

REVENUE BUDGET MONITORING
Summary

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

£'000	Budget	Projected (over) or under spend
People's Services	74,629	(4,747)
Places and Communities	34,869	225
Corporate Services	22,991	803
Directorate Position	132,489	(3,719)
Capital funding	16,558	830
Investments	(249)	200
Revenue contribution to capital	95	0
WMS Profit Share	(624)	0
Centrally Held Budgets	1,354	1,207
Government grants	(2,810)	(70)
Transfer to/from Reserves	(500)	0
Total	146,313	(1,552)

- As of the end of October 2011 the overall revenue budget position for 2011/12 shows a projected £1.552m overspend. This is approximately 1% of the council's £146m revenue budget (excluding Dedicated Schools Grant funding).
- The most significant overspend relates to commissioning of adult services, which relates to the brought forward budget issues plus increasing service pressures.
- The overspend position at 31st August reported to Cabinet on 20th October was £2.75m. Additional savings and spending reductions have been agreed to close the gap. These are included in the directorate forecasts in this report.

Further information on the subject of this report is available from
Heather Foster, Head of Corporate Finance on 01432 260284

5. Net savings have also been identified within central budgets as follows;

	£000
Redundancy capitalisation	520
Contract savings	641
Inflation savings	283
Waste disposal contingency	350
Unallocated contingency budget	213
Other centrally held budgets	200
Less slippage on procurement savings	(1,000)
Projected underspend	1,207

6. The recovery plan agreed in November was based on the last Cabinet report.
7. In addition to the revenue overview a capital monitoring summary is provided at Appendix B. The forecast outturn spend is £58.6m. 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.
8. Appendix C provides a Treasury Management update and explains an expected underspend of £830k on borrowing costs and £200k 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 taking out loans. Additional interest earned is due to both higher cash balances and improved returns through investing in longer term deposits in the first half of the year.

Revenue Reserves Position

9. The general reserve balance as at 31st March 2011 was £6.3m. This is above the council's policy of maintaining a minimum of £4.5m of general reserves as a contingency against unforeseen emergencies and events.
10. At 1st April 2011 the council held £17.6m of earmarked reserves, which are detailed in the table below. The specific nature of those reserves means that some are not available for reclassification as general reserves. One such example is the balance held for schools.

Earmarked Reserves

31 Mar 2011	
	£000
Balances held by schools under a scheme of delegation	6,002
Grange Court	41
Commutated 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
	17,572

An analysis of the unused grants carry forward position is underway to establish if this total is needed.

DIRECTOR FOR PEOPLE'S SERVICES

£'000	Annual Budget	Under / (Over) spend
Services Commissioning – Adults	48,550	(4,509)
- Childrens*	2,603	28
Health & Wellbeing- Env Health & Trading Standards	2,120	140
Children's and Young People Provider Services*	23,956	(406)
Total	74,629	(4,747)

* Provisional allocation for Children's Services budget.

Services Commissioning - Adults

9. The current report for adult services indicates an outturn position of a projected £4,747k overspend, which is part of the £7.2m funding gap identified in March 2011 to be addressed over a two year period. The projection assumes the delivery of £2.608m of a £3,565k savings target and a £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 31st March 2013. There are key in-year pressures which have resulted in an additional overspend of £951k. The main pressures are highlighted as follows:
 - a. Issue: Learning disabilities have experienced higher than planned numbers and complexity presented for personal budgets, currently being analysed by providers, which has added pressures of £180k. In addition there are other pressures of £52k within the learning disabilities budget.

Mitigation: The Cost Improvement Programme project to develop the approach to respite for people with learning difficulties and also carers breaks for those caring for people with learning difficulties will address this.

There is also a children's/adults services project to develop our single approach to transition which will make costs clearer and improve the service for young people and families.
 - b. Issue: In mental health, out of the 19 new residential and nursing care placements 11 have been as a result of discharge from hospital. This is part of the overall approach to reduce the delays in discharges, which benefits service users and overall Health and Social Care system costs. Financially this has contributed to the additional care home costs of £531k.

