

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

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

£'000	Budget	Projected (over) or under spend
Director of People's Services	74,619	(3,389)
Director for Places and Communities	34,739	25
Deputy Chief Executive and Director of Corporate Services	23,079	250
<b>Directorate Position</b>	<b>132,437</b>	<b>(3,114)</b>
Capital funding	16,609	500
Investments	(249)	100
Revenue contribution to capital	95	0
WMS Profit Share	(624)	0
Centrally Held Budgets	1,355	0
Government grants	(2,810)	(70)
Transfer to/from Reserves	(500)	
<b>Total</b>	<b>146,313</b>	<b>(2,584)</b>

- As of the end of August 2011 the overall revenue budget position for 2011/12 shows a projected £2.58m overspend. This is approximately 1.6% of the council's £146m 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..
- The most significant overspend relates to commissioning of adult services, which relates to the brought forward budget issues plus increasing service pressures.
- In addition to the revenue overview a capital monitoring summary is provided at Appendix B. The forecast outturn spend is £57.3m. The council has been successful in its application for a capitalisation direction of up to £1.5m to enable statutory redundancy costs incurred in this financial year to be capitalised.
- Appendix C provides a Treasury Management update and explains an expected underspend of £500k on borrowing costs and £100k on interest received. The savings on loan charges are due to slippage on the capital programme, lower borrowing rates than forecast and the timing of

Further information on the subject of this report is available from  
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taking out loans. Additional interest earned is due to both higher cash balances and improved returns through investing in longer term deposits.

### 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 £17.6m of earmarked reserves, which are detailed in the table below

### Earmarked Reserves

31 Mar 2011	
	£000
<b>Balances held by schools under a scheme of delegation</b>	<b>6,002</b>
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
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	4,853
	<b>17,572</b>

## DIRECTOR FOR PEOPLE'S SERVICES

£'000	Annual Budget	Under / (Over) spend
Services Commissioning – Adults	48,549	(2,964)
- Childrens*		
Public Health	2,116	0
Children's and Young People Provider Services*	23,954	(425)
<b>Total</b>	<b>74,619</b>	<b>(3,389)</b>

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. The current report for adult services indicates an outturn position of £51,513k against a budget of £48,549k resulting in a projected £2,964k overspend. This projection also assumes the delivery in full of a £3,565k savings target and £1,043k transfer of NHS funding.
10. The budgeted £3,565k savings target contributes towards the recovery of the brought forward deficit and achievement of a balanced budget by 31<sup>st</sup> March 2013. This leaves a further target saving of £3,614k to be achieved in 2012/13.
11. As at 31<sup>st</sup> August £721k has been achieved towards the target of £3,565k. This current position shows that £2,745k will be achieved across 16 schemes with a potential shortfall in year of £820k. Further work is being undertaken to identify savings to compensate for the shortfall and a report is to be taken to HPSLT by October.
12. The key pressures lie within Physical Disabilities (£1,372k), Mental Health (£881k) and Learning Disabilities (£1,114k). In the case of the first two pressures these are a direct result of demographic changes with an ageing population living longer, often in poor health.
13. Pressures within the Learning Disabilities budget are partly demographic as people with these disabilities live longer due to improved health care, partly due to increasing numbers coming through from Children's services (also due to more children with complex needs surviving to adulthood and increasing numbers of Children with Special Educational Needs) and pressures on an aging carer population which itself requires additional support.
14. The outturn position has increased by £393k as a result of:
- Increases in residential (£87k) and personal budgets (£127k) over the expected demographic levels which in some cases have been backdated.
  - Contract inflation of £55k (agreed at 2.5% previously committed at 1%), contract let with no base budget of £50k (this was previously paid for out of transformation grant),
  - An increase in carers breaks; £33k and staff costs.
  - This is partially compensated by a reduction in domiciliary care.

## **Integrated Commissioning Recovery Plan**

15. 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.
16. The proposed changes to charging rates are due to go out to consultation, with potential implementation in December 2011. In addition work is underway to improve financial assessments and collection which will start to make savings over the coming months.
17. 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.
18. The recovery plan is regularly reviewed 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**

19. Overall this service expects to meet budget for 2011/12, achieving the planned savings of £297k for the year.
20. At this point savings above the planned level cannot be predicted with any degree of certainty, some savings may emerge in landfill maintenance budgets but requirements vary according to weather conditions and cannot be anticipated in advance of the winter.
21. Charges for services which are not dictated by nationally set rates are being reviewed in line with the income strategy and will be increased wherever appropriate, subject to market conditions and parity with neighbouring authorities. Increases will be introduced as early as possible subject to Cabinet member and other relevant bodies approval.

## **Children's Services**

22. Children's Services is currently predicting an over spend of £425k. This relates principally to Safeguarding services where costs are currently predicted to be £774k over the agreed budget. The two key reasons for the high level of over spend relate to the costs of caring for Looked after Children (LAC) and also the requirement to use agency social workers to cover vacancies and long term absences.
23. Looked after Children costs for agency and residential placements are predicted to be £307k over budget due to the continuing high numbers. The service has had some success in returning children home or placing with Herefordshire's own foster carers (a lower cost option) which has resulted in an additional 4 placements over the budget at an additional cost of £97k. Conversely there have been a number of emergency agency foster placements which have resulted in no overall reduction in numbers. At the end of August there were 60 looked after children in agency placements (13 in residential and 47 in agency foster care placements). At the end of August 2010 the comparable figures were 16 and 37, a total of 53 placements.
24. The continued high level of cases has meant that social work vacancies cannot be left unfilled in the key teams for looked after children, children in need (field work teams) and the referral and assessment service. Two additional short term agency social workers have been agreed to ensure all Child protection cases are covered. Overall the anticipated overspend is £306k on staffing for these teams.
25. The other key overspend within Safeguarding relates to a planned reduction of £60k in court costs, however numbers of children requiring court intervention have not reduced and therefore these planned savings will not be delivered in 11/12.

