

REVENUE BUDGET MONITORING
Summary

1. The following table summarises the 2012/13 projected outturn based on the financial position as at 28th February 2013.

£'000	Exp Budget	Income Budget	Net Budget	Projected (over) or under spend
People's Services	181,222	(108,658)	72,564	(6,520)
Places and Communities	51,034	(13,799)	37,235	147
Corporate Services	88,919	(67,040)	21,879	1,276
Directorate Position	321,175	(189,497)	131,678	(5,097)
Capital funding			16,072	850
Investments			(352)	(74)
Revenue Contribution to Capital			320	320
WMS Profit Share			(624)	(394)
Centrally Held Budgets (net)			319	(375)
Government grants			(4,623)	235
Contingency			1,000	1,000
Transfer to/from Reserves			(431)	0
Total			143,359	(3,535)

2. As of the end of February 2013 the overall revenue budget position for 2012/13 shows a projected £3.535m overspend, which is approximately 2.5% of the council's £143.4m revenue budget. The main movements from the January 2012 projected overspend of £3.933m are shown in the table below;

	£000
Projected out-turn as at January	(3,933)
Additional pressure on Winter maintenance cost	(215)
Reduction in shortfall on Planning income	175
Savings from capitalisation of ICT spend	240
Reduction in Learning Disabilities respite care	250

Reduction in Mental Health (MH) packages (residential & nursing)	142
MH deferred packages	163
MH domiciliary packages	39
Older People (Incl. nursing / reduction residential)	(17)
Increase in Physical Disabilities (dom. care and residential packages)	(39)
Reduce estimate capitalisation in social care	(100)
Redundancy costs	(62)
Other commissioning savings	27
Provide for data protection fine (estimate)	(100)
Increased agency / young offender placements	(63)
Other children's provider savings	21
Environmental health (Leominster leachate key item)	(19)
Investment income	(4)
Centrally held budgets	(40)
Latest projected out-turn	(3,535)

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 largely due to delaying borrowing. Investment income is anticipated to underachieve by £74k 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 in 2012/13 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

	31 Mar 2012
	£000
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
	13,458

PEOPLE'S SERVICES DIRECTORATE

Overall Projected Outturn

£'000	Exp Budget	(Income) Budget	Annual Budget	Projected Under / (Over) Spend
Directorate costs *	1,017	(15,053)	(14,036)	284
Children's Safeguarding	12,205	(29)	12,176	(282)
Other Children's Provider Services	10,200	(429)	9,771	643
Total CYP Provider Services	22,405	(458)	21,947	361
Learning and Achievement	7,531	(1,308)	6,223	228
Children's Commissioning	1,882	0	1,882	113
Other Children's Services	9,463	(1,896)	7,567	231
Total Children's Commissioned Services	18,876	(3,204)	15,672	572
Older People	18,309	(4,530)	13,779	(1,673)
Learning Disabilities	19,432	(5,131)	14,301	449
Physical Disabilities	8,637	(742)	7,895	(96)
Mental Health	10,789	(1,923)	8,866	109
Other adult social care**	8,625	(6,163)	2,462	(6,537)
Total Adult Social Care	65,792	(18,489)	47,303	(7,748)
Health & Wellbeing- EHTS	2,737	(859)	1,878	211
Root and Branch Savings Target -HERS	(200)		(200)	(200)
Total Health and Wellbeing	2,537	(859)	1,678	11
Total Local Authority	110,627	(38,063)	72,564	(6,520)
Schools	70,595	(70,595)	0	0
Total Peoples Services	181,222	(108,658)	72,564	(6,520)

*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.

** This includes the transformation savings plan, which was not allocated to the individual client groups.

Headlines

- The last reported outturn to Cabinet for January was £6.762m overspend. The February outturn sees a £242k improvement. The key changes have been within Adult Social Care where there has been a reduction in Learning Disability respite care of £250k and a reduction in mental health packages of £344k. To date within the Adult Social Care savings plan £3.4m of savings have been confirmed, leaving £312k of the projected outturn to be achieved. It is anticipated that this remaining £312k will be delivered by the end of March.

