

REVENUE BUDGET MONITORING – JULY 2013

1. The headline data from the July budget monitoring is set out in this appendix.
2. This month's report reflects the budget movements approved during June and July in respect of those extra savings schemes presented to Full Council on 25th May 2013 which did not require Cabinet decisions. Further budget virements (moving budget into the People's directorate) will be actioned as Cabinet agrees savings proposals. A key message is that budget will only be moved when the savings proposals have been agreed.

PEOPLE'S DIRECTORATE

Current Status – Revenue Budget by Service*¹

Service*	Budget Expend	Budget (Income)	Net Budget*	July Forecast Outturn	Projected (Over)/ under spend
Directorate	1,021	(548)	473	473	0
Children's Provider	22,138	(4,552)	17,586	17,746	(160)
Children's Commissioning	20,137	(9,639)	10,498	10,498	0
Adult Social Care	64,394	(13,995)	50,399	54,605	(4,206)
Public Health	7,745	(7,753)	(8)	(8)	0
People's Services Total*	115,435	(36,487)	78,948	83,314	(4,366)

*¹ Excluding Schools

Directorate overview

3. The July position within People's Directorate shows a reduction of £2.859m compared to the May outturn of £7.225m overspend. This is as a result of the completion of budget virements of £1.586m and utilisation of £1m of education support grant to offset pressures in children's provider services. There continue to be a number of current and newly emerging pressures which impact on the outturn, including continuing agency social worker costs, pressure on children's placements, slippage on some adult social care savings schemes and pressures within older people residential and nursing placements.
4. The summary table sets out the projected out turn compared to the current position, and includes the transfer of £1.586m of budget from other directorates. The forecast overspend assumes that the remaining £1.2m of budget virement is not actioned (as not

yet confirmed). If actioned in full the forecast overspend would be reduced to £3.0m in Adult Social Care. Work continues to validate projections.

5. Public Health is currently projected to be on budget, but current trends indicate that the service will underspend. Options are being explored to utilise the funds across services which meet the grant conditions as a way to mitigate council pressures.

Children's Provider Services - Key Points

6. Current pressures within Looked After Children (LAC) relate to additional placements (£387k against current budget). This has been mitigated by the one-off use of the Education Support Grant. There are legislative changes which constrain the ability of the service to manage children and young people into lower cost placements.
7. The service operates with a court costs budget of £200k, but there have recently been a number of cases requiring specialist legal support. This is currently estimated at an additional £200k for 2013/14.
8. There are staffing pressures arising from additional agency staff to cover vacancies and additional case loads totalling £438k across children's Safeguarding, £393k in fieldwork teams, £39k in Children with Disabilities (CWD) and £6k in the LAC team. The Education Support Grant has been used to offset these pressures.

Children's Provider Services - Risks

9. The risks to the financial position are;
 - a. Continued increases in referrals.
 - b. Failure to recruit sufficient high calibre social workers placing additional pressure on staffing budgets.
 - c. Complex needs cases are currently operating at budget capacity and further referrals would put the budget under pressure.

Children's Commissioning - Key Points

10. Significant cuts were made in the Learning and Achievement budgets as part of the initial budget setting process. Savings have been delivered in School Improvement due to the early departure of most of the team, but there are on-going risks relating to having to redesign how this service will operate in future, with implications for income generation.
11. Pressures have been flagged across a number of services due to the on-going reliance on interims, particularly at Head of Service level and the inability to attract permanent staff at the salaries offered. This is currently being modelled to put forward options to reduce agency spend in line with the social work review.
12. The transport budget is due to transfer to Places during the year as part of the creation of an integrated transport hub.

Children's Commissioning - Risks

13. School Improvement budgets include £65k for Service Level Agreement (SLA) income with a further £41k of Governor Services income, which is at risk as staff are no longer retained to provide the support bought by schools. The impact is currently being

evaluated. Further work is required with some budget holders to review and confirm savings delivery, and this will be done in accordance with new forecasting cycle.

Adult Social Care - Key Points

Overarching Position

14. The current projected overspend is £4.206m. £1.204m relates to the remaining budget virements to be actioned where further savings schemes have been identified within other directorates and are subject to Cabinet approval. A key agreed principle is that the transfer of budget will only occur when schemes are approved.

