

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

1. The following table summarises the 2012/13 projected outturn based on the financial position as at 31<sup>st</sup> December 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	195,410	(123,005)	72,405	(6,356)
Places and Communities	49,846	(13,259)	36,587	543
Corporate Services	88,593	(67,047)	21,546	1,036
<b>Directorate Position</b>	<b>333,849</b>	<b>(203,311)</b>	<b>130,538</b>	<b>(4,777)</b>
Capital funding			16,072	800
Investments			(352)	(90)
WMS Profit Share			(624)	(624)
Centrally Held Budgets (net)			992	(363)
Government grants			(4,623)	235
Contingency			1,000	1,000
Transfer to/from Reserves			356	
<b>Total</b>			<b>143,359</b>	<b>(3,819)</b>

2. As of the end of December 2012 the overall revenue budget position for 2012/13 shows a projected £3.819 million overspend, which is approximately 2.7% of the council's £143.4m revenue budget. The main movements from the November projected spend of £3.743 million are shown in the table below;

	<b>£000</b>
<b>Projected out-turn as at November</b>	<b>(3,743)</b>
Pressure on Winter maintenance budget due to recent snow	(120)
Additional in year savings on discretionary spend	23
Older People packages / emergency placements partly offset by LD savings	(537)
DoH winter pressures funding confirmed	274
Children's Safeguarding including placements / staffing post Ofsted	(144)
Children's Provider services – C/Centres / Early Years / Add Needs	250
Commissioning / EHTS (staffing / other cost reductions)	89

Identification of capital schemes qualifying to capitalise interest	350
Requirement for use of waste contingency for contract payments	(300)
Other centrally held budgets	39
<b>Projected out-turn as at December</b>	<b>(3,819)</b>

- The 2012/13 budget includes savings requirements 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 £43.7m compared to the original budget of £44m. Further details are attached in Appendix B
- The Treasury Management projected out-turn is an underspend of £800k on borrowing costs. This is mainly through delaying taking out PWLB loans by utilising internal reserves and short-term borrowing from other local authorities and estimated capitalised interest on schemes over 12 months duration. 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

- 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.
- 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	Exp Budget	(Income) Budget	Annual Budget	Under / (Over) Spend
Children's Safeguarding	12,041	(28)	12,013	(15)
Other Children's Provider Services	19,299	(17,119)	2,180	1,243
<b>CYP Provider Services</b>	<b>31,340</b>	<b>(17,147)</b>	<b>14,193</b>	<b>1,228</b>
Commissioning - Adult's Social Care	74,536	(28,297)	46,239	(8,080)
Commissioning Staff	7,664	(1,723)	5,941	349
Commissioning Other Services	4,481	(100)	4,381	143
<b>Total Commissioned Services</b>	<b>86,681</b>	<b>(30,120)</b>	<b>56,561</b>	<b>(7,588)</b>
Health & Wellbeing- EHTS	2,510	(859)	1,651	204
Root and Branch Savings Target -HERS				(200)
<b>Total Health and Wellbeing</b>	<b>2,510</b>	<b>(859)</b>	<b>1,651</b>	<b>4</b>
<b>Total Local Authority</b>	<b>120,531</b>	<b>(48,126)</b>	<b>72,405</b>	<b>(6,356)</b>
<b>Schools</b>	<b>74,879</b>	<b>(74,879)</b>	<b>0</b>	<b>0</b>
<b>Total Peoples Services</b>	<b>195,410</b>	<b>(123,005)</b>	<b>72,405</b>	<b>(6,356)</b>

### Headlines

8. The last reported outturn to Cabinet for November was £6.288 million overspend. This is a net adverse change of £68k but includes a growth in pressures in both adult social care and children's safeguarding services. However, these have been largely mitigated through the inclusion of winter pressures funding and additional savings within children's provider services, other commissioning staff costs and Environmental Health and trading Standards (EHTS).
9. To date within the Adult Social Care savings plan £2.253 million of savings have been confirmed, leaving £1.471 million of the projected out-turn to be achieved. However, the balance to be achieved includes all of the additional charging income which will start to come through in January.
10. The directorate leadership team is meeting weekly to ensure that essential expenditure only is being approved and reviews an updated list of all commitments as part of the cost control process. Minimal expenditure is being reported across all services areas each week.

