

REVENUE BUDGET MONITORING

- Appendix B1 shows the details of the projected outturn as at 30th November 2005 for each Programme Area.
- The budgets shown for 2005/06 include the final carry forwards from 2004/05. Appropriate adjustments have been made to the 2005/06 budgets to reflect the financial implications of Job Evaluation. These adjustments will be recalculated for 2006/07.

Children' Services (Non Schools) (Director of Children's Services)

- Most (80%) of the former 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.
- At this stage in the year it is projected that there will be an underspend of £400,000. The main spending variances are underspends projected on transport (-£700,000) and early years (-£60,000) and overspends on Out-county placements (+£427,000) (which are jointly funded by Social Care and the Primary Care Trust.). Banded funding for the allocation of SEN funding to schools is now expected to be on budget. Additional expenditure on a fire risk survey of schools (£37,000) has reduced the projected underspend from the previous report. Additional funds have been identified to take forward the homelessness young people's spend to save proposal which, if successful, will successfully reduce future cost pressures and deliver a much improved service.

Children Services (Schools)

- All schools have submitted their approved budgets for 2005/06 and based on current notifications of school spending plans school balances are expected to be as follows:

	Year End March 2005	2005/06 Current Budget Plans
Primary schools	£4.930m	£3.335m
High schools	£1.993m	£1.174m
Special schools	£0.336m	£0.199m
Total	£7.260m	£4.709m

- The estimate provided by the schools' current budget plans is likely to be an underestimate and that school balances at the year end will exceed the £4.7million. Overall balances are expected to reduce by 10% year on year due to budget pressures resulting from workforce reform, falling rolls and job evaluation. The

introduction of the balance clawback scheme will further reduce school balances as schools make plans to spend the money. Early budget planning work for 2006/07 indicates that a small number of primary schools may have to agree a plan for the recovery of a deficit budget, a further indication of the anticipated reduction in school balances.

Children's Social Care

7. The projected overspend on Children's Services has reduced to £195k. The change in the projected overspend since September relates to
 - An increase in residential placements of £112k due to a further new placement in addition to existing commitments and other increases of £24k
 - Application of £263k of grant funding towards early years/ family support
 - Increased vacancies within the Social work Teams leading to a reduction of £33k
8. The main pressures on the budget continue to be secure orders, and care leavers and homelessness spend.
9. The cost of the secure placements is projected at £206k for which no budget provision was made. The capacity to influence these costs is small.
10. Residential placements continue to exceed budget assumptions and are currently projected to exceed the allocated budget by £508k. Each placement has been reviewed to ensure suitability and cost effectiveness.
11. Proposals have been developed to reduce the costs in relation to care leavers and homelessness and these will be the subject of an Invest to Save bid. An action plan has been developed to increase family support and recruit and retain skilled foster carers which would impact on the main residential spend, a decision on this Invest to Save proposal is outstanding.
12. A further pressure is Out of Area Placements for children with complex needs which are jointly funded between Health and Children's Services (Education and Social Care elements). This is discussed in the non schools section above.

Summary

13. Overall, the Children's Services budgets are showing a small underspend of £205,000. This demonstrates ongoing commitment to manage the resources in the best possible integrated way.

Policy and Finance General (Directors of Corporate and Customer Services, Resources and Adult and Community Services)

15. No significant overspendings have been identified for Policy and General at this stage, although the projected shortfall of income from Land Charges and the ongoing cost of the Job Evaluation team which in total comes to £160,000 will have to be met from Reserves.
16. There are various projected small underspendings on services from the policy services now forming part of Corporate and Customer Services Directorate amounting to £174,000.

17. The new Corporate Management Board structure has led to one-off costs currently falling to the Resources Directorate that are expected to produce an overspending of £100,000.
18. The Head of ICT has confirmed that all 2005/06 budgets are expected to be spent in full although spending in the first eight months of the year continues to be below budget.

Policy and Finance Property (Director of Resources)

19. The ongoing Property deficit has fallen marginally from £405,000 to a projected deficit for 2005/06 of £306,000 largely due to an improved position from industrial estates. Whilst additional income of £190,000 is expected from corporate properties and Highways depots, the deficit on administrative buildings has increased to £375,000 from £350,000. The sum includes an overspending of £212,000 brought forward from 2004/5, the additional costs associated with the Plough Lane office accommodation and dual running costs on vacated buildings. The projected shortfall in income from Industrial estates has fallen from £200,000 to £28,000. Property Services is expected to underspend on Management and Administration due to significant vacancies and additional income from charges for services.
20. The expected deficit on Markets and Fairs has fallen by £95,000 to £255,000.

Environment (Director of Environment)

21. Environment is expected, in total, to break even during 2005/06. There are significant spending pressures in particular for Road Maintenance, Licensing, Waste Collection, Highways Cleansing and Public Conveniences but they can be offset by additional income from car parks, cemetery and crematorium fees, and planning fees. Some additional spending on Winter Maintenance will have to be met from a virement from the Road Maintenance Budget. The extra planning income received in the first eight months of £312,000 reflects partially the increase in fees because the actual number of development applications has fallen, offsetting the additional income generated by the increase in fees. The level of additional income being received has in the last two months reduced considerably. It is assumed at this stage in the year that all the Planning Delivery Grant will be spent.
22. The Waste Disposal PFI contract budget is expected to do no better than break even, largely owing to the transfer of £300,000 to Strategic Housing Homelessness, additional costs and volumes associated with the existing contract and a change in the way that PFI credits are paid to us. In addition the proportion of the existing contract being met by the Council has increased from 24.77% to 25.70%, as a consequence of increases in volumes relative to Worcestershire, which in effect costs the Council an additional £600,000 in 2005/06, including £219,000 in respect of 2004/05.