Expenditure and Forecasting Pressures

15. Expenditure - The adult social care budget was subject to a zero basing exercise at the beginning of this financial year. This is now highlighting some key long standing issues. Data quality improvement has brought clarity to a number of cases and confirmed costs from previous years.
16. There is additional pressure as a result of two specific transition cases as individuals move from children's to Adult's services at a total of £256k. Urgent reviews of these cases will be undertaken, and plans implemented to ensure that we are fulfilling out statutory responsibilities.
17. Spend on nursing homes and residential homes increased more than expected during the month, with an unusually high number of admissions. Further analysis is needed to establish whether this is a direct result of some of the pressures in the acute hospital system, which also had an unusually high number of A & E attendances for a summer month.
18. A contingency was established at the beginning of the financial year for additional interim capacity. All of this cost is now included within the adult social care budgets. It is likely that further additional specialist adult social care interim capacity is required. Further transformation capacity is required to deliver changes.
19. The Council has £3.6m within its budget that is received via the NHS. This has conditions attached to it relating to its use, which include enabling the LA to reduce the impact of savings on the wider system. It must also demonstrate to and agree with the CCG that the money will have a positive impact on health outcomes. Whilst negotiations continue with the CCG, some potential pressures are around support for the flow through the acute hospital. For this purpose an additional £300k pressure has been added into the forecast out turn position.
20. KPMG has been engaged to deliver contractual savings and this has a current pressure of £48k.
21. The forecast assumes client growth across all the client groups of £500k for the remainder of the year. This should be sufficient to meet demand but will be subject to further review.
22. Opportunities exist to use some of the current underspend within Public Health to support schemes and services being delivered by Adult social care that meet public health grant conditions.
23. A further £273k of pressure may emerge in month due to an assumption that Winter

Pressures money received in previous years will be received via the NHS. Recent announcements have indicated that this money will now be directed at only certain areas, which does not include Herefordshire.

New Pressures Mitigation

24. The forecasting includes a number of assumptions which will be validated. This includes an overspend of £1.477m based on growth in residential and nursing home placements. On September 14th the operational social work teams will be returned to the council, and we will have the opportunity to set targets for each month, and the new operating model is designed to reduce admissions. A number of initiatives such as social work in A & E during the winter months will offer the opportunity to intervene at an earlier point. Savings on the revision of supporting people contracts has achieved £94k.
25. Setting targets for each team along with operational management of budgets will be a key measure. Reductions in use of home care are already showing positive impacts in terms of the budget. The focus over the next two months is ensuring all operational managers, will be better able to contribute to financial reporting.
26. Mental health clients costs are forecast to underspend by £1.202m, due to a reduction in growth and terminations of packages. Initial activity based client budgets also saw a reduction in demand and cost of care of £263k.
27. Some Supporting People contracts are being under-utilised and these will be further reviewed.
28. Learning Disability client costs are currently forecast to underspend by £553k. This figure takes into account an additional pressure of £260k for the transition of two clients from children's services to adults.
29. There may be an opportunity to capitalise items purchased for the Community Equipment store. This would reduce the revenue overspend. Further work is being carried out to identify eligible expenditure.
30. Disabled Facilities Grant funding will be more effectively used through additional occupational therapy assessments. This work will deliver some reduction in cost of care packages later this year.

Adults Social Care Savings Delivery Plans Progress Update

31. There is currently a projected shortfall in delivery of the savings target (£7.078m) of £2.435m. Key pressures exist in relation to savings delivery are:
 - Home and Community Support procurement will not be completed until March 2014, which creates a £1 million gap within the savings plan.
 - Next Stage Integration Project implementation timescales have been re calculated on some projects. Additional service user and carer consultation has taken place as requested by Cabinet. Worst case scenario on this if not fully implemented until 31st March 14 is estimated at a slippage of £550k

- There is non-delivery of £464k of contractual savings by Wye Valley Trust through the Section 75 agreement up to 13th September 2013. This will need to be absorbed within the year by the directorate.
- A saving against the Livability contract (£100k) is not deliverable due to the current contract. The contract will require re tendering, and savings will be achieved but not in this financial year.
- Open Book Review (£125k) – further to cabinet decision in June, with a new timescale for implementation this will not be delivered this year. Commissioning Workforce reductions of £300k will deliver only £258k in this financial year.
- £54k slippage is as a result of delays in implementing some small contract changes and Redesign of out of hours and reduction on spend on transition cases has created a further non delivery of £100k