### Adult Social Care and Commissioning

#### Key Points

11. The forecast overspend now stands at £7.588 million, a net increase of £188k. This comprises £263k (adverse) for Adult Social Care (ASC) offset by savings on commissioning budgets of £75k. The key changes for ASC consist of:
  - a. Further increases in Older People expenditure as a result of backdated packages, increasing costs for emergency care and new residential packages,

- b. Partly offset by inclusion of winter pressures funding of £274k, and
- c. Reductions in projections for learning disabilities of £85k
- d. The net increase in savings of £75k on commissioning services relate principally to vacancies being held and agency staff absences (interim Head of Service posts)

## **Risks**

- 12. The improvement plan still includes £1.471 million of savings to be achieved in the last three months. At particular risk are the savings from reviews / transfers to supported accommodation and Care Funding Calculator (CFC) clients, the estimated risk is £0.5- £0.9 million, but it is anticipated that completion of the terminations analysis and subsequent amendments will alleviate this.
- 13. Some of the winter pressures funding (£274k) may be required to cover additional costs and therefore not all available to offset pressures.
- 14. The Directorate is responding to a data protection issue and this may have a financial implication.
- 15. There is continued pressure on the older people's budget as a result of winter conditions. This may increase if the weather deteriorates.
- 16. There is a risk of bad debt on non payment by PCT/ DoH on disputed invoices at year end

## **Opportunities**

- 17. There is potential for a second tranche of winter pressures funding from Department of Health. This is yet to be confirmed.
- 18. If funding of an additional contribution for Wye Valley Trust staff costs is not agreed then the forecast pressure is reduced by £120k. This is being discussed with the Trust.
- 19. It is estimated that £24k is to be clawed back from the section 75 agreement due to delays in recruitment of the reablement team by Wye Valley.

## **Children's Provider Services**

### **Key Points**

- 20. Safeguarding services are now projecting an over spend of £15k compared to the last position of an underspend of £129k, an adverse movement of £144k. The key reasons for the worsening outturn projection are.
  - a. An increase in agency foster placements (8 new placements in December) at a predicted cost to year end of £44k. This now presents a risk to the 2013/14 budget if placements continue at this level.
  - b. The Child In Need and Families Assessment and Safeguarding Team overspend has increased from 168k to 209k as a result of additional agency staff placements following Ofsted.
  - c. Safeguarding management costs have increased by a further £50k.
  - d. Children With Disabilities team had previously reported an overspend of £62k for direct payments, which has now increased, leaving the total overspend at £121k

21. Children's Provider Services now project an outturn saving of £1.243 million an increase of £250k compared to the last estimate of £993k. The key areas delivering additional savings are:
- a. A further £100k reduction in expenditure in Children's centres, (total saving now £150k), other locality savings have increased by £18k giving total cumulative other locality savings of £278k which have been achieved principally in the youth and connexions services as a result of the service redesign and implementation in September 2012.
  - b. Further savings have been made in Early Years services of £71k giving a cumulative saving of £164k.
  - c. Further savings are also expected in Additional Needs through short term savings on Complex Needs of £61k. This remains a risk area for 2013/14.
  - d. Savings included in previous outturn updates include £300k for school severance payments, and offset to grants.

### **Risks**

22. After the sharp rise in agency foster placements in December there remains a risk of additional costs estimated at up to £90k.
23. There is a continuing reliance on agency staff in management roles in Safeguarding children's services.

### **Opportunities**

24. School closures as a result of snow are likely to deliver some savings as school transport contracts pay only 50% of daily rate for each day where there is no service.
25. There are potential further opportunities in adoption / other services of up to £85k, which should offset risk on placements.

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

### **Key Points**

26. Overall savings in this area now total £204k and this meets the £200k savings target set at the beginning of the year. Savings have been achieved across all services through a combination of vacancy management, charging for services and cost control.