8. 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. A financial sustainability group has also been established to assure the financial savings programme in Adult Social Care and to review and monitor financial issues.

Directorate Costs

Key Points

9. The directorate costs in February have increased to reflect the risk around a data protection breach and an anticipated fine in the region of £100k, the underspend now being £284k.

Risks

10. The schools which remain with the LA are the more vulnerable ones and may have additional calls to support redundancy programmes.
11. Although £100k has been allowed for the data protection breach fine there is the possibility that this could be higher (potentially up to an additional £100k)

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 a further £50k since January from an overspend of £232k to a predicted overspend of £282k. The key reason is due to further increases in agency foster and residential placements. The main components of the overspend are:
 - a. Overall external placement costs are still reporting an under spend, but this has now reduced to £126k. Savings have mitigated and offset additional costs within the 16+ service of £139k following the redesign of this service.
 - b. The fieldwork teams are reporting an overspend of £195k due to additional agency staff put in place post Ofsted.
 - c. Management costs have an over spend of £114k arising from having 2 interim Heads of Service and settlement costs.
 - d. The remaining key element of the overspend relates to Children with Disabilities which is reporting an over spend of £126k arising through additional staffing costs and increased direct payment costs.
 - e. Savings of £173k have been achieved across in house foster care, adoption services and intensive family support services (delayed recruitment of new in house team).
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 £643k which is broadly unchanged from last month. The key components of the under spend are:
 - a. Children's centres - £181k arising from vacancy management and cost control

- b. Integrated youth support - £264k arising from vacancy management and cost control
- c. Additional Needs and Education Psychology as above - £109k
- d. Complex Needs case - £84k
- e. Other savings principally arising from management of vacant posts - £25k

Risks

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

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 £572k.
19. The key components of the underspend are Learning and Achievement total saving predicted of £228k, Sufficiency and Capital savings of £231k 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. Additional savings of £27k have been identified during February as the final early years numbers for 2 year olds has been confirmed and has resulted in a £17k saving and also the outcomes required for the 'raising the participation' age grant have been achieved under budget and saving £10k.

Adult Social Care and Commissioning

Key Points

20. The forecast overspend now stands at £7.748m, a net reduction of £376k. The key reductions include:
 - A reduction in the forecast for Learning Disabilities respite care packages £250k.
 - A decrease in the number of mental health packages £344k
21. The reductions have mitigated the following pressures
 - An increase in older people residential and nursing packages £17k
 - An increase in Physical Disabilities residential and Domiciliary care packages £39k.
 - A recognition of the risk around the amount of revenue expenditure eligible to capitalise of £100k.
 - Redundancy costs that are not considered eligible for corporate funding of £62k.

Risks

22. The improvement plan includes £312k of savings to be achieved in the last month. It is anticipated that the risk previously identified has been removed and the savings of £312k are expected to be fully achieved in March 2013.
23. 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.
24. There may still be further back dated packages to come through but this should be a declining risk as the new procedures become embedded.
25. There remains a risk of 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.
26. There is a risk that a further £90k of the assumed £470k capitalisation is achievable based upon relevant items identified to date.

Health and Wellbeing – Environmental Health and Trading Standards

Key Points

27. Whilst the service is still predicting an under spend this has reduced by £19k in February.

Opportunities

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

PLACES AND COMMUNITIES DIRECTORATE

Overall Projected Outturn

£'000	Exp Budget	(Income) Budget	Annual Budget	Projected Under / (Over) Spend
Economic, Environment and Cultural Services	11,231	(4,071)	7,160	129
Homes and Community Services	7,801	(4,483)	3,318	143
Place Based Commissioning	31,654	(5,188)	26,466	(218)
Director and Management	348	(57)	291	93
Total	51,034	(13,799)	37,235	147