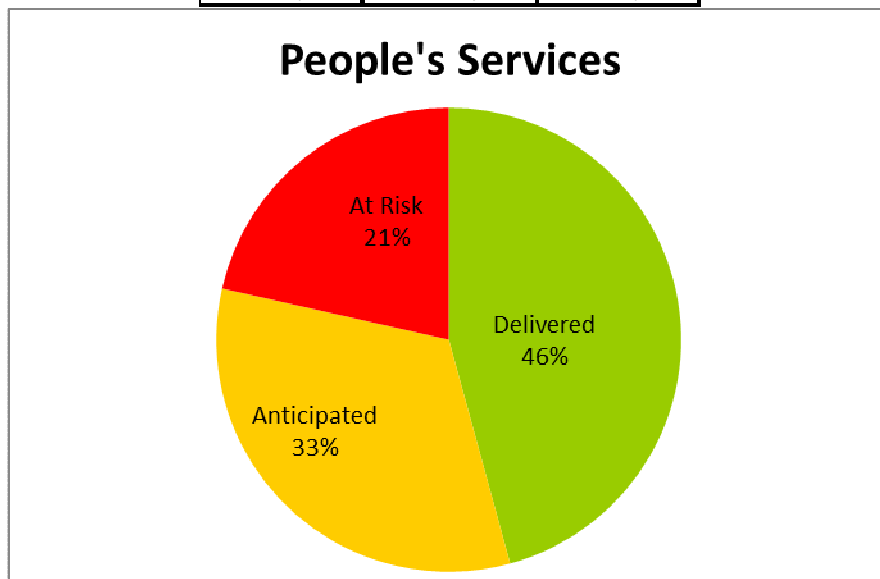
Public Health

32. The service is funded by a ring-fenced grant with conditions for use. The current indications are that the service will underspend by circa £250k. It is possible to carry this forward under grant conditions but options to legitimately support council services/ provide preventative activities which meet grant conditions must be explored thoroughly given the current council position.

People’s Savings Plans

33. The People’s Directorate has savings plans of £13.346 million. The chart below shows their status as at 31st July. A cautious view has been taken with savings only being classified as delivered if action has been taken to ensure savings will be made.

PEOPLE'S SERVICES		
Delivered	Anticipated	At Risk
6,105	4,378	2,863



KEY

Delivered – action has taken place to ensure saving will be made

Anticipated – Further savings included in forecast out-turn

Uncertain – Total savings target less delivered and anticipated savings

34. There is also slippage on some schemes the most significant of which relates to the re-procurement of domiciliary care (£1 million).
35. The table below sets out the savings schemes currently RAG rated as RED and a high risk of non-delivery.

* A= Adults Scheme, P = other Peoples saving, C = Children's scheme

Ref	Scheme	Target £000	At Risk £000	Risk	Est recover- able
A1	WVT Section 75 10% reduction	500	464	No assurance from WVT to deliver 10% in remainder of contract	TBC
A2	Next Stage integration	756	550	Service redesign still on-going	TBC
A3	Open Book Review	125	125	Pending Cabinet sign off (as at May)	0
A4	Homecare	1,000	1,000	Scheme slippage	TBC
A5	Livability	100	100	Will not deliver -	0
A6	Transitions	50	50		0
A7	Village Wardens	91	37	Contract reduced not ended	0
A8	Talking Book	17	7		0
A9	Primecare EDT/ OoH	60	60		0
A10	Workforce	300	42	Cost of further interim posts	0
P1	Unidentified	105	105		0
P2	Sale of Assets	50	23	Shortfall	0
P3	S256 grant Assumed extra	877	300	Will not deliver due to CCG instruction to deliver additional project	
TOTAL		4,031	2,863		TBC

* A= Adults Scheme, P = other Peoples saving, C = Children's scheme

Details of Risk / Mitigation

A1 – Details of how much of the 10% savings on the WVT contract are to be achieved are yet to be finalised. The latest report for July from Wye Valley suggests that there will be a small underspend on the contract, but this will not be confirmed until we receive the final accounts up to 13th September 2013.

