

## BUDGET MONITORING 2004/05

### PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

17TH MARCH, 2005

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#### Wards Affected

County-wide

#### Purpose

To note the position with regard to revenue budget monitoring as at 28th February, 2005 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 28th February 2005 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.

After such accounting adjustments, it is anticipated that there will be an overall net

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

underspend of approximately £480,000. Significant 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) are predicted together with other smaller underspends on staff vacancies and awards administration. 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).

No significant changes have been identified since reported to Education Scrutiny in December. A final year end projection based on expenditure trends at the end of February will be prepared for the Education Scrutiny Committee on the 14th March 2005.

Some work has been undertaken to forecast year-end school balances by a variety of methods. However, none are able to take into account school committed expenditure authorised by governing bodies but not yet reflected in the accounts. Reliable forecasts of year-end balances is also further complicated by delegation of unspent budgets within the Schools Budget at year-end and Standards Fund which is accounted for on an academic year basis. It, therefore, remains very difficult to forecast with any degree of accuracy.

The best estimates of school revenue balances are as follows:-

	<b>31.03.05 Estimates £'000</b>	<b>31.03.04 Actuals £'000</b>
Primary	3,800	3,653
High	1,600	1,597
Special	240	288
<b>Total</b>	<b>5,640</b>	<b>5,540</b>

#### **Policy and Finance General**

4. 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 £1,592,000 across all services during 2004/05. (Included in this sum is £532,000 to be carried forward but committed against Corporate ICT initiatives.) The total underspending otherwise reflects the significant carry-forward from 2003/04 and the general spending pattern of the year to date.

## **Policy and Finance Property**

6. The projected overspend for Property is now £494,000 including £433,000 brought forward from 2003/04. The two major problems continue to be the Markets and Fairs deficit brought forward from previous years which has fallen to £400,000 and the shortfall on Industrial Estates income, which by the year end is expected to be £275,000. Administrative Buildings is however expected to be overspent by approximately £190,000 because of various costs associated with office moves from Kemble House and other locations.
7. The recovery plan to deal with this overspend situation has been reviewed with the Director or Environment considering reductions in building maintenance to address the overspending over a three year review. Proposals recommended by Cabinet to reduce the overspend were considered by Council on 11th March. An oral update will be provided at the meeting.

## **Environment General**

8. Spending on some areas, including road maintenance, looks low but this is largely owing to the timing of the payments to Herefordshire Jarvis Services. Spending on these areas is expected to be at or slightly below budget.
9. The Waste Disposal PFI contract budget is expected to be underspent by approximately £900,000, 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.
10. Several income budgets look likely to exceed their income targets including car parking (£60,000) new street works (£15,000) and cemeteries and crematoriums (£80,000).
11. The net underspending on Environment General as a whole is expected to be approximately £1,055,000.

## **Environment Regulatory**

12. Spending on Environment Regulatory is very much in line with the budget at present. Vacancies seem likely to produce modest savings of some £40,000 during the year.

## **Planning**

13. During the first ten months, building control and development fee income is above budget by approximately £270,000. The income continues to be very buoyant. Staff savings owing to vacancies have led to an underspending during the period of approximately £150,000. A net underspending of at least £420,000 can be anticipated during 2004/05. Any additional fee income during the remainder of the year will increase this figure. It is also anticipated that approximately £100,000 of the 2004/05 Planning Delivery Grant will be carried forward into 2005/06.

## **Economic Development**

14. Spending on Economic Development is well within budget at present. A net underspending of approximately £230,000 is estimated. Staff vacancies are expected to generate savings during the year and are being taken into account in the restructure proposals. In addition, £121,000 from the carry-forward from 2003/04 has been allocated to cover expected income shortfalls in future years.

## **Social Development**

15. Overall a broadly break-even 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 ring-fenced to meet the revenue costs of the new pool. It is intended that this sum (£125,000) will be carried forward into 2005/06 and a mobilisation plan has already been agreed leading up to the opening of the new pool. 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 and is likely to be a continuing challenge. 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 and Strategic Housing**

16. Older People's Services

The increased investment in Older Peoples Services has yielded a number of developments, including:

- The in house home care service has been reshaped into the STARRS reablement service, with little disruption to service users;
- Secured the Nursing Home Sector being available with the increase in fees;
- Care packages have been reviewed, which has meant resources have focussed on those in highest need
- Block contracts with independent home care providers have been set up, which has brought stability to the market;
- The numbers of people assessed as needing a service for whom funding is not available has been kept to a minimum

The projections on Older Peoples Spend indicate a breakeven position

### Children's Social Care

The budget management has secured a hold on expenditure, but given the complex needs and costs of placements, there remains a projected overcommitment of £585,000

## Learning Disabilities

The budget management has not had the same impact as planned in relation to holding the expenditure or taking into account key pressures. The savings plan has not been realised in full and the Continuing Care funding from the Primary Care Trust has been less than assumed. There has been a separate change report to Cabinet which identified significant service challenges. However, given the size of the problem, it has been decided to conduct an external (to the directorate) review of the financial arrangements and spending decisions, in order to have secure budget planning for 2005/06.

## Exceptional Items

There have been exceptional items of expenditure, totalling £758,000 which relate to the risks identified, as follows

- **PCT Contributions to Pooled Budgets** The ongoing negotiations with the PCT on the attributable risk have not reached total agreement. The financial risks on the pooled budgets are now projected as attributable to the partner whose service element the overspend relates to. The Mental Health overspend reported by Social Care, even though the PCT manages the service, is now included in the Social Care projections.

The projected overspend on the pooled budgets increases by £256,000 as a result. The PCT have now agreed to make a contribution of £100,000 towards the overspend on the Council's element of the Mental Health pooled budget. This methodology does not fit a Section 31 pooled budget agreement, in that there must be an agreed risk share in respect of over and underspends. There will be a more robust risk sharing and management accountability agreement for 2005/06.

Continuing Care Contributions for qualifying Learning Disability service users- current projections assume £250,000 contribution from the PCT. This is secure, although the costs attributable had been calculated at approximately £400,000. The PCT has acknowledged this and this will be budgeted for in 2005/06.

- **Statutory Obligations** The Council has needed to review its funding decisions for some individual cases as a result of legal challenge. This has created additional expenditure of £89,000.
- **Loss of Grant** The Directorate has suffered a loss of Supporting People Grant income of £175,000. It has been a challenge to manage commitments within budget.
- **Prior Year Adjustments** Invoices totalling £152,000 have been received, which relate to the 2003/04 financial year.
- **NHS Emergency Support** - Additional funding of £36,000, to enable discharges from community hospitals to free beds at the Acute Trust, given the pressures in November 2004 and January 2005.

## Summary

The projected year end position for Social Care, is an overspend of £1,514,000, (4.2% of the Social Care budget) with exceptional items of £758,000. This latest budget projection shows a deterioration on the previously reported position, despite applying harsh management action. All efforts possible are being made to sustain this position

### Social Care Budget

	£000
Original Budget 2004/05	35,990
Overspend Carried Forward from 03/04	(245)
<b>Budget 2004/05</b>	<b>35,745</b>

### Financing Transactions

17. A net underspending of £1,250,000 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

18. The projected 2004/05 outturn for the Programme Areas, together with financing transactions, is an under-spending of £2,896,000.

### Revenue Reserves Position as at 28th February 2005.

19. The estimated value of general reserves as at this date 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 £1,250,000 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.