

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

- The following table summarises the 2012/13 projected outturn based on the financial position as at 30<sup>th</sup> Sept 2012.

£'000	Budget	Projected (over) or under spend
People's Services	72,448	(3,805))
Places and Communities	36,514	(178)
Corporate Services	22,116	741
<b>Directorate Position</b>	<b>131,078</b>	<b>(3,242)</b>
Capital funding	16,072	310
Investments	(352)	(75)
WMS Profit Share	(624)	(624)
Centrally Held Budgets (net)	453	196
Government grants	(4,623)	0
Contingency	1,000	1,000
Transfer to/from Reserves	355	0
<b>Total</b>	<b>143,359</b>	<b>(2,435)</b>

- As of the end of September 2012 the overall revenue budget position for 2012/13 shows a projected £2.435 million overspend. This is approximately 0.17% of the council's £143.4m revenue budget (excluding Dedicated Schools Grant funding).
- The 2012/13 budget includes savings targets of £10.8m, approved in the council's Financial Resource Model as part of the budget setting process. A further target of £5.6m was allocated to adult social care as part of the recovery plan to bring the budget into balance, resulting in a savings plan for adult social care of £7.9m. In addition, there was slippage on the procurement savings programme from 2011/12 of £1.5m plus a top-slice to cover consultancy costs. The £1.5m procurement target includes £483k of social care projects which are being monitored as part of the £7.9m recovery plan. These targets are included in the Directorate budget monitoring projections detailed in this Appendix.
- In addition to the revenue overview the forecast outturn spend on capital schemes is £40.73m (detailed in Appendix B).
- The Treasury Management projected out-turn is an underspend of £310k on borrowing costs due to slippage on the capital programme in 2011/12 requiring a lower level of provision for debt repayment in 2012/13. Appendix C includes a detailed analysis.

## Revenue Reserves Position

6. The general reserve balance as at 31st March 2012 was £6.1m. This amount is above the council's policy of maintaining a minimum of £4.5m of general reserves as a contingency against unforeseen emergencies and events.
7. At 1st April 2012 the council held £13.5m 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

	<b>31<sup>st</sup> Mar 2012</b>
	<b>£000</b>
Schools balances	5,789
Grange Court	83
Commuted sums	36
Industrial Estates - maintenance	413
Schools Insurance	495
Schools sickness	84
ICT	91
Members ICT	40
Planning	24
Community Centre	180
Waste Disposal	2,407
Hereford Futures	125
Whitecross school PFI	321
Schools Rates Reserve	106
Economic Development	163
Pool car reserve	10
Three Elms Industrial Estate	362
Unused Grants carried forward	2,729
	<b>13,458</b>

## PEOPLE'S SERVICES DIRECTORATE

### Overall Projected Outturn

£'000	Annual Budget	Under / (Over) spend
Peoples Commissioning – Adults Social Care	46,345	(5,105)
- - Commissioning	9,750	395
<b>Sub Total Peoples Commissioning</b>	<b>56,095</b>	<b>(4,710)</b>
Health & Wellbeing- Env Health & Trading Standards	1,842	210
Children's and Young People Provider Services	14,711	895
<b>Sub Total</b>	<b>72,648</b>	<b>(3,605)</b>
HERS Root and Branch Savings target (tbc)	(200)	(200)
<b>Total</b>	<b>72,448</b>	<b>(3,805)</b>

### Executive Summary

8. The projected overspend for People's Services peaked in June at £5,482k and has shown reductions in each subsequent month as savings opportunities have been identified. The current projected outturn is for an over spend of £3,805k a total reduction of £1,677k.
9. All services have been instructed to freeze discretionary expenditure and non-essential vacancies.
10. The Adult Social Care projection includes the capitalisation of relevant expenditure against the Social Care capital grant of £470k. it also allows for some income from the changes to charging.
11. Savings within commissioning budgets principally relate to carrying vacant posts.
12. Significant savings have been identified within Provider Services delivering £895k of savings through reductions in placement costs (£349k), severances (£300k) with the balance arising from vacancy management and freezing all discretionary spend.
13. Savings within Environmental Health and Trading Standards relate to holding vacant posts and proposed adjustment to the contribution to Public Health.
14. Savings delivered on the Adults transformation plan at the end of August have achieved £1,508k of the total target of £7,956k (19%) which is £57k ahead of the profiled savings target.
15. A number of the savings schemes to deliver the transformation scheme remain at "Amber" status, but a monthly review meeting chaired by the Director of People's Services monitors delivery of the schemes and identifies and resolves potential issues affecting delivery.
16. The forecast for Children's Provider Services is also being reviewed in the light of pressures associated with safeguarding activity.

## **Adult Social Care and Commissioning**

### **Key Points**

17. The forecast overspend of £5,105k for ASC includes the £2,841k demographic pressures identified as part of the detailed budget setting plus additional in year pressures within Older People of £500k
18. The projections assume that £2,217k of savings are at risk; activity is underway to identify alternate options for further mitigation.
19. To date actual savings of £1,508k have been confirmed against a profiled budget of £1,451k. There are an additional potential savings of £163k to be audited which have not yet been included in the confirmed savings.
20. The savings identified to reduce the deficit include the assumption that £470k of costs can be capitalised against capital grants.
21. Eleven schemes are currently rated “green” and cover £1,886k of total savings target representing 23.7% of the total.

