a number of activities currently underway in order to deliver the budget savings. An update on the current status is provided below.

Current Actions to Manage Budget Pressures

20. Children's Services has just completed the consultation on further post reductions required to produce a balanced budget following the significant funding cuts in both local authority and grant budgets. The implementation of the changes will be completed by mid September and is on track to deliver the planned savings included within the budget of £670k, plus Early Intervention Grant (EIG) savings of £570k.
21. Children's Services has received a number of applications for voluntary redundancy and reduced hours within the service areas affected by the restructure and therefore the number of staff at risk is significantly lower than previously anticipated.
22. A number of work streams have been introduced to mitigate and reduce the high cost spend areas within Children's Services, notably the costs of placements for looked after children (LAC) and those requiring complex needs solutions (CNS).
23. The Complex Needs team have reviewed all cases and identified a number of changes which will reduce expenditure on current cases and at the current time looks to deliver the planned savings of £169k. In delivering these savings some children and young people have been identified and reclassified as social care cases only and therefore the costs are passed back to the LAC / Safeguarding team for funding.
24. This has resulted in an increased cost for LAC supportive lodgings of £260k which is included in the £475k overspend. The remainder of the LAC placements overspend relates to higher opening numbers of agency placements than budgeted.
25. The Children's Services commissioning team is currently working with the central procurement team to develop additional framework agreements with neighbouring authorities in order to deliver savings on placement costs for both LAC and CNS. When the framework agreements have been finalised and implemented it will be possible to calculate the impact and savings to be delivered in year.
26. A spend to save business case has been accepted to enable the recruitment of additional staff (for one year) in order to increase the number of in house foster carers in Herefordshire. In house foster care costs significantly less than agency foster care and this activity should start to deliver benefits later this year, but the main benefit is expected to be in 2012/13 and beyond. These activities will also help Herefordshire to address the ageing profile and decline in foster carers, which is a nationwide issue.
27. The edge of care programme is now underway and working closely with the LAC panel which considers all cases of children and young people who have been identified as needing to be

looked after. Currently 5 children are being put through an intensive family support intervention programme which works with both the young person and the family to address the issues causing the breakdown. In many cases the intervention can resolve the issues and remove the need for a child to be looked after, and even if not successful can delay the need for high cost placements. The estimated placement cost for these 5 children, if in care for a full year, would be £182k, the estimated annual cost of intervention is £33k giving a potential annual cost mitigation / cost saving of £149k.

28. There continue to be ongoing difficulties in recruiting social workers and the Safeguarding staff budget remains under pressure due to the high numbers of cases and issues relating to case loads per social worker. Reliance on agency social workers has been considerably reduced compared to 2010/11 and some members of agency staff have been converted to permanent staff at a lower cost.
29. The directorate has an ongoing scholarship programme for developing new social workers which has proved successful in terms of both the quality and retention of social workers. A business case has been prepared to expand the scheme to enable 6 students per year (currently 3) to be trained. If accepted this may also provide opportunities for staff at risk of redundancy in the current re-organisation.

Provider and Commissioned Services

30. This report has been prepared for Children's Services based upon the old Children and Young People's Directorate (CYPD) budget as work has not yet been completed on finalising the split into provider and commissioned services. Future reports will be produced on the new structure once arrangements have been finalised.

Potential Change to Academies Funding

31. Michael Gove, Secretary of State for Education, has announced a review of the methodology for cutting Local Authority funds to provide the funds for Academies.
32. The current situation is that for the 2011/12 and 2012/13 local government funding settlement funded academies by a top slice, based on the funding for local authority central education functions. As you may be aware, Herefordshire receives lower than average funding due to its relatively low levels deprivation and therefore the top slice was only 0.45% of the total £145m for 2011/12 and £265m for 2012/13 – which ensured that the top slice was c£650k for 2011/12, and an additional c£500k for 2012/13.
33. However, such a top slice is inherently unfair, as those Local Authorities with no academies still have their funding allocation cut. Unsurprisingly, these authorities sued the DfE, and it is certain that they would have won the case, causing the DfE to announce the review.
34. It is not possible to second guess the outcomes of this review, but either a scenario based on numbers of currently open Academies, or one based on number of current Academy applications would have a significantly adverse impact on the LA funding for Herefordshire. It is hoped that it is too late to change the methodology for the current financial year, but the impact could be up to between £0.5- £2.0m for 2012/13. This figure cannot be confirmed until the outcome of the review is complete and new methodology is confirmed.