A2 The shortfall relates to the extension of Day Opportunities, staff and pending consultation with users on the future design of the services in order to maintain a stable service for vulnerable users.

A3 – No savings are expected in 2013/14 as the implementation has been delayed until 1st April 2014.

A4 - Homecare – re-procurement of Homecare (domiciliary care) is now in progress and implementation is planned for April 2014.

A5 –Livability reduction – alternate scheme now evaluated and not agreed. Action agreed to increase efficiency of use of current block contract by void reduction.

A6 -Transitions – not expected to deliver savings

A7 – Village Wardens – contract has been reduced for 2013/14, not terminated as originally assumed. Further work is planned for 2014/15.

A8 – Talking Book – potential challenge, therefore slippage has been allowed.

A9 – Primecare /Out of hours service – further work to determine if savings can be delivered.

A10 – Workforce increased target – partly identified but a shortfall of at least £42k is expected.

P2 – Sale of youth assets is now complete, which raised £27k of a target £50k.

P3 – Following discussions with the CCG it has been agreed that £300k of the additional DOH funding will be used for new schemes for the joint benefit of Health and Social care. This had previously all been assumed available for existing activities.

PLACES AND COMMUNITIES DIRECTORATE

Current Status – Revenue Budget

Service £000	Budget Expend	Budget (Income)	Net Budget	Net Forecast Outturn	Projected Under / (Over) spend
Economic, Environment and Cultural Services	14,217	(5,418)	8,799	8,780	19
Homes and Communities	7,333	(4,765)	2,568	2,518	50
Place Based Commissioning	32,140	(4,720)	27,420	27,344	76
Director and Management	273	(36)	237	201	36
Places & Communities	53,963	(14,939)	39,024	38,843	181

Directorate overview

36. The Directorate is currently expected to underspend by £181k for the year.
37. As previously reported, budget adjustments were processed in June to reflect the additional savings and pressures which did not need Cabinet decision. These budgets have been vired to offset the pressures in Procurement and Adult Social Care, highlighted during the Chief Executive's review.
38. On 1 July 2013 Customer Services 2013/14 budgets totalling £1.582 million transferred from the Corporate Services directorate. This virement is net of annual savings already delivered and at risk savings targets transfer to the Directorate.

Economic, Environment & Cultural Services

39. There is an underspend for the service of £17k in relation to income received in excess of the budget in Bereavements Services. Income will be closely monitored to assess the potential to increase the annual income budget and contribute to annual savings.
40. There are staff savings in Libraries and Heritage of £50k which relate to the additional savings schemes which are due for Cabinet sign off in September 2013. There are also additional staff savings on the Cultural Services budgets of £15k.
41. There are further one off savings within Environmental Health budgets of £14k from the hold on discretionary spend.
42. There is risk on Planning budgets in relation to the anticipated liability for costs of appeal cases expected. The pressure previously reported is due to be settled in October 2013 and this pressure of £60k has been addressed within Directorate budgets. However there is a further potential liability of £150k expected on another case.
43. On 1 July 2013 Customer Services budgets transferred to Places & Communities

directorate and these included the transfer of all current and future savings targets for that service.

44. There is risk on the Customer Service savings of £77k and schemes are currently being reviewed by the budget holders in the light of the transformation project identified as part of the additional savings targets.

Homes & Communities

45. A saving of £50k has been identified for 2013/14 on the CCTV service through use of grant reserves.

Place Based Commissioning

46. The underspend within the service relates to staff vacancies. This includes £40k which will form part of the Parks & Countryside additional savings scheme target of £300k, profiled over 3 years to 15/16.
47. There is a risk in relation to disputed items in the Amey contract. These disputed items total in excess of £3m and impact on both capital and revenue items, some which will be met within the 2013/14 budgets managed by Amey through the MAC contract. Following the adjudication of sample of disputes earlier in the year, discussions are currently taking place with Amey to evaluate the impact of this ruling. There is currently £885k income expected from Amey for which provision has been made in previous years' outturns, along with an additional income expectation of £166k for the 5 months to 31st August 2013. This income mainly represents guaranteed savings and New Roads and Street Works Act (NRSWA) income within the MAC contract.
48. Mobilisation costs in relation to the new Public Realm contract may also put pressure on the current year budgets. These costs are currently being fully quantified along with the funding options, such as capitalisation, available.