Mitigation: As part of the Cost Improvement Plan the Council is working with partners and instigating tendering activities this year to develop the market. This will provide a more flexible and cost effective range of services in the future which will reduce the demand for residential placements and increase the range of options to support people at home.
 - c. Issue: Although older people numbers overall remain static (some back-dated packages from 10/11 have now properly been accounted for within this year's budget forecast) for Residential and nursing care, costs have increased above the budgeted standard rate, resulting in a £150k overspend. This has resulted from agreement with some providers to provide funding to meet additional costs of care. The Cost Improvement Programme project to address this has reached the stage of engaging with the Improvement and

Efficiency Agency West Midlands to establish a care funding calculator approach. This has resulted in significant savings in other parts of the country and provides transparent baselines for residential and nursing care costs.

Mitigation: Carers' breaks account for £147k of the projected overspend as the service benefitted from grant monies which have now reduced. The council is putting in place a revised respite and carers policy and protocol so that costs are appropriately understood and managed. This is however potentially an area for future growth as the number of carers grow to form part of the support network for vulnerable adults.

11. The outturn position has increased by £588k since the previously reported position due to :
 - a. Increases in learning disability care packages; personal budgets, residential care and domiciliary care of £258k. The increase in personal budgets is part of the Council's drive to provide more control and personal choice for users, in line with the policy direction for the Council and national expectations. The cost improvement plan has a number of activities to develop the market and change the balance of costs away from "traditional service models".
 - b. Increase in residential and nursing care placements of £278k for mental health clients. Actions to address the position in Herefordshire have been detailed above.
 - c. Older people residential and nursing care placements of £156k.

These increases have been off-set due to personal budgets for physical disability clients have not materialised to the level that was predicted, giving an underspend of £104k

Integrated Commissioning Recovery Plan

12. As at 30th September £838k has been achieved towards the target of £3,565k. This current position shows that £2,608k will be achieved across 16 schemes with a potential shortfall in year of £957k. An additional three projects have been identified to close this gap over the past two months, and included engagement with external agencies to provide additional expertise and support in Herefordshire. The approaches include the introduction of a care funding calculator, a more rigorous approach to capturing the benefits of telecare, both of which have evidenced costs savings in other authorities. The financial impact is being confirmed in Herefordshire.
13. The schemes within the recovery plan are underway and now monitored on a weekly basis. This is to ensure that those set to deliver towards the end of the year will achieve savings levels within the cost improvement plan.

Further Risks and Pressures

14. There is a reduction in packages of Continuing Health Care (CHC). Work is underway to identify where the resultant care needs are being met once CHC funding ceases. There is a need to accelerate work to achieve joint packages between PCT and council budgets to maximise the use of resources across both services.
15. If the cost of packages continues to increase at the current rate then the budget position will worsen. The panel processes and revised budget limits to control this are being finalised to address this.

Other funding available to meet the spending limit for Adult Services:

16. Grants which have no committed spend £87k.

17. Capital allocations not currently committed £634k.
18. Underspend as at 30th September within the Wye Valley NHS Trust Section 75 agreement, if split 50:50, £30k benefit.

Children's Services Commissioning

19. Children's Commissioning is expected to be under spent by £28k as a result of the utilisation of £34k of standards funds grants for nursery education funding. This is a non-recurrent saving.

Health and Wellbeing – Environmental Health and Trading Standards

20. Overall this service expects to deliver savings of up to £140k this year.
21. This comprises savings from holding a consultant post vacancy whilst the incumbent is acting Director of Public Health totalling £40k, with a further £60k of staff related savings across the service.
22. A further £40k of savings are expected, if the contingency used for additional work at the county's landfill sites, due to adverse weather conditions, is needed.
23. The service has recently undergone a consultation in relation to a staffing restructure which should be fully implemented before 31st March. There may be a small additional saving if the restructure is fully implemented earlier than 31st March, but this cannot be quantified at the present time. An update will be included in the next report.

