

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

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

<b>£'000</b>	<b>Pay/Non Pay Budget</b>	<b>Income Budget</b>	<b>Net Budget</b>	<b>Projected (over) or under spend</b>
People's Services	195,382	(122,976)	72,406	(6,288)
Places and Communities	49,716	(13,229)	36,487	663
Corporate Services	88,682	(67,137)	21,545	1,013
<b>Directorate Position</b>	<b>333,780</b>	<b>(203,342)</b>	<b>130,438</b>	<b>(4,612)</b>
Capital funding			16,072	450
Investments			(352)	(90)
WMS Profit Share			(624)	(624)
Centrally Held Budgets (net)			1,092	(102)
Government grants			(4,623)	235
Contingency			1,000	1,000
Transfer to/from Reserves			356	
<b>Total</b>			<b>143,359</b>	<b>(3,743)</b>

- As of the end of November 2012 the overall revenue budget position for 2012/13 shows a projected £3.743 million overspend. This is approximately 2.6% 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.
- The Treasury Management projected out-turn is an underspend of £450k on borrowing costs partly due to slippage on the capital programme, but mainly through delaying taking out PWLB loans by utilising internal reserves. Investment income is anticipated to underachieve by £90k as investment balances are less than budgeted due to the delay in borrowing, but the savings on borrowings exceed the reduced investment income. Appendix C includes a detailed analysis of Treasury management activities.

## Revenue Reserves Position

5. 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.
6. 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	Expen- diture Budget	(Income) Budget	Annual Net Budget	Under / (Over) Spend
Children's Safeguarding	12,284	(28)	12,256	129
Other Children's Provider Services	19,299	(17,119)	2,180	993
<b>CYP Provider Services</b>	<b>31,583</b>	<b>(17,147)</b>	<b>14,436</b>	<b>1,122</b>
Commissioning - Adult's Social Care	74,537	(28,297)	46,240	(7,817)
Commissioning Staff	7,447	(100)	7,347	255
Commissioning Other Services	4,455	(1,723)	2,732	162
<b>Total Commissioned Services</b>	<b>86,439</b>	<b>(30,120)</b>	<b>56,319</b>	<b>(7,400)</b>
Health & Wellbeing- EHTS	2,710	(859)	1,851	190
Root and Branch Savings Target -HERS	(200)		(200)	(200)
<b>Total Health and Wellbeing</b>	<b>2,510</b>	<b>(859)</b>	<b>1,651</b>	<b>(10)</b>
<b>Total Local Authority</b>	<b>120,532</b>	<b>(48,126)</b>	<b>72,406</b>	<b>(6,288)</b>
<b>Schools</b>	<b>74,850</b>	<b>(74,850)</b>	<b>0</b>	<b>0</b>
<b>Total Peoples Services</b>	<b>195,382</b>	<b>(122,976)</b>	<b>72,406</b>	<b>(6,288)</b>

### Headlines

7. The last reported outturn to Cabinet was £3.805m overspend as projected at the end of September 2012. The current outturn includes the result of the detailed forecasts prepared in early December and now has a predicted overspend of £6.288m. This is £2.483m worse than the reported September position due to 4 key factors: -
- Inclusion of Ofsted pressures: The detailed growth has now been incorporated into the Safeguarding forecasts and totals £168k across Children in Need (CIN) and Family Assessment and Safeguarding team (FAST) teams with an increase in Children with Disabilities (CWD) pressures of £45k to £107k, a total of £213k not included in the September outturn of £3.805m. In addition the Safeguarding Management cost centre now includes the additional cost on an interim Head of Service, giving a pressure of £44k. This is a total increase of £257k compared to the September position.
  - A review of the savings schemes has confirmed additional schemes as red or non-cashable but more significantly several amber rated schemes where no savings have yet been identified. In the September report this shortfall totalled £2.387m, but has now increased to £4.249m as a result of further investigation, an increased pressure of £1.862m.
  - The overall outturn for ASC has also worsened as a result of identifying £634k of opening demographic pressure that had not previously been identified. In addition a claim from WVT for sickness cover of £120k for which there was no budget has been included within the projection.

