

HERTFORDSHIRE COUNTY COUNCIL

CABINET
MONDAY 16 SEPTEMBER 2002 AT 10.00AM

Agenda Item No:

11

COUNTY COUNCIL REVENUE AND CAPITAL BUDGET MONITOR

Report of the Finance Director

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Executive Member: David Beatty

1. Purpose of the Report

- To inform members of:
 - the forecast outturn for Revenue and Capital Budgets in respect of 2002/03, based on budget monitors to 30th June 2002,
 - other budget monitoring issues and their impact, if any, on future years.
- To ask Members to consider ways of dealing with budget pressures.

2. Summary

- 2.1 As at 30 June 2002 pressures have been identified that could result in an overspend of £2.48m (0.29%) against the latest budget of £855.88m. An option for dealing with £1.7m of that overspend is set out in the conclusion section, paragraph 3.5. This would reduce the forecast overspend to £0.78m (0.09%) subject to the special contingency being sufficient to meet the pressures identified in this report plus any remaining uncertainties.
- 2.2 The principal reasons for the variation in the forecast revenue outturn are listed in Table 1 (Para 1.1), whilst a more detailed analysis is shown in Appendix A.
- 2.3 Table 3 (Para 2.1) analyses by service the forecast capital slippage of £80,000. Analysis by type of variance is shown in Table 4 (Para 2.1), whilst a detailed analysis is supplied in Appendix B.

3. Budget Pressures

- 3.1 There is continued pressure on the reserves position as a result of capital cashflow, although that is improving year on year and there are other potential pressures such as the fire officers' pay award which cannot yet be quantified.

3.2 £5.3m was included in the 2002/03 budget as a special contingency to cover a number of areas where potential pressures had been identified. The current estimate of demands on this contingency is as follows:

| | |
|------------------|-------|
| Fridge disposal | £0.3m |
| Asylum seekers | £0.7m |
| Preserved rights | £1.6m |
| Housing benefit | £0.4m |
| | |
| Total to date | £3.0m |

3.3 There continues to be significant pressure on the revenue budgets of both Adult Care Services (ACS) and Children, Schools and Families (CSF), which these services are working to contain within original budgets.

3.4 However, the overspend of £1.7m on CSF Out County Placements has been identified as due to a combination of demographic pressures plus cost increases, which will continue to impact on this budget in both the current and future years.

3.5 The following options are proposed for dealing with this pressure:

Option 1 CSF continues to seek to manage this pressure down and identify savings to cover the overspend. At the year end any remaining overspend will be a call on reserves.

Option 2 £1.7m of the special contingency of £5.3m is allocated to cover this issue. This reflects the ongoing nature of this pressure, but CSF would still seek to reduce the pressure and identify savings to reduce the call on the special contingency.

3.6 Environment's forecast pressure, due to new legislation on fridge disposal, was one of a number of pressures, which led to the creation of a special contingency in this year's budget. An allocation from this contingency will be made once the position in respect of any additional central government support is known, but estimates at this stage suggest that the County Council's element of the funding will be in the region of £0.3m.

3.7 A continuation of the 2001/02 strategy of carrying forward CSF Education net overspends for inclusion in the subsequent year's budget would further reduce pressures.

3.8 If the position set out in this monitor is maintained, and option 1 above adopted, the forecast net overspend of £2.48m will reduce the underlying level of general balances at 31 March 2003 from £14.14m, forecast in the report on the Statement of Accounts 2002/03, to £11.66m. However, this call on balances could be reduced if the special provision is not required in full in 2002/03.

3.9 If option 2 is approved, the call on balances will reduce to £0.78m subject to the special contingency being sufficient to meet the pressures identified in this report plus any remaining uncertainties.

4 Conclusion

Members are asked to consider what action they wish to take to deal with these budget pressures.

1. REVENUE BUDGET VARIANCES

- 1.1 Table 1 below summarises the variances by service using the criteria previously laid down in Financial Regulations 2000.

Forecast Budget Variances 2002/03

Table 1

| | Overspends | Planned Under-spends | Unplanned Under-spends | Net Variances |
|---------------------------|-------------------|-----------------------------|-------------------------------|----------------------|
| | | £000 | £000 | £000 |
| Adult Care Services | 370 | | | 370 |
| Children,Schools,Families | 2,395 | | (239) | 2,156 |
| Community Information | 0 | | | 0 |
| Environment | 0 | | | 0 |
| Fire & Rescue | 0 | | | 0 |
| Trading Standards | 0 | | | 0 |
| Emergency Planning | 0 | | | 0 |
| Registration | 0 | | | 0 |
| Precepts | | | (44) | (44) |
| Totals at 31/3/03 | 2,765 | | (283) | 2,482 |

- 1.2 The following table shows those variances of £75,000 or more against the latest budget. Detailed explanations for these variances are listed in sections 1.3 to 1.4.

