

## REVENUE BUDGET MONITORING

### Summary

1. The following table summarises the 2012/13 projected outturn based on the financial position as at 31st January 2013.

£'000	Pay/Non Pay Budget	Income Budget	Net Budget	Projected (over) or under spend
People's Services	195,682	(123,156)	72,526	(6,762)
Places and Communities	50,820	(13,799)	37,021	187
Corporate Services	88,803	(67,040)	21,763	1,036
<b>Directorate Position</b>	<b>335,305</b>	<b>(203,995)</b>	<b>131,310</b>	<b>(5,539)</b>
Capital funding			16,072	850
Investments			(352)	(70)
Revenue Contribution to Capital			336	320
WMS Profit Share			(624)	(394)
Centrally Held Budgets (net)			545	(335)
Government grants			(4,623)	235
Contingency			1,000	1,000
Transfer to/from Reserves			(305)	
<b>Total</b>			<b>143,359</b>	<b>(3,933)</b>

2. As of the end of January 2013 the overall revenue budget position for 2012/13 shows a projected £3.933m overspend, which is approximately 2.7% of the council's £143.4m revenue budget. The main movements from the December projected spend of £3.819m are shown in the table below;

	£000
Projected out-turn as at December	(3,819)
Emergency works in relation to flood damage from September, November & December 2012 (15% Bellwin grant claim)	(356)
Adult social care – increase in backdated packages for residential and nursing placements.	(354)
Adult social care – increase in learning disability packages	(243)

Adult social care – reduction in other packages (mental health and Physical disabilities)	91
Adult social care – contract and other savings	117
Children’s commissioning – vacancy savings and use of grants	82
Reduction in discretionary spend within children’s services	47
Schools severance costs	(23)
Other changes within children’s services	66
Children’s safeguarding, including looked after children residential placements	(215)
Reduced commitment towards Public Health consultants	26
Additional capitalised interest	50
Improvement on investment income	20
Transferring Revenue funded capital to borrowing	320
West Mercia Energy – estimated distribution notified	230
Other centrally held budgets	28
<b>Projected out-turn as at January 2013</b>	<b>(3,933)</b>

3. 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.
4. The Treasury Management projected out-turn is an underspend of £850k 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 £70k 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 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
<b>Directorate costs *</b>	<b>1,017</b>	<b>(15,053)</b>	<b>(14,036)</b>	<b>384</b>
Children's Safeguarding	12,203	(27)	12,176	(232)
Other Children's Provider Services	10,190	(429)	9761	635
<b>Total CYP Provider Services</b>	<b>22,393</b>	<b>(456)</b>	<b>21,937</b>	<b>403</b>
Learning and Achievement	7,511	(1,308)	6,203	228
Children's Commissioning	1,882	0	1,882	113
Other Children's Services	9,655	(1,896)	7,759	204
<b>Total Children's Commissioned Services</b>	<b>19,048</b>	<b>(3,204)</b>	<b>15,844</b>	<b>545</b>
<b>Total Adult Social Care</b>	<b>65,686</b>	<b>(18,583)</b>	<b>47,103</b>	<b>(8,124)</b>
Health & Wellbeing- EHTS	2,737	(859)	1,878	230
Root and Branch Savings Target -HERS	(200)		(200)	(200)
<b>Total Health and Wellbeing</b>	<b>2,537</b>	<b>(859)</b>	<b>1,678</b>	<b>30</b>
<b>Total Local Authority</b>	<b>110,681</b>	<b>(38,155)</b>	<b>72,526</b>	<b>(6,762)</b>
<b>Schools</b>	<b>71,332</b>	<b>(71,332)</b>	<b>0</b>	<b>0</b>
<b>Total Peoples Services</b>	<b>182,013</b>	<b>(109,487)</b>	<b>72,526</b>	<b>(6,762)</b>

\*The report for Peoples Services has been updated to reflect the separation of directorate costs, which includes the central Dedicated Schools Grant (DSG) and Early Intervention grant for the directorate.

### Headlines

- The last reported outturn to Cabinet for December was £6.356m overspend. The January outturn reflects a worsening of this position by £406k. The key changes have been within Children's Safeguarding where external agency and residential placements have increased by £242k and in Adult social care Older People costs have increased by £354k as a result of backdated packages.
- To date within the Adult Social Care savings plan £2.9m of savings have been confirmed, leaving £816k of the projected out-turn to be achieved. However, the balance to be achieved includes the majority of the additional charging income which started to come through in January.
- The directorate leadership team continues to meet 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. Weekly finance meetings also take place with the interim Assistant Director for Adult Social Care to review and monitor financial issues.