- d. The overall outturn for Older People has also increased by £496k, but has been offset by £410k of savings on s256. (s256 monies refer to the funding passported to local authorities through the NHS). It is suspected that not all terminations are being captured with the result that the forecast may be overstated. However, the review of the schemes has identified that in some cases the savings, for example reduction in package costs, either through reviews or re-ablement, have been captured within the detailed forecast. In doing so they are offsetting pressures within the service area rather than being allocated against savings projects.
8. The above pressures listed at points (a) to (d) total £2.959m. Additional £476k of savings have been identified in mitigation of the pressures summarised above. This is made up of an additional £127k across commissioning services and £372k from provider services.
9. To date £1.725m of savings have been confirmed, leaving £2.097m of the projected outturn to be achieved.

## **Adult Social Care and Commissioning**

### **Key Points**

10. The forecast overspend of £7.817m comprises:
  - a. The £2.841m demographic pressures identified as part of the detailed budget setting, plus a further £634k identified as demographic / inflation not previously captured and reported.
  - b. in year service pressures principally within Older People of £853k,
  - c. Improvement plan shortfall of £4.249m,
  - d. Wye Valley sickness claim £120k
  - e. Partly offset by planned capitalisation of £470k, and other S256 (NHS passported funding) savings of £410k
11. The Older Peoples pressures include an estimate for additional packages until the year end based upon current activity and trends.
12. The commissioning forecast now includes savings on short breaks of £48k, and assumed transfers to DSG of £135k for 2 year old funding and related staff costs.
13. £39k of post 16 grant will not be required to deliver the programme and has been offered to offset staffing costs.

### **Risks**

14. The improvement plan requires £2.097m of savings to be achieved in the last four months. At particular risk are the savings from reviews / transfers to supported accommodation and Care Funding Calculator (CFC) clients.

### **Opportunities**

15. It has been identified that when care packages end they are not always being reflected in the detailed forecasts which has a particular impact in Older People. However any savings which can be identified are likely to offset risks in the balance of the improvement plan.

## Health and Wellbeing – Environmental Health and Trading Standards

### Key Points

16. Some in year savings from holding vacancies and other non pay savings have been identified to mitigate the pressure. These currently total £75k, but the service has also identified potential additional savings, which are assumed deliverable giving total savings of approximately £130k.
17. The last forecast anticipated not paying the Q3 and Q4 contributions to the PCT for the Public Health consultants of £120k. However, on further consideration this may not be achievable but there is mitigation from other areas within the service.

### Risks

18. There may be risks in delivery of the income targets but have the potential to be offset through cost savings / vacancy management

### Opportunities

19. No additional opportunities above those included in the forecast at present.

## Children's Provider Services

### Key Points

20. Children's Provider Services have now been split to show Safeguarding and other Provider services separately.
21. Safeguarding services are reporting a net under spend of £129k.
  - a. This comprises net savings on Looked After Children (LAC) of £356k, principally on placement costs of £477k, offset by some pressures in staffing and post 16 of. This is a net change of £53k from the £303k reported in September.
  - b. Additional agency staff placements have been required following Ofsted. In addition management costs have increased by £44k as a result of the additional interim Head of Service.
  - c. Other savings have been achieved within Adoption services and the previously estimated £75k saving from Troubled Families Grant (included in September position) now being confirmed within the Intensive Family Support team due to the delays in recruiting the team.
22. Children's Provider Services project an outturn saving of £993k:
  - a. Savings within locality services including Children's Centres now stand at £337k. This is an increase of £149k from the £188k saving identified in the September outturn.
  - b. Savings within Learning and Achievement total £87k compared to £21k in the September report – principally due to additional savings in Early Years.
  - c. The current forecast also includes £55k of grant release from 11-19 grants.
  - d. The projected position assumes recovery of expenditure from Dedicated Schools Grant.
  - e. Savings include £300k for school severance payments, an estimated saving of £45k for complex needs cases, and offsets to grants of £16k, with an expected additional £14k of EIG.