Table 2

| Service | Description | Para ref. | Forecast Over/ (Under spend) £000 |
|---------------------|---|------------------|--|
| ACS | Elderly Residential, Nursing Homes and Extra Care Sheltered Housing | 1.3.1 | 120 |
| | Home Care (for EPD client group) | 1.3.2 | 100 |
| | Home Ability / Adaptations | 1.3.3 | 50 |
| | EPD Area and Specialist Teams | 1.3.4 | 100 |
| CSF | Local Services Transport | 1.4.1 | 250 |
| | Out of County Placements | 1.4.2 | 1,700 |
| | Central Litigation Unit & Legal Fees | 1.4.3 | 240 |
| | Maternity Cover | 1.4.4 | 205 |
| | Vacancies (various divisions) | 1.4.5 | (200) |
| All services | Other forecast variances below £75k | | (83) |
| | Forecast Overspend | | 2,482 |

1.3 ADULT CARE SERVICES (ACS)

1.3.1 Elderly Residential, Nursing Homes and Extra Care Sheltered Housing - £120,000 or 0.3% overspend

Based on commitments as at 30th June 2002 and allowing for various adjustments including new clients costing more than current clients, this budget is projected to overspend by £120,000 (0.3% on £40.89m). By the year-end every effort will have been made to ensure that actual expenditure is in line with the budget. There are three main reasons for the projected overspend

- i) New clients tend to be of a higher dependency than former clients and hence cost more to place.
- ii) Some clients have been moved from residential care to more expensive nursing home care as their needs increase.
- iii) The number of new placements made in the first three months of 2002/03 has been slightly higher than client turnover.

This is a large and very volatile budget and allowance has had to be made for such issues as new clients formerly funded from preserved rights and residential care allowances not being payable to new clients from 1st April 2002.

1.3.2 Home Care (for EPD client group) - £100,000 or 0.4% overspend

As above, this is a large and very volatile budget and based on commitments as at 30th June 2002 this budget is projected to overspend by £100,000. By the year-end every effort will have been made to ensure that actual expenditure is in line with the budget. A home care action plan, that was introduced in 2001/02, is still being implemented and this should ensure that the overspend doesn't increase over the next nine months. £100,000 equates to a 0.4% overspend on a budget of £24.937m.

1.3.3 Home Ability/ Adaptations - £50,000 or 5% overspend

The expenditure on home ability and adaptations has enabled some clients to stay in their homes longer and has slightly reduced the pressure on the elderly residential and nursing homes budget.

1.3.4 EPD Area and Specialist Teams - £100,000 or 1% overspend

The Area staffing budgets are projected currently to overspend by £100,000, based on permanent staff in post and agency staff. The level of agency payments is being closely monitored to ensure that actual payments will be in line with the budget by the year-end. This is a 1% overspend on a budget of £9.737m.

1.4 CHILDREN, SCHOOLS & FAMILIES (CSF)

1.4.1 Local Services - Transport - £250,000 or 21.4% Overspend

The budget funds the transport of Looked After Children, Children with a Disability and young people supported under Section 17 of the Children's Act 1989.

The main reasons for overspending are that the budget reflects the increase in numbers of Looked After Children. In addition, there is evidence of increases in the anticipated number of journeys per child, greater use of taxi firms being necessary and the increased unit costs of taxi contractors as a result of new licensing laws.

Management action to address the overspend problem currently, which has been instigated, includes the reviewing of all longer term transport arrangements, establishing more secure processes for obtaining estimates of costs for each new journey, and reviewing transport options other than via taxi.

The forecast outturn assumes these management actions will have a small but significant impact in reducing the overspend. However, we will need to undertake more investigative work before that figure can be precise.

1.4.2 Out of County Placements - £1,700,000 or 13.3% Overspend

This projected overspend figure represents additional placements over and above forecast numbers. The spending pressure comes primarily from placements which are joint funded or sole Social Services funded placements. During the course of this year, we have experienced an increase in the number of children whose needs are such that they require Out-County placements. In addition, there is considerable pressure increasing the cost of existing placements based upon the relatively scarce supply of specialist places.

As well as continuing to ensure that all new Out-County placements meet our threshold criteria and identify quickly cases where children can return to equivalent cheaper in-house options, we are now routing all new placements through a process of Family Network Panels.

The most representative measure of numbers could be to combine sole Social Services and joint funded (i.e. Education and Social Services) placements. These numbers increased from 153 in July 2001 to 163 in July 2002.

This increase needs to be viewed in the context of increasing complex needs reflected in the growth of LAC numbers from 820 in July 2000 to 915 in June 2002. Whilst we endeavour to secure placements other than Out-County, our capacity is restricted because of fixed capacity in in-house residential and recruiting foster carers from a very small pool. We

have successfully increased the number of foster carers from 311 carers in 1999 to 385 carers in June 2002.