Community Services (including Social and Economic Development)

23. The Community Services budgets are showing a projected overspend for 2005/06. There is the balance of the Leisure contracts deficit to recover (£134,000) and an ongoing budget pressure in respect of Parks and Countryside, which is expected to overspend by £200,000 in 2005/06. These overspendings are offset by an underspending on Social and Economic Regeneration (£50,000) to give a net projected overspending of £284,000 in 2005/06 although this will be reduced once the Leisure Contracts Deficit is recovered.

Adult Services (Director of Adult and Community Services)

- 24 At November 2005 the projected overspend to the year-end on Adults Social Care has risen to £1,122,000 but there is a significant risk that this may rise again to approximately £1,500,000.

The issues surrounding the position on the Adult Social Care budget in 2005/06 were outlined to Cabinet on 17th November 2005.

The overspend of £1,122,000 is made up of

- Learning Disabilities- overspend of £730,000
- Mental Health-risk to be picked up by the Council £54,000
- Older Adults- overspend of £312,000
- Other – overspend of £26,000

An analysis is being undertaken to identify placements at risk and new placements that may present in the remainder of the financial year. Initial indications are that there are £60,000 of additional risks in older people domiciliary care, £100,000 within Mental Health, and in the order of £300,000 within Learning Disabilities. This work is being developed with Service Managers.

- **Learning Disabilities Pooled Budget** - The pressures on Herefordshire's learning disability budget were set out in the Cabinet report of 17th November against the background of the national picture. Since then an additional potential liability of £125k has been included within the projections relating to a placement where the funding is being disputed with Worcestershire County Council; as a result of a residency decision, this is a high risk. In addition, there is a funding issue with a group of homes which is being negotiated for which provision of £115,000 has been made in the projections. Under the risk sharing arrangement the Council will meet the overspend on the PCT element, which is currently projected at £46,000.

There is a high risk that further placements may break down or new high cost placements be required; an indicative figure for the part year costs of these additional risks is £230,000. The Service Managers are involved in an exercise to track all risks against current placements and service users that may come into the system.

- **Mental Health Pooled Budget** - Placement costs have exceeded the budget available. The Service Manager has reduced the number of new placements being made compared with those leaving the service, however the costs of new placements have been higher because of the needs being presented. The overspend to be met by the Council under the risk sharing arrangement is currently estimated at £54,000, although there is a risk that this may increase by a further £100,000 based on placements that may need to be made. The PCT has also identified unexpected pressures on the pooled budget
- **Other Adults** - There is an increase in the projected overspend against Other Adults because of pressures against the domiciliary care budgets. Management action is being taken to review all requests for funding, however this is unlikely to achieve savings in the remainder of the 2005/06 financial year.

Strategic Housing (Director of Adult and Community Services)

25. The projected outturn for Strategic Housing budget is an overspend of £821,000.

This overspend continues to be attributed to the cost of temporary accommodation for those people presenting themselves as homeless. It has previously been identified that this is a high-risk area, subject to unpredictable demand.

The projection reflects the latest information from Herefordshire Housing and the management action taken which has resulted in a review of the cases in temporary accommodation.

The projection assumes that there will be no decrease or increase in the use of bed and breakfast accommodation for the remainder of the year. There is a risk that if numbers increase in that period that the overspend would increase to £925,000k. Robust monitoring arrangements are in place to ensure that numbers being placed in bed and breakfast accommodation are reflected in the projections.

The impact of the focus on homelessness and the change manager is beginning to show results, and the 2 prevention officers who start in January should result in a slow down in presentations.

Financing Transactions (Director of Resources)

26. A net underspending of £1,200,000 is expected at this stage in the year. A combination of factors have resulted in a reduction in the forecast for capital financing charges for 2005/06 and future years. Slippages in the capital programme and, in particular, Prudential Borrowing funded schemes, together with brought forward revenue and capital underspends means that borrowing is being taken later than expected and at lower levels. In addition, interest rates are lower than originally forecast.

Conclusion

27. It is proposed that the unspent Spend to Save Budget of £1,928,000 is carried forward into 2006/7 to allow more time to develop a robust Invest to Save programme to complement a similarly robust Service Improvement Programme.
28. Although the carry forward of this sum and the underspending on Financing Transactions will probably more than offset the overspendings on Adult Services and Strategic Housing to give a net underspending for the year, this does not lessen the need to adjust the base budget to deal with these overspendings in 2006/7 and future years.

Revenue Reserves Position as at 30th November 2005.

29. The estimated level of general reserves shown as at 30th September 2005 in the Integrated Performance Report was £6,660,000. Further commitments since this date include the writing off of the 2004/05 Social Services deficit brought forward (£714,000) a repayment of Revenue Support Grant in respect of 2004/05 and 2005/06 amending reports (£165,000) and a repayment of SRB grants dating back to 1997. These commitments reduce the present level of reserves to £5,658,000. The

prudent reserve of £3,000,000 is included in this figure. Based on current outturn predictions, for Adult Services, Children's Services and Strategic Housing a further call on reserves seems inevitable.