26. 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.
27. 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**

28. The planned Children's Services restructure is now almost complete and savings are on track to meet the budgeted savings.
29. Additional resources recruited to increase the numbers of in house foster carers are now in place. Activities will be closely monitored to ensure the target increase of eight additional carers is achieved.
30. The Children's Services commissioning team is almost ready to sign a framework agreement with Worcestershire for agency foster care placements and initial discussions have been started to consider the development of a similar framework arrangement with residential placement providers.
31. The directorate has been successful in using legacy grants to offset staffing costs within Early Years, Youth services and parenting and family support. This has delivered the £349k which has reduced the overall over spend down from the £774k in Safeguarding to the overall total of £425k.

#### **Provider and Commissioned Services**

32. 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 following completion of the OD3 consultation process.

#### **Potential Change to Academies Funding**

33. As previously reported, the Secretary of State for Education has announced a review of the methodology for cutting Local Authority funds to provide the funds for Academies. The review is not yet complete and therefore it is not possible to second guess the outcomes. For Herefordshire 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. 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	6,932	(130)
Homes and Community Services	1,220	(130)
Place Based Commissioning	26,103	15
Director and Management	484	270
<b>Total</b>	<b>34,739</b>	<b>25</b>

### Overview

34. The Directorate is expected to underspend by £25k. There are pressures on income budgets within parking and planning but these will be managed within the Directorate along with the £2.2m savings target for the year.

### Economic, Environment & Cultural Services

35. Building control income to the end of August 2011 is 20% lower than the same period in the previous financial year however Development Control income is 32% higher than the previous year. Based on income patterns over the last two years, it is projected that there will be a net income shortfall in 2011/12 Planning income of £100k. This fall in income is due to the economic climate and the impact of the change in the timing of fee collection implemented in 2010/11, Fee income will continue to be closely monitored.
36. The transfer of Libraries frontline staff to Customer Services from the end of June 2011 has been agreed along with a base budget transfer with a savings target of £98k. The delay in carrying out the review of the Mobile Library service leaves Libraries with a savings shortfall of £30k.
37. Income at the Hereford Butter Market continues to be under pressure. It is likely that the £70k shortfall can be met from increased income from Street Trading and Open Markets.

### Homes & Communities

38. Car parking charges will be increased from 1<sup>st</sup> November. Based on the annual income projections expected from these increases, income is unlikely to achieve the 11/12 budget by £210k. This shortfall reflects the slippage in the introduction of price increases from the original implementation date of 1<sup>st</sup> September 2011. This pressure can be partly mitigated by other parking income which is currently above budget by £32k and is expected to exceed income budgets by £60k for the year.
39. There is an underspend in Housing of £20k in relation to staff costs due to vacancies.

### Place Based Commissioning

40. The cost to Herefordshire of the joint Waste Disposal contract for 2011/12 is expected to be £8.9m if tonnage levels remain the same as in 2010/11. Whilst the annual budget is £8.7m, there is additional funding available of up to £790k set aside as part of the 2011/12 budget to meet this pressure if necessary.

41. The decision by Worcester County Council to grant planning permission for the new 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.
42. 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 1<sup>st</sup> October 2011 to reduce contracts costs by £135k in 2011/12. Further other one off savings of £129k will help mitigate the overall 2011/12 pressure of £264k
43. There continues to be pressure on the Street Lighting budgets in relation to energy costs of £61k however this is expected to be managed by a plan to replace 2,000 street lights in residential areas of Herefordshire with alternative lights sources (Light Emitting Diode – LED) along with the replacement of 959 halogen traffic signals with LEDs. This forms part of the Carbon Management Action Plan. The funding of this plan is currently being reviewed.
44. There is an underspend of £15k in relation to staff costs in the directorate management support team.

### **Director and Management**

45. There is currently £270k underspend in relation to the Directorate's annual non pay inflation and OD2 savings which is currently available to help mitigate the pressures in Parking and Planning.

## DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE SERVICES

£'000	Annual Budget	Under / (Over) Spend
Customer Services and Communications	2,896	0
People, Policy and Partnership	7,859	0
Law, Governance and Resilience	3,036	0
Chief Finance Officer and Commercial	8,670	250
Directors	618	0
<b>Total</b>	<b>23,079</b>	<b>250</b>

### Overview

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

### Customer Services and Communications

48. The Customer Organisation project will introduce a new 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

49. Corporate Transformation and the ICT Strategy have been brought together in this service.
50. Herefordshire Partnership, Human Resources and Policy Team are projected to spend within budget, achieving their efficiency savings targets.

### Law, Governance and Resilience

51. 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.
52. Locums in Legal Services remain until the service is restructured. This may 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

53. Property outturn expenditure will match the total budget. This assumes that there is no reactive maintenance expenditure later in the year. The loss of income from the Cattle Market will be more than compensated for by revenue from the new Livestock Market by the year end.



54. The current system of Housing Benefit provides a financial incentive for authorities to recover overpayments of benefits from recipients. The Department for Works and Pensions pays Housing Benefit Subsidy to authorities based on benefits disbursed inclusive of overpayments (subject to conditions). Authorities effective in recovering overpayments may therefore receive a higher level of subsidy. It is estimated that the subsidy received will result in an underspend of £350,000. Reductions in the level of benefits payable and changes to the subsidy system are likely to mean that this level of surplus will not continue in future years.
55. The authority also receives subsidy to cover the costs of administering benefits. The amount receivable this year is estimated to be approximately £100,000 less than the amount budgeted. Further reductions are expected in future years.