Management

49. There are in year staff savings of £36k relating to project work funded through the capital programmed budgets.

Places Savings Plans

50. The total savings for the Directorate totals £4.849 million made up of the original savings plus additional savings recently identified as part of the Chief Executive Review. The chart below shows their status as at 31st July 2013. The transfer of Customer Services from Corporate Services also included £77k savings target which have not yet been delivered.

PLACES & COMMUNITIES £000		
Delivered	Anticipated	At Risk
2,024	1,653	1,172



KEY

Delivered – action has taken place to ensure saving will be made

Anticipated – Further savings included in forecast out-turn

Uncertain – Total savings target less delivered and anticipated savings

51. The table below sets out the savings schemes currently RAG rated as RED. These are schemes which have either not received the necessary Cabinet approval, so nil saving assumed, or are savings schemes which are currently not expected to deliver to target. The following schemes have been identified as at high risk of non delivery.

Scheme	Target £000	At Risk £000	Issue
Customer Services	77	77	Schemes to be identified
Heritage Services Review	194	194	Pending Decision Cabinet
Library Services Review	250	250	Pending Decision Cabinet
Planning Services cost reductions (including Conservation, Archaeology)	291	291	Pending Decision Cabinet
Countryside Services Review	40	40	Pending Decision Cabinet
Closure/Transfer of toilets	187	187	Pending Decision Cabinet

Increase charges for garden waste sacks	80	80	Pending Decision	Cabinet
CCTV Review	50	50	Pending Decision	Cabinet
Community Protection Review	150	150	Pending Decision	Cabinet
Increase car parking/on-street parking income (spend to save)	(195)	(195)	Pending Decision	Cabinet
Community Regeneration	48	48	Pending Decision	Cabinet
TOTAL	1,172	1,172		

CORPORATE DIRECTORATE

Current Status – Revenue Budget

Service £000	Budget Expend	Budget (Income)	Net Budget	Net Forecast Outturn	Projected Under / (Over) spend
Customer Services & Communications	829	(163)	666	666	0
People, Policy & Partnership	7,795	(860)	6,935	6,905	30
Law, Governance & Resilience	3,240	(656)	2,584	2,704	(120)
Chief Finance Officer and Commercial	56,956	(52,930)	4,026	4,198	(172)
Corporate Management	1,680	0	1,680	1,366	314
Chief and Deputy Chief Executive	347	0	347	297	50
Corporate Services	70,847	(54,609)	16,238	16,136	102

Directorate overview

52. The Directorate is currently expected to underspend by £102k for the year.
53. As previously reported, budget adjustments have been processed to reflect the additional savings and pressures which do not need Cabinet decision. These have been vired to offset the pressures in Procurement and Adult Social Care highlighted during the Chief Executive's review.
54. On 1 July 2013 Customer Services 2013/14 budgets totalling £1.582 million transferred to Places & Communities directorate. This virement is net of annual savings already delivered and at risk savings targets transfer to the Places & Communities Directorate.

People, Policy & Partnership

55. There is an additional saving in relation to ICT and Equality Integration Partnership budget relating to the identification of funding from the Public Health grant.

Corporate Management

56. The Corporate Management budget includes a base budget of £314k for Non - Discretionary Rate Relief. Further guidance on the rates retention scheme indicates that this is not now required to be paid into the Collection Fund.

Law, Governance & Resilience

57. As previously reported, there is a projected overspend for the year in relation to Legal Services. This has reduced since last reported mainly due to funding identified from Public Health grant. The overspend of £123k reflects the increased cost of additional in house expertise in key areas of planning, childcare and employment law and will lead to reduced outsourcing of legal work to solicitors and counsel which, in previous years, has cost the authority in excess of £400k p.a. across the organisation.
58. There remains a pressure on Resilience of £5k in relation to a saving target as part of the Safer & Stronger Review following the remodelling of the service.
59. There is a net saving on Statutory Services budgets of £8k. This mainly relates to Coroners Service medical costs. This pressure is partly mitigated by increased income for Registrars and Land Charges and will be closely monitored.
60. Legal proceedings were 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 & Commercial