**Risks**

23. There is a risk of increased Looked After Children numbers and associated costs following Ofsted. However, residential placements remain steady at 3 and agency placements at the end of November were 31, the lowest figure since July 2010, indicating that the risk is low. In house placements have increased from 84 in April to 92 at the end of October.
24. Additional staffing pressures within Safeguarding have been factored into the Ofsted pressure and are therefore not flagged separately.

**Opportunities**

25. There may be further opportunities within the Children's centres as detailed forecasts were not prepared for the South centres due to staff sickness. This will be completed in early January and reflected in the next forecast.

## PLACES AND COMMUNITIES DIRECTORATE

### Overall Projected Outturn

£'000	Pay/Non Pay Budget	Income Budget	Annual Budget	Under / (Over) Spend
Economic, Environment and Cultural Services	10,912	(4,061)	6,851	33
Homes and Community Services	7,561	(4,474)	3,087	179
Place Based Commissioning	30,867	(4,637)	26,230	344
Director and Management	376	(57)	319	107
<b>Total</b>	<b>49,716</b>	<b>(13,229)</b>	<b>36,487</b>	<b>663</b>

### Summary

26. The Directorate is currently showing an underspend of £663k for the year. The improved position has improved since last reported to Cabinet when an underspend of £178k was projected, and reflects the Director's Recovery Plan actions. The Director and his Management Team and the Strategic Finance Advisor met with all service managers within the Directorate to identify and challenge discretionary spend and use of grant reserves to drive out further in year savings which address the Directorate budget pressures and also help mitigate the council's overall deficit position.
27. This position also incorporates the Directorate Savings Plan, (£2.81 million), of which £100k, relating to the review of income from Car Parking, is currently at high risk and reflected as a pressure which will be met through in year savings.
28. Of the remaining savings target £1.85 million has a low risk rating and the remaining £860k, including the Amey savings above, has medium risk of not being achieved.
29. Whilst in year pressures on income budgets in relation to Planning Fees and Car Parking will be met by in year savings, the Directorate carries the risk of bad winter conditions in relation to both the cost of the highways winter service and the cost in relation to the homeless and rough sleepers.

### Economic, Environment & Cultural Services

30. Planning Fee income is currently 27% lower than the same period in 2011/12. This would mean a shortfall of income of £462k for the year. This pressure is partly mitigated by a planned underspend in the services through the halt on discretionary spend and use of unused grant reserves.
31. 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%, from 23<sup>rd</sup> November 2012. Based on the income levels in previous years, this would mean an additional £50k income in 2012/13. This will help meet the annual savings target in 2012/13.

## **Homes & Communities**

32. There is currently a pressure on parking budgets of £148k largely due to the shortfall in income on car parking charges. This includes projections of increased income from changes to parking fees introduced in November 2012. As previously reported the pressure partly reflects' the closure of 58 spaces on the Garrick Surface Car Park.
33. There is further risk on income budgets on the additional savings target of £100k in relation to the review of car parking at free car parks.
34. There are in year savings to mitigate this position from the discretionary spend budgets and the use of unused grant reserves.

## **Place Based Commissioning**

35. The Directorate carries a risk relating to winter weather conditions. The current outturn assumes a 'normal' winter with a budget of £1.3 million which covers:
  - 57 full salt runs on priority routes
  - 5 full runs on secondary routes
  - 2 snow days (1 light, 1 heavy)
36. Whilst the number of gritting runs to date is as expected, severe weather or a prolonged period of marginal weather conditions will put pressure on the budget.
37. There is also a risk in relation to disputed items in the Amey contract. These disputed items total £3million and impact on both capital and revenue items, some which will be met within the current annual budgets managed by Amey through the contract. In accordance with contract management procedures, the client team are working to resolve these items and the next step is to take a sample of disputes to formal adjudication over the next three months.
38. Following the wet weather conditions in September, Herefordshire registered a further intention to claim from the Bellwin Scheme for the essential works totalling £110k as a result of the flood damage. However central government has not activated a scheme for September and Herefordshire is the only authority with costs above threshold. Herefordshire is now making the case to Ministers that the flooding in Herefordshire was exceptional. A further claim notification has also been made for the end of November with costs of repair to damage estimated at £600-700k.
39. In a letter to Amey on 10<sup>th</sup> August, revenue savings have been identified in excess of £1m. This is mainly achieved through the re prioritisation of annual routine works to capital works along with one off contract dispute settlements. These contract variations will meet the annual savings targets, previously reported at high risk and the Bellwin threshold liability.

