

BUDGET MONITORING 2004/05

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

13TH JANUARY, 2005

Wards Affected

County-wide

Purpose

To note the position with regard to revenue budget monitoring as at 30th November, 2004 for Programme Areas in 2004/05.

Key Decision

This is not a Key Decision

Recommendation

THAT the report be noted.

Reasons

Reports are presented to Cabinet as part of the Council's Performance Management arrangements. Cabinet Members will discuss the individual Programme Area figures with their Directors and Departmental Managers as appropriate.

Considerations

1. Appendix 1 shows the details of the spending as at 30th November 2004 for each Programme Area, together with the projected outturn for 2004/05.
2. The budgets shown for 2004/05 include the final carry-forwards from 2003/04 and the adjustments made following the Government's decision to limit the Council's budget for 2004/05.

Education

3. A very large proportion (80%) of Education budget is delegated to schools. Any under or over spending in school budgets will be automatically carried forward into the next financial year under the statutory arrangements for delegation to schools. Other budgets such as Pupil Referral Units, Standards Fund, and the Schools' sickness scheme are likewise carried forward at the year-end.

Further information on the subject of this report is available from
David Keetch, Assistant County Treasurer on (01432) 260227

4. After such accounting adjustments, it is anticipated that there will be an overall net underspend of approximately £465,000. A budget review in the Autumn has confirmed underspends on transport (£600,000) (£200,000 is a one-off saving resulting from six fewer transport days in this financial year) and reduced take-up for early years provision for three and four year olds (£470,000), which together with other smaller underspends on staff vacancies and awards administration were reported to Education Scrutiny Committee in December.
5. Within the overall total, overspends are predicted for PFI set-up consultancy fees (£400,000), SEN banding delegated to schools (£250,000), targeted funding for school improvement (£200,000) and centrally funded SEN staffing costs (£75,000).
6. A detailed report based on expenditure trends to the end of February will be prepared for Education Scrutiny Committee on the 14th March 2005

Policy and Finance General

7. At this early stage in the year no significant overspendings have been identified for Policy and Finance General. Based on the information at present, it would be reasonable to anticipate an underspending of approximately £742,000 across all services during 2004/05. This reflects the significant carry-forward from 2003/04 and the general spending pattern of the year to date.
8. It has been assumed that the ongoing costs of the job evaluation process, at present estimated at £110,000 for 2004/05, will be met from reserves.

Policy and Finance Property

9. The projected overspend for Property is now £456,000 including £433,000 brought forward from 2003/04. The two major problems are the Markets and Fairs deficit brought forward from previous years which has risen to £456,000 and the shortfall on Industrial Estates income, which by the year end is expected to reach £350,000. The two overspendings are offset by savings on other services and additional retail income of £100,000 and income from internal and external clients (£250,000).
10. The recovery plan to deal with this overspend situation has been reviewed with the Director of Environment considering reductions in building maintenance to address the over- spending over a three-year review.

Environment General

11. Spending on some areas including road maintenance looks low but this is largely owing to the timing of the payments to Herefordshire Jarvis Services. A net underspending of £770,000 (inc Waste Disposal) is predicted for 2004/05 for Environment General as a whole.
12. The Waste Disposal PFI contract budget is expected to be underspent by at least £700,000 largely owing to the sums included for additional costs following renegotiation not being required until 2005/06 and 2006/07. In addition, the costs for the existing contract are anticipated as being lower than the budget assuming existing volumes are maintained. Any underspending will be transferred to the Council's General Reserves in line with current policy.

13. The income received so far this year for Cemeteries and Crematorium suggests an underspending of approximately £70,000 in 2004/05.

Environment Regulatory

14. Spending on Environment Regulatory is very much in line with the budget at present. Vacancies seem likely to produce modest savings of some £30,000 during the year.

Planning

15. During the first eight months, building control and development fee income is above budget by approximately £220,000. The income continues to be very buoyant, although it should not be assumed this would continue in the same way for the remainder of the year. Staff savings owing to vacancies have led to an underspending during the period of approximately £130,000. Unless the vacancies can be quickly filled, a net underspending of at least £400,000 for Planning as a whole can be anticipated during 2004/05. Any additional fee income during the remainder of the year will increase this figure, as would any Planning Delivery Grant not spent during 2004/5.