### **Opportunities**

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

## PLACES AND COMMUNITIES DIRECTORATE

### Overall Projected Outturn

£'000	Pay/Non Pay Budget	Income Budget	Annual Budget	Under / (Over) Spend
Economic, Environment and Cultural Services	10,949	(4,061)	6,888	26
Homes and Community Services	7,661	(4,474)	3,187	134
Place Based Commissioning	30,897	(4,667)	26,230	276
Director and Management	339	(57)	282	107
<b>Total</b>	<b>49,846</b>	<b>(13,259)</b>	<b>36,587</b>	<b>543</b>

### Summary

28. The Directorate is currently showing an underspend of £543k for the year. The reduction in the previously reported underspend for the Directorate reflects the pressure on the Winter Maintenance budget following the recent period of snow that required additional snow clearance and gritting.
29. This position also incorporates the Directorate Savings Plan of £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.
30. Of the remaining savings target £1.85 million has a low risk rating and the remaining £860k, including the Amey savings included in the above, has medium risk of not being achieved.
31. 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 further bad winter conditions.

### Economic, Environment & Cultural Services

32. Planning Fee income remains lower than the same period in 2011/12. If this is the outturn at year end this would mean a shortfall of income of £500k for the year. This pressure is mitigated by the halt on discretionary spend and use of unused grant reserves.
33. Planning fees are currently set by the Government and have not been increased since 2008. For fees from 23 November 2012 the Government has proposed a one-off adjustment to "up-rate" fees in line with inflation, which amounts to around 15%. Based on the income levels in previous years, this would mean an additional £50k income in 2012/13.

### Homes & Communities

34. There is currently a pressure on parking budgets of £185k which mainly reflects 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 and the wet weather conditions.

35. There are in year savings to mitigate this position from the discretionary spend budgets and the use of previous years grant reserves.

### **Place Based Commissioning**

36. The Directorate carries a risk relating to winter weather conditions that requires a response to grit the roads. 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)

The number of gritting runs to date (21/01/13) are:

- 61 full salt runs on priority routes
- 2 full runs on secondary routes
- 9 snow days (1 light, 1 heavy)

37. This is estimated to put pressure on the 2012/13 budget of £120k. If there is another period of severe weather or prolonged marginal weather conditions, this will put further pressure on the budget.

38. There is also a risk in relation to disputed items in the Amey contract. These disputed items impact on both capital and revenue items, some which will be met within the current annual budgets managed by Amey through the MAC contract. The next step is to take a sample of disputes to go to adjudication in February 2013.

39. 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 no scheme has been activated for September by DCLG - a number of local authorities expressed an initial interest in a scheme for flooding in that month, but with the exception of Herefordshire no other authority has said they have costs above threshold. Herefordshire has forwarded its case to Ministers that the flooding in Herefordshire was exceptional and is awaiting a response. Further claims have been registered for November and December 2012.

### **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.



## 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	149
People, Policy and Partnership	9,453	(1,519)	7,934	446
Law, Governance and Resilience	3,744	(931)	2,813	(97)
Chief Finance Officer and Commercial	69,470	(64,100)	5,370	538
Corporate Management	2,261	0	2,261	0
Chief and Deputy Chief Executive	434	(210)	224	0
<b>Total</b>	<b>88,593</b>	<b>(67,047)</b>	<b>21,546</b>	<b>1,036</b>

### Summary

41. The Directorate is expected to underspend by £1.036 million for the year. This is an improved position since the end of November (£1.013 million underspend). The improvement 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 are also being managed within the Directorate in the year.
42. This position includes achievement of the Directorate Savings Plan, totalling £1.8 million, 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 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 as part of the 2012/13 Capital programme.

45. Savings of at least £100k are expected in 2012/13 across Customer Services as part of the Root and Branch Review.
46. The service outturn has reduced since last reported to reflect the pressure in relation to staffing costs for the Digital Channels project which transfers from the Directorate's ICT Strategy budgets.

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

47. The service has identified further in year savings on annual system maintenance costs and the full utilisation of grant funding for Corporate Training.
48. A review of spend on ICT projects is currently underway to identify capital expenditure which can be funded from capital budgets in the year thereby releasing revenue budget savings to help address the Council overall deficit position.

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

49. Along with the high risk of not being able to achieve £30k income from partners, noted above, there is a further risk of £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.

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

50. Through a review and further control 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. A further review will be carried out in February.
52. There is also £38k saving from the use of grant reserves held on the balance sheet.
53. 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.