61. There is currently a pressure of £172k on Property budgets for 2013/14. This includes the risks to the Property Service budgets in relation to savings schemes held in all Directorates that include closure or transfer of services and have an impact on Council buildings. These schemes will be closely monitored by Property Services through the office moves programme to ensure this impact is managed within the overall savings targets.
62. There is a staff restructure currently in consultation which will help deliver in year savings of £200k. Whilst the full year saving is expected to exceed £200k, these will not be available in 13/14 and the shortfall will be mitigated by the proceeds from the sale of small property assets.
63. The current system of Housing Benefit provides a financial incentive for authorities to recover overpayment of benefits from recipients. The Department for Works and Pensions pays Housing Benefit Subsidy to authorities based on benefits disbursed (including at reduced level for benefit overpayments). Authorities effective in recovering overpayments may therefore receive a level of subsidy that exceeds the net cost of benefits after recovery of overpayments. It is estimated that the subsidy received will result in a net surplus of £209k, as budgeted, although there is some risk around this. The level of overpayments that can be recovered is difficult to estimate at this early stage of the year.

Chief & Deputy Chief Executive

64. The underspend against this budget area reflects the release of the Chief Executive's development fund to help mitigate the overall council budget position.

Procurement Savings

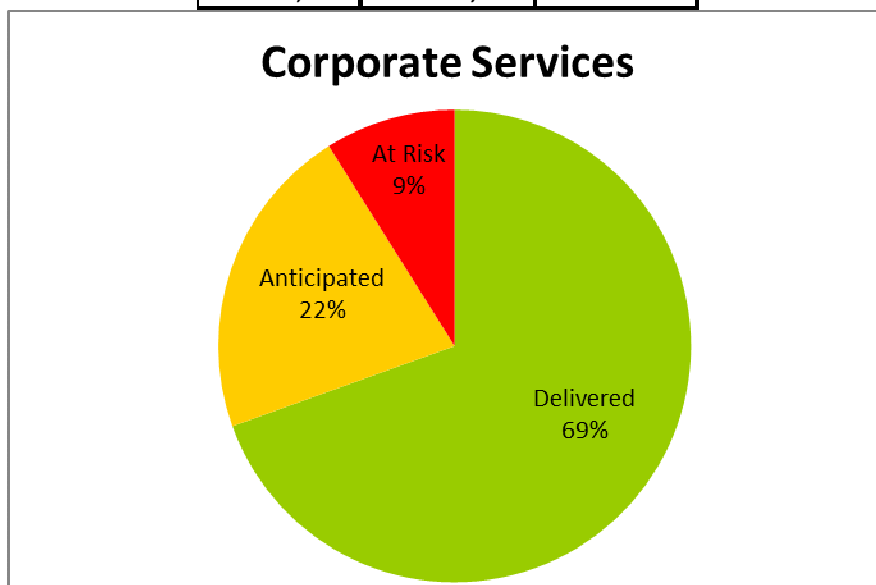
65. Whilst £1m of the brought forward procurement savings target was addressed through

the recent additional savings review, the Commercial Board agreed a target of £300k to be achieved through procurement projects in 2013/14. These projects include printing, stationery, cash collection and mail services and this budget is currently held centrally.

Corporate Savings Plans

66. The total savings for the Directorate totals £5.201 million made up of the original savings plans plus additional savings recently identified as part of the Chief Executive Review. The chart below shows the status on Corporate led savings as at 31st July 2013.

CORPORATE SERVICES £000		
Delivered	Anticipated	At Risk
3,614	1,122	465



KEY

Delivered – action has taken place to ensure saving will be made

Anticipated – Further savings included in forecast out-turn

Uncertain – Total savings target less delivered and anticipated savings

67. The table below sets out the savings schemes currently RAG rated as RED. These are schemes which have either not received the necessary Cabinet approval, so nil saving assumed, or are savings schemes which are currently not expected to deliver to target. The following schemes have been identified as at high risk of non delivery.

Scheme	Target £000	At Risk £00	Issue
Emergency Planning	50	5	Income not achievable
Members allowances	60	60	Pending Council agreement

Customer Services	80	80	Pending Cabinet decision
Reduce Public Notices	10	10	Plan to be developed
Advertising & Publicity (Council wide project)	150	150	Plan to be developed
Unpaid leave	357	160	Reduced from 3 days to 2
TOTAL	707	465	