## **Director and Management**

40. 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	Pay/Non Pay Budget	Income Budget	Annual Budget	Under / (Over) Spend
Customer Services and Communications	3,231	(287)	2,944	231
People, Policy and Partnership	9,486	(1,609)	7,877	346
Law, Governance and Resilience	3,769	(931)	2,838	(102)
Chief Finance Officer and Commercial	69,602	(64,100)	5,502	538
Corporate Management	2,160	0	2,160	0
Chief and Deputy Chief Executive	434	(210)	224	0
<b>Total</b>	<b>88,682</b>	<b>(67,137)</b>	<b>21,545</b>	<b>1,013</b>

### Summary

41. The Directorate is expected to underspend by £1.013 million for the year. This improved position since last reported to Cabinet as at the end of September (£741k underspend), reflects the Directorate's actions to help mitigate the council's overall deficit position, although there are a number of significant risks already identified which will need to be managed in the year.
42. This position includes achievement of the Directorate Savings Plan, totalling £1.8m, of which the following are at high risk of not being achieved and will therefore be met from other in year savings.

Service Area	Principles	Risk	Savings Target 2012/13 £000
<b>Legal (HC)</b>	Building capacity to deliver to partners in the Health Sector, in sourcing and delivering to new clients in the local community third sector at competitive rates	Additional work not requested by WVT & PCT and HWFRA appointed own legal staff.	30
<b>Support Services</b>	Root & Branch Review	Savings unlikely to be identified through reviews for 2012/13.	150
<b>Total</b>			<b>180</b>

43. Of the remaining savings target £1.49m has a low risk rating and £360k has medium risk of not being achieved.

### Customer Services & Communications

44. The Customer Organisation project continues in 2012/13 introducing a new system and look at our business processes for delivering front line services. It is estimated that staff

costs of £100k are attributable to the projects and will therefore be funded from capital.

45. Savings of at least £100k are expected to be driven out in 2012/13 in Customer Services as part of the Root and Branch Review.

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

46. The service continues to review all discretionary spend budgets to identify savings for the year. The service is expected to achieve £100k on discretionary spend savings along with a further £230k in relation to the hold on ICT Strategy Projects.
47. A review of unused grant reserves has also identified £16k saving, relating to the use of reserves in place of 2012/13 base Migration Impact budget.

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

48. Along with the high risk of not being able to achieve £30k income from partners, noted above, there is further risk on achieving £50k of the service total savings target of £125k from staff savings. This is due to slippage in Legal Services restructure and the proposed transfer of Registration Service to Customer Services, which 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.
49. 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 is still awaited but it will have an impact on the way we deliver this service in the future.

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

50. Through a review of discretionary spend budgets, the service is expected to make annual savings of £200k which includes a hold on emergency maintenance.
51. A review of expenditure in Property Services has also identified £300k which can be classified as capital spend.
52. There is also £38k saving from the use of grant reserves.
53. However, pressure remains on the Property budgets in relation to the Corporate Accommodation Project, meaning maintenance costs of vacated building continue to be incurred, and the impact of the disaggregation of PCT staff from council offices, resulting in loss of income.

#### **Chief and Deputy Chief Executive**

54. Whilst in year savings of £150k have been identified from the Chief Executive and Deputy Chief Executive's annual budget, this will be utilised in year to meet pressures identified above in relation to the Directorate's annual savings plan.