Children's Provider Services

24. Children's Provider Services is currently predicting an over spend of £406k. Although the overall forecast overspend has reduced across children's services in total has been reduced by £47k since the August report this does not show the true cost mitigation work that has already been achieved.
25. The Safeguarding service is currently predicted to over spend by £1,622k. This relates primarily to :
 - Looked after Children costs for agency and residential placements are predicted to be £325k and £477k respectively over budget due to the continuing high numbers. The figures include costs for two placements which have stepped down from Complex Needs (a joint funded budget) into social care. At the end of October there were 15 children in residential placements and 49 in agency foster care placements, an increase of two children in each category compared to the August figures. (comparable figures for October 2010 were 17 and 45 respectively).
 - There is also a predicted overspend of £37k for payments to relatives and other carers who are also looking after children who would otherwise require to be brought into care.
 - 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. Additional short term agency social workers have been agreed to ensure all cases are allocated and caseload per social worker remain at recommended levels. Overall the anticipated overspend is £566k on staffing for these teams, as previously reported a revised recruitment and retention strategy is under development.
 - A framework agreement with Worcestershire for agency foster care placements is now in place, and initial discussions have been started to consider the development of a similar framework arrangement with residential placement providers.

- A spend to save bid has enabled the fostering team to recruit additional in house foster carers in order to reduce the requirements for agency foster placements. 8 potential carers are scheduled to attend the panel review process by December. Herefordshire is successfully maintaining current levels of in house foster carers despite a national decline in numbers.

26. The other key overspend within Safeguarding relates to court costs. Numbers of children requiring court intervention have not reduced and therefore these planned savings will not be delivered in 11/12. The current over spend is predicted to be £85k.
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.

Savings delivered to date to offset pressures

28. The children's services budget included £496k of target savings within the local authority budget with a further £177k target for the Early Intervention Grant funded services. Overall these are on track to be achieved.
29. The Children's Services restructure is now complete and has fully delivered the planned savings for the current year with approximately £60k brought forward from 12/13 which contributes towards the deficit recovery. Other staff savings through vacancies contribute a further £43k of savings.
30. 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 £349k contribution, but is a non-recurrent saving. Other local services support grants of £435k have also been made available.
31. Schools transport is predicting savings of £225k as a result of contract renegotiations and additional income received for summer term 2011.
32. Savings of £85k have been made with the Short breaks budget through the release of uncommitted budget.
33. As a result of the transfer of cases to social care the Complex Needs forecast has been reduced by £102k which partially offsets the additional looked after children costs reported above.

Edge of Care savings

34. A number of activities relating to keeping children out of care are contributing to minimising the budget pressures within children's safeguarding. Some of these activities can be financially quantified with some accuracy, whereas for others the cost mitigation is in a range depending on which cost is being avoided.
35. In addition to the introduction of the Worcestershire framework individual contract renegotiations for children's placements have delivered cost reductions of £21k for the first half year (potential annual saving £66k).
36. The Edge of Care contract with Action for Children is working with 10 cases who were at the point of becoming looked after. This has successfully kept some children from becoming looked after, or delayed proceedings by a number of weeks. Up to 30th September 2011 the minimum cost mitigation amount was £29k (assuming lowest cost option of in house foster placement), £79k if the alternative was an agency foster placement or £2,950 per week if the alternative was a residential placement (£299k).
37. In addition to the contract the locality teams have also picked up other cases for intervention work. Costs mitigated by the locality teams range from £8k for in house foster placements, to

£16k for agency foster placements and £56k if in residential placements.

DIRECTOR FOR PLACES AND COMMUNITIES

£'000	Annual Budget	Under / (Over) Spend
Economic, Environment and Cultural Services	6,944	(169)
Homes and Community Services	1,252	(97)
Place Based Commissioning	26,190	240
Director and Management	483	251
Total	34,869	225

Overview

38. The Directorate is expected to underspend by £225k. This reflects additional one-off saving of £200k, since last reported, to help address the overall position.
39. Further one-off savings are also expected in response to the reinforced embargo on discretionary spend although the first call on these will be to manage any further Directorate pressures on income budgets within parking and planning or winter costs.
40. Current pressures detailed below are already being managed within the Directorate along with the £2.2m savings target for the year.