Reflecting earlier comments about supporting children with more complex needs, we have also seen a movement of 14% in the unit cost of sole Social Services funded placements between July 2001 and July 2002.

1.4.3 Childcare Litigation Unit & Legal Fees - £240,000 or 27.7% Overspend

The forecast overspend of £240,000 reflects the increased costs of child care litigation due to the volumes of work involved. There is little scope to reduce our expenditure in this area as it is largely a consequence of court activity.

1.4.4 Maternity Cover - £205,000 or 30.8% Overspend

The overspend reflects the current projection based upon the level of evidence of maternity cover so far this year. This level is consistent with last financial year when a similar overspend occurred. There is no scope for management action. We will need to review the base budget in the light of longer-term trend data, since although we are forecasting similar levels of expenditure over the last two years, the position was quite volatile in preceding years.

1.4.5 Vacancies (various divisions) - £200,000 underspend

There remains pressure to recruit professional staff across the service. Our current forecasts are that despite the recruitment initiatives we are pursuing and the high costs of deploying agency staff, we will underspend across all staffing budgets, although the figure is a relatively small proportion of non-schools staffing budgets.

1.4.6 Special Educational Needs (SEN)

A number of budgets relating to SEN provision are under pressure and will need to be reviewed tightly in the next quarterly cycle.

1.4.7 Home to School Transport

Some high value budgets, which can be volatile, such as Home to School Transport, can only be meaningfully monitored post-September.

1.5 ENVIRONMENT

1.5.1 Waste Management - £1,100,000 or 6% overspend

Last year legislation was passed which made it necessary to introduce the controlled disposal of all ozone containing products from scrap fridges. It was projected that there would be an increase in cost of approximately £1.2 million due to this regulation and an amount was set aside in the corporate contingency as a result. Current experience suggests that the annual cost could be around £1.1 million. An allocation from the contingency will be made once the level of any additional central government support is known.

2. CAPITAL BUDGET

2.1 Projected Outturn and Variances

Expenditure for the Capital Budget is estimated to be £80,000 below latest budget at outturn. Analysis of this variance by service is shown in table 3.

Table 3

| Service | Latest Budget | Current Forecast Outturn | Projected Variance |
|------------------------------|----------------------|---------------------------------|---------------------------|
| | £000 | £000 | £000 |
| Children, Schools & Families | 53,464 | 53,384 | (80) |
| Adult Care Services | 4,455 | 4,455 | 0 |
| Environment | 30,282 | 30,282 | 0 |
| Community Information | 2,092 | 2,092 | 0 |
| Protection | 3,075 | 3,075 | 0 |
| Corporate Services | 3,811 | 3,811 | 0 |
| Magistrates Courts | 356 | 356 | 0 |
| Total | 97,535 | 97,455 | (80) |

The variance of £80,000 can be analysed as net slippage of £80,000.

The variance is analysed by service in table 4 below:

Table 4

| Service | Slippage | Overspends | Under-spends | Total Projected Variance |
|------------------------------|-----------------|-------------------|---------------------|---------------------------------|
| | £000 | £000 | £000 | £000 |
| Children, Schools & Families | (80) | 0 | 0 | (80) |
| Adult Care Services | 0 | 0 | 0 | 0 |
| Environment | 0 | 0 | 0 | 0 |
| Community Information | 0 | 0 | 0 | 0 |
| Protection | 0 | 0 | 0 | 0 |
| Corporate Services | 0 | 0 | 0 | 0 |
| Magistrates Courts | 0 | 0 | 0 | 0 |
| Total | (80) | 0 | 0 | (80) |

Table 5 shows those projects with material variances.

Table 5

| Service | Description | Para. Ref. | Forecast slippage £000 |
|---|---|-------------------|-------------------------------|
| Children, Schools & Families | 2002/03 St Albans Basic Need Schemes | 2.2.1 | (440) |
| | 2001/02 Harpenden Basic Need Schemes | 2.2.2 | 450 |
| | 2002/03 Major Schemes | 2.2.3 | 150 |
| | 2002/03 Annual Provisions | 2.2.4 | (80) |
| | Other Variances of less than £50k | | (160) |
| | Total Forecast Variance | | (80) |

2.2 Children, Schools & Families

2.2.1 2002/03 Basic Need Schemes -Slippage £440,000

Discussions are continuing to take place with all the secondary headteachers in St Albans to establish how and where to provide the additional accommodation, which has delayed the start of these schemes. A recommendation will be brought forward for member consideration in due course.