Economic Development

16. Spending on Economic Development is well within budget at present. A net underspending of approximately £238,000 is estimated. Staff vacancies are expected to generate savings during the year. In addition, £121,000 from the carry-forward from 2003/04 has been allocated to cover expected income shortfalls in future years.

Social Development

17. Overall a broadly breakeven position is anticipated. Recruitment problems are likely to generate further underspendings for the Youth Service. A net underspending of £100,000 is expected. The accumulated subsidy budget for the old Sydonia Pool is being ringfenced to meet the revenue costs of the new pool. It is intended that this sum (£125,000) will be carried forward into 2005/06. This amount is shown as the projected underspend for the year. The additional budget of £79,000 allocated for grounds maintenance is unlikely to be sufficient to fully absorb the adopted land and inflationary issues that have impacted on the outturn in previous years. An overspending of around £100,000 is predicted. Some progress should be made in reducing the accumulated leisure deficit but it is unlikely that the position will be fully recovered in 2004/05.

Social Care

18. The projected year-end position for Social Care is an overspend of £740,000. The underlying trend, if no action were taken, would be for an over-commitment of over £1,000,000, which is neither acceptable nor sustainable. The latest budget projection does not show improvement on the previously reported position, despite applying harsh management action. The projection also includes certain assumptions about spending plans over the last four months of the financial year, which carry a potential risk of not being achieved.
19. The considerable pressures have emerged from rising demand and costs across

both children and vulnerable adults.

20. The Directorate has held two budget “clinics” to examine each service area in more detail. There was consideration of longer-term financial strategies, and short-term measures necessary to reduce the projected overspend in the current financial year. Every service has been given a “savings plan” to achieve by the end of the financial year. This has led to additional actions being taken, which include:
 - Further analysis of those children in residential placements, with specific targets to return some to local provision.
 - Making a risk assessment of those service users in need of care and supporting only those in emergency or critical need at this stage.
 - Reviewing care services provided to existing service users, and making adjustments to the level of care provided where possible to meet the Council’s eligibility criteria.
 - Reviewing those service users receiving transport.
 - Maximising occupancy levels against block contracts.
 - Reducing the choice for service users in accessing day care.
 - No use of agency staff to cover absence, which has led to cancellation of day care.
 - Reviewing service users potential entitlement to free nursing care (funded by health).
21. Further discussions are also taking place with colleagues across the Council and partner organisations about how the financial risks can be shared.
22. The main risks within the budget include assumptions on:
 - Appropriate costs being covered by central Education funding.
 - Continuing Care contributions from the Primary Care Trust.
 - Sharing the financial risks within the pooled budgets with the PCT.
 - Funding of judicial reviews.
 - Interim costs as a result of the delay in the transfer of homes for Older people.
 - Loss of grants, in particular Supporting People grant for Learning Disability services.
23. The Directorate’s aim to completely eradicate the “debt” brought forward on the Social Care budget has not proved possible. In addition, the projection makes assumptions about the achievement of targets, which is a risk. Savings targets are being reviewed with managers on a regular basis. Any achievement of savings is at a cost to service delivery.

24. The picture being managed at present is very concerning and the challenges will remain for the remainder of this financial year and 2005/06.

Strategic Housing

25. Whilst the Strategic Housing budget is projected to break-even, there is a potential risk that additional expenditure may be incurred on homelessness. Unfortunately, the authority has recently been billed for expenditure for the first five months of the year, which is more than the anticipated spend for the whole year.
26. Strategic Housing managers are currently reviewing how this impacts on the remainder of the budget, but are taking measures to ensure that the budget is managed to "break-even", including the underspend brought forward from 2003/04.

Financing Transactions

27. A net underspending of £1,100,000 is expected during 2004/05 primarily as a result of debt rescheduling, a stabilisation of interest rates and significant slippage of the capital programme.

Conclusion

28. The projected 2004/05 outturn for the Programme Areas, together with financing transactions, is an under-spending of £2,674,000.

Revenue Reserves Position as at 31st December 2004

29. The estimated value of general reserves as at 31 March 2005 total £5,000,000 incorporating the prudent reserve of £3,000,000, which has anticipated some limited use of reserves for overspendings at the year-end. The £1,100,000 projected saving from Financing Transactions is included in this total. The expected underspending on Waste Management is in addition to the overall total.

Alternative Options

There are no alternative options.

Consultees

None identified.

Background Papers

None identified.