Economic, Environment & Cultural Services

41. Building control income to the end of October 2011 is 24% lower than the same period in the previous financial year however Development Control income is 18% 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 of planning services income of £140k. 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. Planning income will continue to be closely monitored.
42. Hereford Butter Market continues to be an area of concern. There is a pressure on Hereford Buttermarket income. However it is likely that this can be partly met from increased income from Street Trading and Open Markets leaving a net pressure of £26k.
43. There is a saving of £20k in relation to staff costs in conservation which will help mitigate service pressures in Archive staffing budgets of £13k and running costs of the Lady Hawkins Community Leisure Centre of £10k.

Homes & Communities

44. Car parking charges were increased from 1st 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 timetable from the original implementation date of 1st 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.
45. There is an expected underspend in Housing of £53k mainly in relation to staff vacancy costs.

Place Based Commissioning

46. The cost to Herefordshire of the joint Waste Disposal contract for 2011/12 is expected to be £9.15m if tonnage levels remain the same as in 2010/11. Whilst the annual budget is £8.73m, there is additional funding available of up to £790k set aside as part of the 2011/12 budget to meet this pressure if necessary.
47. 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.
48. 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. And annual savings predicted exceed £61k.
49. There is an expected underspend of £40k in relation to staff costs in the directorate management support and the countryside teams.
50. Robust contract management has delivered one-off savings of £180k in relation to the settlement of contract disputes under the Amey MAC arrangements.
51. The use of previous year grant monies to fund staff costs will also provide a saving in 2011/12 of £20k.

52. Director and Management

53. There is currently £251k underspend in relation to the Directorate's annual non pay inflation and OD2 savings which is 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	2,964	0
People, Policy and Partnership	7,352	161
Law, Governance and Resilience	3,036	0
Chief Finance Officer and Commercial	9,021	445
Directors	618	197
Total	22,991	803

Overview

54. The savings target for the Directorate in 2011/12 is £1.5m. All savings plans are on track.
55. The Budget includes the elements contracted to The Shared Services Partnership and the provider of Internal Audit.
56. In order to help mitigate the council's overall pressures, the Directorate has identified further one off savings in the year of £723k, in addition to £80k underspend previously reported, totalling £803k for the year. Further savings are also expected as a result of the reinforcement of the embargo on discretionary spend.

Customer Services and Communications

57. 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

58. Corporate Transformation and the ICT Strategy have been brought together in this service.
59. Herefordshire Partnership, Human Resources and Policy Team are projected to spend within budget, achieving their efficiency savings targets.
60. One off savings of £161k have been identified within the services mainly in respect of vacancy savings driven out through the Organisation Design process.
61. A review of the ICT Strategy is also currently being carried out to identify projects that can be put on hold to help mitigate the Council's overspend position. Approximately £85k potential savings has been identified for consideration.

Law, Governance and Resilience

62. 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.
63. 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.

64. There is also a pressure within the service budget of £80k mainly relating to the cost of temporary cover of a senior management post due to sickness. In line with the Chief Executive's recent communication, this will be met within the Directorate.

Chief Finance Officer and Commercial

65. 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 former Cattle Market will be more than compensated for by revenue from the new Livestock Market by the year end.
66. The current system of Housing Benefit provides a financial incentive for authorities to recover overpayment 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 a net underspend of £250k, even after taking into account the reduction in the government subsidy for administering benefits. 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. Currently it is not budgeted for an any additional income is seen as "one-off".
67. Savings in relation to non pay inflation of £73k have also been identified to contribute to the council's overall pressure.
68. A further £197k has been identified in relation to the Directorate's non pay inflation budgets for the year as available to contribute to the council's overspend position.