Summary

29. The Directorate is currently showing an underspend of £147k for the year. The reduction in underspend for the Directorate reflects the pressure on the highways maintenance budgets in relation to cold weather conditions to the end of March 2013.
30. 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.
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. The previously reported shortfall of planning fee income has now reduced to £325k for the year. This is as a result of February fee income being £175k higher than predicted. This pressure is mitigated by a planned underspend in the services through the halt on discretionary spend and use of unused grant reserves.
33. There is also pressure within the service on Tourism and Markets budgets within the year relating to property cost and shortfall of stall income. However these are mitigated by further discretionary spend savings resulting in an overall underspend for the service of £129k

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 continuing cold weather conditions has increased the estimated pressure on the 2012/13 winter budget to £335k. This reflects a higher than expected number of gritting runs and the impact of the snow in March 2013.
37. There is 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. It is not expected to be fully settled before the end of this financial year.
38. 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.
39. In addition to the Bellwin threshold liability, final claims have now been submitted to Government for September, November and December wet weather events totalling £2.41m. As previously reported, only 85% of the works will be met by the grant for these events which puts pressure on the service budget of £362k. Previous claims, (June and July 2012), were 100% funded in excess of the annual threshold liability of £459k.
40. Members will be aware of energy costs increases and in order to address these pressures there is a roll out of LED lighting and other energy saving strategies across the street lighting asset. These improvements are now starting to help mitigating the pressures on the street lighting energy budget. However until the project is extended across the whole of the street lighting asset, energy costs pressures are likely to remain and are estimated at £133k pressure for 2012/13. Further energy saving projects will continue in 2013/14 as part of the Public Realm services contract. These will be funded through interest free loans from SALIX and prudential borrowing which will be funded from the resultant energy savings.
41. The expected outturn for the joint Waste Disposal contract with Worcestershire County Council for 2012/13 is £9.6m. 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.

Director and Management

42. 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	Exp Budget	(Income) Budget	Annual Budget	Projected Under / (Over) Spend
Customer Services and Communications	3,233	(287)	2,946	202
People, Policy and Partnership	9,471	(1,520)	7,951	759
Law, Governance and Resilience	3,756	(931)	2,825	(126)
Chief Finance Officer and Commercial	69,372	(64,092)	5,280	538
Corporate Management	2,503	0	2,503	0
Chief and Deputy Chief Executive	584	(210)	374	(97)
Total	88,919	(67,040)	21,879	1,276

Summary

43. The Directorate is expected to underspend by £1.276m for the year. There are a number of significant risks already identified which are also being managed within the Directorate in the year.
44. This position includes the Directorate Savings Plan, totalling £1.8m, of which the following are being met from other in year savings.

Service Area	Principles	Risk	Savings Target 2012/13 £000
Legal (HC)	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
Support Services	Root & Branch Review	Savings unlikely to be identified through reviews for 2012/13.	150
Total			180

45. 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

46. 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.

47. There are also further in year savings on discretionary spend across the service.

People, Policy and Partnership

48. 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.
49. A further review of spend on ICT projects has also identified additional £240k revenue budget savings. This relates to capital expenditure which will be funded from capital budgets.

Law, Governance and Resilience

50. 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.
51. These pressures will be managed within the directorate budgets.

Chief Finance Officer and Commercial

52. Through a review and further control of discretionary spend budgets and use of previous years grant reserves, the service is making annual savings of £238k which includes a hold on emergency maintenance.
53. A review of expenditure in Property Services is also expected to make in year savings of £300k which can be classified as capital spend.
54. Pressure remains on the Property budgets in relation to the Corporate Accommodation Project as 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

55. Savings of £150k have been identified from the Chief Executive and Deputy Chief Executive's annual budget this will be used to meet pressures identified in relation to the Directorate's annual savings plan.
56. The pressure of £97k reflects 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.