

BUDGET MONITORING 2004/05

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

25TH NOVEMBER, 2004

Wards Affected

County-wide

Purpose

To note the position with regard to revenue budget monitoring as at 30th September, 2004 for Programme Areas in 2004/05.

Key Decision

This is not a Key Decision

Recommendation

THAT the report be noted.

Reasons

Reports are presented to Cabinet as part of the Council's Performance Management arrangements. Cabinet Members will discuss the individual Programme Area figures with their Directors and Departmental Managers as appropriate.

Considerations

1. Appendix 1 shows the details of the spending as at 30th September, 2004 for each Programme Area, together with the projected outturn for 2004/05.
2. The budgets shown for 2004/05 include the final carry forwards from 2003/04 and the adjustments made following the Government's decision to limit the Council's budget for 2004/05.

Education

3. A very large proportion (80%) of Education budget is delegated to schools. Any under or over spending in school budgets will be automatically carried forward into the next financial year under the statutory arrangements for delegation to schools. Other budgets, such as Pupil Referral Units, Standards Fund, the Schools' sickness scheme and PFI balances are likewise carried forward at the year-end.

After such accounting adjustments, it is anticipated that there will be an overall net underspend of approximately £415,000. A budget review in the Autumn has confirmed underspends on transport (£500,000) (£200,000 is a one-off saving

Further information on the subject of this report is available from
David Keetch, Assistant County Treasurer on (01432) 260227

resulting from six fewer transport days in this financial year) and reduced take-up for early years provision for three and four year olds (£300,000), which together with other small underspends on staff vacancies and awards administration were reported to Education Scrutiny Committee in October.

Within the overall total, overspends are predicted for PFI set-up consultancy fees (£150,000), SEN banding delegated to schools (£150,000) and centrally funded SEN staffing costs (£75,000).

Policy and Finance General

4. At this early stage in the year no significant overspendings or underspendings have been identified for Policy and Finance General. Based on the information at present, it would be reasonable to anticipate an underspending of approximately £486,000 across all services during 2004/05. This reflects the significant carry-forward from 2003/04 and the general spending pattern of the year to date.
5. It has been assumed that the ongoing costs of the job evaluation process, at present estimated at £100,000 for 2004/05, will be met from reserves.

Policy and Finance Property

6. The projected overspend for Property has increased to £546,000 including £433,000 brought forward from 2003/04. The two major problems are the Markets and Fairs deficit brought forward from previous years which has risen to £413,000 and the shortfall on Industrial Estates income, which by the year-end is expected to reach £360,000. The two overspendings are offset by savings on other services and additional retail income of £86,000.
7. The recovery plan to deal with this overspend situation is being reviewed.

Environment General

8. Spending on some areas, including road maintenance, looks low but this is largely owing to the timing of the payments to Herefordshire Jarvis Services. A net underspending of £650,000 is predicted for 2004/05 for Environment General as a whole.
9. The Waste Disposal PFI contract budget is expected to be underspent by at least £600,000 largely owing to the sums included for additional costs following renegotiation not being required until 2005/06 and 2006/07. In addition, the costs for the existing contract are anticipated as being lower than the budget assuming existing volumes are maintained. Any underspending will be transferred to the Council's General Reserves in line with current policy.
10. The income received so far this year for Cemeteries and Crematorium suggests an underspending of approximately £50,000 in 2004/05.

Environment Regulatory

11. Spending on Environment Regulatory is very much in line with the budget at present. Vacancies seem likely to produce modest savings of some £30,000 during the year.

Planning

12. During the first six months building control and development fee income is above budget by approximately £190,000. The income continues to be very buoyant although it should be assumed this will continue in the same way for the remainder of the year. Staff savings owing to vacancies have led to an underspending during the period of approximately £100,000. Unless the vacancies can be quickly filled, a net underspending of at least £350,000 can be anticipated during 2004/05. Any additional fee income during the remainder of the year will increase this figure.

Social Care

13. The Social Care objective remains that of budget balance. There is a high risk that this may not be achieved, even though every effort is being made to do so.
14. The Social Care budget continues to be under considerable pressure this year from rising demand and costs across both children and vulnerable adults services, including:
 - Children's services are experiencing higher costs in both residential and foster placements, including transport.
 - Learning Disability Services have lost Supporting People Grant and have more complex user needs to meet.
 - Mental Health Services (integrated with the Primary Care Trust) is experiencing increased demand.
 - Older People's Services have experienced an exceptional increase in the number of requirements to pick up care home funding from people who previously funded themselves. This funding issue is causing delays in Community Hospitals
15. The risk assessment suggests a projection of £740,000 over-commitment (including the £245,000 debt carried forward).
16. Robust management action is being taken to rectify the position, which is beginning to have an impact on the capacity to deliver services. This includes:
 - Making a risk assessment of clients in need of care and funding only those in emergency or critical need.
 - Reassessment of care services provided to individuals against existing criteria.
 - Rationalisation of transport provided to individuals against assessed needs.
 - Maximising occupancy levels against block contracts.
 - Identifying all potential areas where costs can be reduced in the short term.

The results of the action are expected to reflect in the monitoring for the next period.

Strategic Housing

17. A break even position is anticipated for 2004/05, after incorporating the 2003/04 underspend. The General Fund is currently underspending as a result of staff vacancies and associated costs, but there are plans in place that will increase the rate of spend. The risk area is spend on homelessness.

Economic Development

18. Spending on Economic Development is well within budget at present. A net underspending of approximately £320,000 is estimated for 2004/05. Staff vacancies are expected to generate savings during the year. In addition, £121,000 from the carry- forward from 2003/04 has been allocated to cover expected income shortfalls in future years.

Social Development

19. Overall a break even position is anticipated. Recruitment problems are likely to generate further underspendings for the Youth Service. The additional budget of £79,000 allocated for grounds maintenance is unlikely to be sufficient to fully absorb the adopted land and inflationary issues that have impacted on the outturn in previous years. An overspending of £120,000 is predicted. Some progress should be made in reducing the accumulated leisure deficit but it is unlikely that the position will be fully recovered in 2004/05.

Financing Transactions

20. A net underspending of £700,000 is expected during 2004/05 primarily as a result of debt rescheduling, a stabilisation of interest rates and significant slippage of the capital programme.

Conclusion

21. The projected 2003/04 outturn for the Programme Areas is an underspending of £1,665,000. The projected underspending has risen by £1,345,000 since the last report because of the underspendings now predicted for Education, the increased underspendings predicted for Financing Transactions, Policy and Finance, Planning and Economic Development and the allocation of the reductions following the Government's decision to limit the Council's budget.

Revenue Reserves Position as at 16th October 2004

22. The estimated value of general reserves as at this date total £4,425,000 incorporating the prudent reserve of £3,000,000. The £700,000 projected saving from Financing Transactions is included in this total. The expected underspending on Waste Management is in addition to the overall total.

Alternative Options

There are no alternative options.

Consultees

None identified.

Background Papers

None identified.