### **Risks**

22. There remain risks within the older people budgets as year to date new packages continue to run above the planned rate. This could give rise to further pressures.

### **Opportunities**

23. Controls have been tightened over emergency and urgent care episodes and adherence to policies has been reinforced to all staff by senior management in the council, Wye Valley and 2G. This is not anticipated to deliver cost savings but reduces the risk of additional expenditure pressures.
24. A review of voids on block contracts has been undertaken and new cases will be directed into block contracts wherever possible, but this is also a cost avoidance rather than cost saving activity.

## **Health and Wellbeing – Environmental Health and Trading Standards**

### **Key Points**

25. The budget for EHTS included a £200k savings target in relation to route and branch (R&B) savings from the regulatory services review. The review has now identified a number of areas for savings, but further work is required to evaluate and confirm the scale of the opportunities. Care is also required to ensure that assumed savings do not include actions which have already been undertaken to deliver savings such as the full cost recovery of the taxi licensing service.
26. A saving resulting from the timing of the appoint of the new Director of Public Health (DPH) is approximately £17k. Additional savings from recharging recruitment costs and other vacancies increase the total saving to £75k, but all are non-recurrent.
27. A savings target of £15k for reducing expenditure on landfill consultancy has also been included.
28. A proposed saving from reducing the local authority contribution to the Public Health team by 50% is included in the forecast but has still to be confirmed.

## **Risks**

29. There may be risks in delivery of the income targets but have the potential to be offset through cost savings / vacancy management.
30. There may be a risk if the reduction in contribution to Public Health is not agreed of £120k.

## **Opportunities**

31. No specific opportunities identified which have not already been included but on-going stringent cost control will be in place.

## **Children's Provider Services**

### **Key Points**

32. Children's Services have identified savings to date of £895k some of which will not be confirmed until towards year end as they relate to the use of grants.
33. Key savings have been achieved within residential and agency placements as alternative placement options have been developed where appropriate. This has delivered savings of £349k before additional other carers costs of £45k.
34. Residential and agency placements are showing significant reductions compared to the equivalent period for 2011/12 and have enable delivery of the savings. Residential placements for the end of August 2012 are 5 compared to 13 for August 2011, the equivalent agency placements are 39 and 47 respectively.
35. Savings have been identified within the severances budget of £300k due to the number of schools transferring to academy status reducing the Council's liability.
36. The current forecast assumes potential offsets to grants of £175k which will be verified before year end.
37. The balance of the savings has been identified across all services through a combination of vacancy management and freezing of discretionary spend.

### **Risks**

38. The current forecast does not yet include the impact of the additional activities required as a result of some potential safeguarding pressures and need for some development activity in this area.
39. The Secure placements budget has been included as a saving, however if placements are made by the court these are high cost and may be lengthy, there are no current commitments.
40. Savings from offsetting costs to grants totalling £175k have been included in the projected outturn but these will not be confirmed until later in the financial year.

### **Opportunities**

41. No specific opportunities identified which have not already been included but ongoing stringent cost control will be in place.
42. All services are being challenged to identify opportunities to bring forward savings

opportunities or cuts.

## PLACES AND COMMUNITIES DIRECTORATE

### REVENUE BUDGET MONITORING

#### Overall Projected Outturn

£'000	Annual Budget	Under / (Over) Spend
Economic, Environment and Cultural Services	6,717	(295)
Homes and Community Services	3,087	(249)
Place Based Commissioning	26,255	121
Director and Management	315	245
<b>Total</b>	<b>36,374</b>	<b>(178)</b>

#### Summary

43. The Directorate is currently showing a projected overspend of £178k for the year. This mainly relates to the pressure on the Planning and Parking income budgets. This position also assumes achievement of the Directorate Savings Plan, totals £2.7 million, of which £100k is currently at risk. This includes:

- Review of fee income from Car Parking £100k

44. The following savings targets were previously rated as high risk but further savings have been identified within the Amey contract which reduces their risk to medium.

- Contract Savings – renegotiation of current contract with Amey Wye Valley £500k
- Review of community Facilities (Public Toilets) £150k

45. Of the remaining savings target £1.06 million has a low risk rating and the remaining £1,545k, including the Amey savings above, is viewed as medium risk.

#### Economic, Environment & Cultural Services

46. Planning Fee income is currently 27% lower than the same period in 2011/12. This would mean a shortfall of income of £325k for the year. This pressure is partly mitigated by an expected underspend in conservation staffing costs of £30k.

47. Fees are currently set by the Government and have not been increased since 2008. The Government has therefore proposed a one-off adjustment to "up-rate" fees in line with inflation, which amounts to around 15%, in Autumn 2012. This is likely to be debated in Parliament in October/November with a view to implementing the increased charges before the end of 2012. If fees were increased on 1<sup>st</sup> January 2013, based on the income levels in previous years, this would mean an additional £50k income in 2012/13.