## **Directorate Costs**

### **Key Points**

10. The directorate costs are broadly unchanged from the previous position of £407k and anticipate an underspend of £384k. The savings have arisen from an expected reduction in severance costs for schools as more schools convert to academies and cease to be eligible for funding from the LA.

### **Risks**

11. The schools which remain with the LA are the more vulnerable ones and may have additional calls to support redundancy programmes.

### **Opportunities**

12. Further opportunities to utilise available grants will be explored as part of year end processes where appropriate to do so.

## **Children's Provider Services**

### **Key Points**

13. Safeguarding services forecast has worsened by £215k since December from an overspend of £17k to a predicted overspend of £232k. The main movements are;
  - a. An increase in placements and the extension of some existing placements to the year end. This is an anticipated consequence of the Ofsted outcome resulting in additional costs of £242k compared to the position reported in December.
  - b. An increase in the cost estimate for agency staff in the fieldwork teams and interim management costs of £25k.
  - c. The pressures have in part be mitigated by savings within adoption and other LAC services totalling £64k
14. Other Children's Provider Services has now had directorate costs and central grant income disaggregated since the December Cabinet report. The current forecast is for an underspend of £635k which is broadly unchanged from last month. The key components of the under spend are:
  - a. Children's centres - £171k arising from vacancy management and cost control
  - b. Integrated youth support - £238k arising from vacancy management and cost control
  - c. Additional Needs and Education Psychology as above - £116k
  - d. Complex Needs case - £84k
  - e. Other savings principally arising from management of vacant posts - £26k

### **Risks**

15. After the sharp rise in agency foster placements in December and February there remains a risk of additional costs estimated at up to £50k
16. There are no significant risks across other children's provider services to report.

## **Opportunities**

17. There are potential further opportunities in adoption / other services of up to £30k, which should offset most of the risk on placements.

## **Children's Commissioning**

### **Key Points**

18. The Children's commissioning budget now includes the Learning and Achievement services following the realignment of services across the Assistant Directors. The projected under spend is now £545k.
19. The key components of the underspend are Learning and Achievement total saving predicted of £228k, Sufficiency and Capital savings of £200k and Children's Commissioning savings of £113k. The savings have been achieved through a combination of holding vacant posts, cost control and effective utilisation of available grants.

### **Risks**

20. A known data protection breach in Children's Services is likely to mean a fine in the region of £100k. It has been confirmed that fines are not covered by the insurance policy although claims for damages may be covered under the public liability insurance. There is still some uncertainty as to when the fine will be levied.

## **Opportunities**

21. There may be savings on school transport as a result of schools closures from snow, but a saving will only be achieved if routes were not operated.

## **Adult Social Care and Commissioning**

### **Key Points**

22. The forecast overspend now stands at £8.124m, a net increase of £389k. The key additional pressures include:
  - Older People costs have increased by a further £354k largely as a result of back dated package costs being identified.
  - An increase in Learning Disabilities forecast of £243k.
23. The pressures have been partly mitigated by
  - Reductions in the projected outturns of Physical Disabilities and Mental Health totalling £91k.
  - The inclusion of an anticipated refund to the local authority of slippage within the reablement project, within the Wye Valley Section 75 agreement, and some savings identified within central costs, £117k in total.

### **Risks**

24. The improvement plan still includes £847k of savings to be achieved in the last two months. At particular risk are the savings from reviews / transfers to supported accommodation and Care Funding Calculator (CFC) clients, the estimated risk is £500k-£600k.

25. Some of the winter pressures funding (£274k) may be required to cover additional costs and therefore not all available to offset pressures. The hospital is currently experiencing a peak in admissions and is at risk of delayed discharges for which the winter pressures money may well be needed.
26. There may still be further back dated packages to come through but this should be a declining risk as the new procedures become embedded.
27. There is a risk of bad debt on non payment by PCT/ DoH on disputed invoices at year end, agreement has been reached on payment of 11/12 and 12/13 invoices relating to the Equipment Store and Social Workers in hospitals, but only on a one off basis. The underlying issue has not yet been resolved.
28. There is a risk that £190k of the assumed £470k capitalisation is achievable based upon relevant items identified to date.