DIRECTOR FOR PLACES AND COMMUNITIES

£'000	Annual Budget	Under / (Over) Spend
Economic, Environment and Cultural Services	7,126	0
Homes and Community Services	1,213	0
Place Based Commissioning	25,924	0
Director and Management	466	0
Total	34,729	0

Overview

35. The Directorate is expected to meet budget for the year. Whilst there are a number of risks to be managed within the year, annual savings of £2.1m are still expected to be made.

Economic, Environment & Cultural Services

36. In 2011/12 these services are expected to make £865k savings in 2011/12. The remodelling of the Tourism service has realised annual savings of £200k.
37. The budget for Libraries also reflects £200k savings expected from the transfer of frontline staff to Customer Services and the remodelling of provision of mobile libraries.
38. There are also savings of a further 5% reduction in management fees to support Halo and the Courtyard; this represents year 2 of the 3 year commissioning agreements reducing the management fees by 20% by 2012/13.

Homes & Communities

39. In 2011/12 savings of £761k are expected to be made in Homes & Communities. These include £180k expected from the review of car parking charges and staff savings identified, in line with Organisational Design, of £375k.
40. April and May 2011 has seen an increase in accommodation costs for clients placed in Bed & Breakfast, at the end of May 2011 there were 20 clients in Bed & Breakfast compared with just 2 at the end of May 2010. Whilst there are a variety of reasons for clients needing B & B accommodation, the position is being closely monitored and it is expected that the budget pressure if this position continues throughout the year can be met from grant income relating to previous years.

Place Based Commissioning

41. This service is expected to make £474k savings in 2011/12. These include £153k in concessionary Travel costs by removal of discretionary elements of this provision.
42. The service budget includes £9.6m, related to Highways, which is managed through the MAC arrangement with Amey Herefordshire and drives out the annual £1m saving agreed in September 2009.
43. The cost to Herefordshire of the joint Waste Disposal contract for 2011/12 is expected to be £9.2 m if tonnage levels remain the same as in 2010/11. Whilst the annual budget is £8.7m, there is a

Waste Reserve of £2.9m to meet future budget pressures.

44. The decision by Worcester County Council to grant planning permission for the new Envirecover Energy from Waste plant at Hartlebury has been called in for review by the Communities Secretary of State this will have an impact on the current year costs.
45. There is currently a review of the provision of public transport in light of the reduction in government funding. The results of this will be known shortly with the intention that contracts with providers can be renegotiated from 1st September 2011 to manage costs within budget.

Director and Management

46. This budget includes a savings target of £100k in relation to increased income through the introduction of the Charging Strategy.
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DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE SERVICES

£'000	Annual Budget	Under / (Over) Spend
Customer Services and Communications	2,802	0
People, Policy and Partnership	7,429	0
Law, Governance and Resilience	3,040	0
Chief Finance Officer and Commercial Directors	9,334 620	0
Total	23,225	0

Overview

47. The Corporate directorate has combined Deputy Chief Executive, Central Services and Resources. The savings target for the combined Directorate in 2011/12 is £1.5m.
48. The Budget includes the elements contracted to The Shared Services Partnership and the provider of Internal Audit.

Customer Services and Communications

49. The Customer Organisation project will introduce a new CRM system and look at our business processes for delivering front line services; this project will deliver savings targets in 2011/12.

People, Policy and Partnership

50. Corporate Transformation and the Ict Strategy have been brought together in this service, which will ensure project budgets are reviewed from an overall perspective and that there is no duplication of benefits.
51. Herefordshire Partnership, Human Resources and Policy Team are projected to spend within budget, achieving there efficiency savings targets.

Law, Governance and Resilience

52. Local Land Charges income continues to put pressure on the budget. However, there is a one off grant this year which will reduce the issue to £30k overspend. To reduce this overspend a review of how the current service is provided will be completed.
53. Locums in Legal Services remain until the service is restructured, which would cause a £80k budget pressure full year. However vacancy savings in other areas of Governance will cover this overspend until the restructure is implemented.

Chief Finance Officer and Commercial

54. Finance and Revenue & Benefits have all achieved the savings targets and will deliver a balanced budget. The plans for Property savings are being developed and expect to deliver in 2011/12.