#### Homes & Communities

48. Car parking charges were increased from 1<sup>st</sup> November and income for the five months to March 2012 was 24% higher than the same period last year. Although the full year the impact of these charge increases are expected to deliver the 2012/13 savings target of

£200k, latest income projections incorporating actual income for the first quarter identify pressure on the income budgets of £320k. There is further risk on income budgets on further savings target of £100k in relation to the review of car parking at free car parks.

49. This does not take account of the effect of changes expected to be made on 1<sup>st</sup> November 2012 in relation to the parking review. Additional income of £150k is expected based on current proposals which would mitigate the £100k Savings target, currently rates as high risk.
50. There are savings in Housing budgets and Regeneration programmes in relation to reduction in discretionary spend of £71k.

### **Place Based Commissioning**

51. The decision by Worcester County Council to grant planning permission for the new Envirecover Energy from Waste plant at Hartlebury has been agreed by Secretary of State. The impact on the current and future year budgets will be assessed as further information becomes available.
52. The Council has applied for reimbursement under the Bellwin scheme but following the adverse weather conditions during June and July, the Council has registered intent to make a claim. Before being eligible for grant, an individual authority is required to have spent 0.2 per cent of its calculated annual budget on works that have been reported to the Department as eligible for grant. This amount is the authority's "threshold" and applies to the whole financial year, not to each incident within the financial year. The threshold for Herefordshire 2012/13 is £460k and is a pressure on the revenue budget. The emergency works being carried out mainly relate to Highways. The current estimate for emergency works over the 2 months is £750k.
53. In a letter to Amey on 10<sup>th</sup> August, revenue savings have been identified in excess of £1m. These contract variations will meet the £650k savings targets, previously reported at high risk and the Bellwin threshold liability.

### **Director and Management**

54. There is currently underspend in relation to the Directorate's annual non pay inflation budget which is will be used to mitigate the pressures within the Directorate with further discretionary spend savings of £70k.



## CORPORATE SERVICES DIRECTORATE

### Overall Projected Outturn

£'000	Annual Budget	Under / (Over) Spend
Customer Services and Communications	2,943	431
People, Policy and Partnership	7,692	100
Law, Governance and Resilience	2,813	60
Chief Finance Officer and Commercial	5,403	100
Corporate Management	1,910	0
Directors	479	50
<b>Total</b>	<b>21,240</b>	<b>741</b>

### Summary

55. The Directorate is currently expected to underspend by £741k in 2012/13 although there are a number of significant risks already identified which will need to be managed in the year.
56. In order to help mitigate the Council's overall budget deficit position, the Directorate Management team met and agreed service targets for in year savings. This are made up as follows:

Description of Savings	Savings target £000
Customer Services & Communications	
Discretionary Spend Savings	71
Staff vacancy savings	60
Capitalisation of costs relating to Customer Organisation Project	300
People, Policy & Partnership	
Discretionary Spend Savings	100
Law, Governance & Resilience	
Increases in Hoople income	10
Staff vacancy savings	50
Chief Finance Officer & Commercial	
Accommodation Savings	60
Halt on Planned maintenance	40
Deputy Chief Executive	
Discretionary Spend Savings	50
<b>Total</b>	<b>741</b>

57. This position includes achievement of the Directorate Savings Plan, (£1.4 million), of which £30k is currently at high risk. This relates to income target for provision of Legal Services as part of the Shared Service.
58. Of the remaining savings target £1.07 million has a low risk rating and £300k has medium risk.

### **Customer Services & Communications**

59. The Customer Organisation project continues in 2012/13 introducing a new system and review of our business processes for delivering front line services.
60. A minimum of £100k savings are expected in 2012/13 in Customer Services as part of the Root and Branch Review.

### **People, Policy and Partnership**

61. The service is currently reviewing all discretionary spend budgets to identify savings for the year in excess of £100k target above.

### **Law, Governance and Resilience**

62. Along with the high risk of not being able to achieve £30k income from partners, there is further risk on achieving £50k of the service total savings target of £125k from staff savings. This is due to slippage in the Legal Services restructure and the proposed transfer of Registration Service to Customer Services, which is has now been agreed by General Register Office. The transfer of staff is now expected to take place imminently and the risk of achieving the associated savings is mitigated.
63. Legal proceedings have been commenced against the Council (and other Councils) by private search companies which could result in this Council having to repay around £200k. The outcome of this claim will have an impact on the way we deliver this service in the future.

### **Chief Finance Officer and Commercial**

64. The annual budget for Property Services is currently expected to spend on budget for the year although a number of risks have been identified in Property Services which could lead to a pressure of £500k is spending continues at the current level. Meetings, chaired by Chief Officer for Finance & Commercial, are currently taking place to identify necessary actions required to address these risks and ensure spend is managed within the current year budget and in year savings of £100k identified above are achieved.
65. The pressure relates to reactive maintenance costs. A review of non-emergency maintenance for the year and capital works is currently taking place in order to mitigate this pressure.
66. There are a number of further pressures including energy costs are currently estimated to put further £100k pressure on the budget for the year.