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

#### **Key Points**

29. Overall savings in this area now total £230k 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**

30. 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	11,192	(4,071)	7,121	26
Homes and Community Services	7,784	(4,483)	3,301	134
Place Based Commissioning	31,496	(5,188)	26,308	(80)
Director and Management	348	(57)	291	107
<b>Total</b>	<b>50,820</b>	<b>(13,799)</b>	<b>37,021</b>	<b>187</b>

### Summary

31. The Directorate is currently showing an underspend of £187k for the year. The reduction in underspend for the Directorate reflects the pressure on the highways maintenance budgets in relation to emergency works in response to wet weather events in September, November and December 2012.
32. This position also incorporates the Directorate Savings Plan of £2.81m, of which £1.94m has been achieved and £870k remain at medium risk. The majority of the medium risk savings relates to Streetscene Review described below under Place Based Commissioning and the remaining savings are expected to be met by in year savings.
33. 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

34. Planning Fee income remains considerable lower than the same period in 2011/12. Current forecasts are a shortfall of income of £500k for the year. This pressure is mitigated by a planned underspend in the services through the halt on discretionary spend and use of unused grant reserves.
35. 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

36. 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.



37. 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**

38. The estimated pressure on the 2012/13 winter budget remains at £120k. If there is another bout of severe weather or a prolonged period of marginal weather conditions, this will put further pressure on the budget.
39. There is also a risk in relation to disputed items in the Amey contract. These disputed items total £3m and 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 and although this should give an indication of the likely outcome, it is not expected to be fully settled before the end of this financial year.
40. There remains risk in the achievement of the 2012/13 annual savings in relation to Streetscene Root and Branch review. Revenue savings have previously been identified in excess of £1m within the Amey contract and are mainly expected to be achieved through the re prioritisation of annual routine works to capital works and one off contract dispute settlements, dependent on the resolution above These contract variations are expected to meet the £650k savings targets, previously reported at high risk and the 2012/13 Bellwin threshold liability.
41. Following confirmation by DCLG that Bellwin grant funding for September, November and December wet weather events have been agreed by the Secretary of State. It is now clear from recently received grant claim guidance that only 85% of the works will be met by the grant for these events Previous claims, June and July 2012, have been 100% funded in excess of the annual threshold liability of £459k. Works for these 3 events are estimated to total £2.37m therefore Herefordshire Council will have to meet a further £356k from its own budget in 2012/13. The directorate has already made in year savings through the Amey contract to meet the threshold amount of £459k.
42. The expected outturn for the joint Waste Disposal contract with Worcestershire County Council for 2012/13 is £9.5m. Previous estimates were based on disposal tonnages to date, earlier in the year, being lower than originally expected however latest tonnage info from WCC shows this has increased and moving nearer to the original estimate. This outturn position would require utilisation of £300k of the waste contingency budgets, thereby releasing the remaining £490k as an in year saving reflected in the central budgets.

### **Director and Management**

43. 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	202
People, Policy and Partnership	9,414	(1,520)	7,894	519
Law, Governance and Resilience	3,744	(931)	2,813	(126)
Chief Finance Officer and Commercial	69,552	(64,092)	5,460	538
Corporate Management	2,428	0	2,428	0
Chief and Deputy Chief Executive	434	(210)	224	(97)
<b>Total</b>	<b>88,803</b>	<b>(67,040)</b>	<b>21,763</b>	<b>1,036</b>

### Summary

44. The Directorate is expected to underspend by £1.036m for the year, as reported last month. There are a number of significant risks already identified which are also being managed within the Directorate in the year.
45. 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>

46. Of the remaining savings target £1.29m has a low risk rating and £330k has medium risk of not being achieved, however, any savings not achieved in 2012/13 will be met from in year savings.

## **Customer Services & Communications**

47. 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 £50k are attributable to the projects and will therefore be funded from capital as part of the 2012/13 Capital programme.
48. The service is expected to deliver in year savings on management costs in excess of the £100k 2012/13 Customer Services target as part of the Root and Branch Review. Whilst in 2012/13 this excess will be used to meet in year service pressures and contribute to the council's overall deficit position, these savings will contribute to the 2013/14 Root & Branch savings target.

## **People, Policy and Partnership**

49. The service has identified further in year savings on discretionary spend budgets. This includes the hold on spend on ICT Strategy Projects, governed by the Information Management and Technology Board realising £400k in year savings.
50. A further 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**

51. 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.
52. These pressures will be managed within the directorate budgets.

## **Chief Finance Officer and Commercial**

53. Through a review and further control of discretionary spend budgets and use of previous years grant reserves, the service is expected to make annual savings of £238k which includes a hold on emergency maintenance.
54. 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 before the end of the financial year.
55. 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**

56. 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.
57. The pressure of £97k reflect the 2012/13 savings target for the Business Support Review that will be met within the services from in year discretionary spend savings. These saving are expected to be met on a more permanent basis across the Directorate in 2013/14.