2.2.2 2001/02 Harpenden Basic Need Schemes- Expenditure brought forward £450,000

Schemes have been designed at both Sir John Lawes and Roundwood Park schools and the projects are on site with completion dates early in the autumn term (2002). Slippage on the 2002/03 St Albans Basic Need schemes offered the opportunity to bring forward expenditure on the Harpenden schemes to enable both Harpenden schools to admit 180 pupils to year 7 from this Sept (2002). Ring-fenced Basic Need funding must be used for Basic Need schemes alone and total expenditure in 2002/03 will be within the amount approved for Basic Need in the 2002/03 programme."

2.2.3 2002/03 Major Schemes – Expenditure brought forward £150,000

The scheme at Sheredes is a fairly small major works (£172,000 and approximately 7 weeks on site only) to convert a former lecture theatre into two teaching spaces and has been designed and is ready to go out to tender (no planning permission is needed). The cost is likely to rise if we wait until next financial year before the work is completed when there would also be pressure on pupil numbers.

If completed this year, the scheme is expected to be carried out within budget and any expenditure brought forward into the current year will be met from slippage in other areas of the CSF capital programme. "

2.2.4 2002/03 Annual Provisions for Structural Repairs and Maintenance – Slippage £80,000

It is anticipated that works committed at 31 March but where payment has not been made at that date will include £80,000 in respect of structural repairs and maintenance.

2.3 ADULT CARE SERVICES

There are no major variances to report at this stage in the financial year.

2.4 ENVIRONMENT

There have been no changes to the capital budget or the projected year-end position this month.

2.5 COMMUNITY INFORMATION

No variance has been reported by Community Information.

2.6 PROTECTION

No variance has been reported by Protection.

2.7 CORPORATE SERVICES

There are no variances identified to date on the Corporate Services capital budget.

COUNTY SUMMARY REVENUE BUDGET MONITOR AS 30TH JUNE, 2002

(all figures in
£'000)

| SERVICE | Original Budget | Carry Forward from 2000/2001 | Approved Virements & Technical Adjustments | Latest Approved Budget | Projected Spend at Year End | Projected Variance | Carry Forwards 2002/03 Requested |
|--|-----------------|------------------------------|--|------------------------|-----------------------------|--------------------|----------------------------------|
| Adult Care Services | 154,682 | 0 | (51) | 154,631 | 155,001 | 370 | |
| Children, Schools & Families | 708,573 | 0 | 95 | 708,668 | 710,824 | 2,156 | |
| Community Information | 20,622 | 280 | 360 | 21,262 | 21,262 | 0 | |
| Corporate Services | 12,411 | 584 | 37 | 13,032 | 13,032 | 0 | |
| Environment | 84,986 | 110 | 9 | 85,105 | 85,105 | 0 | |
| Protection | | | | | | | |
| Fire | 34,769 | 0 | 0 | 34,769 | 34,769 | 0 | |
| Trading Standards | 2,205 | 79 | 51 | 2,335 | 2,335 | 0 | |
| Coroners | 740 | 51 | 0 | 791 | 791 | 0 | |
| Registration | 709 | 0 | 0 | 709 | 709 | 0 | |
| Emergency Planning | 267 | 68 | 0 | 335 | 335 | 0 | |
| Protection Total | 38,690 | 198 | 51 | 38,939 | 38,939 | 0 | 0 |
| Magistrates Courts (net) | 3,009 | 22 | 3 | 3,034 | 3,034 | 0 | |
| Contingency | 2,348 | 816 | (146) | 3,018 | 3,018 | 0 | |
| Special Provision | 5,300 | | | 5,300 | 5,300 | 0 | |
| Precepts | 7,324 | | | 7,324 | 7,280 | (44) | |
| Central Services | 16,538 | | (358) | 16,180 | 16,180 | 0 | |
| Capital Charges non operational assets | 10,403 | | | 10,403 | 10,403 | 0 | |
| Unapportioned Central Overheads | 2,380 | | | 2,380 | 2,380 | 0 | |
| Asset Management Revenue Account | (210,098) | | 0 | (210,098) | (210,098) | 0 | |
| NET REVENUE BUDGET | 857,168 | | | 859,178 | 861,660 | 2,482 | 0 |
| Funded from Capital Resources | (3,300) | | | (3,300) | (3,300) | 0 | |
| COUNTY FUND TOTAL | 853,868 | 2,010 | 0 | 855,878 | 858,360 | 2,482 | 0 |

0.42%

| CAPITAL BUDGET MONITOR AS AT 30 JUNE 2002 | | | | | | |
|---|-----------------|--|------------------------|---------------|-----------------------------|-------------------------------|
| SERVICE | Original Budget | Adjustments & Virements (approved & requested) | Previous Year Slippage | Latest Budget | Projected Spend at Year End | Projected Year End Variance * |
| | 2002/03 | 2002/03 | 2002/03 | 2002/03 | 2002/03 | 2002/03 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| CHILDREN, SCHOOLS & FAMILIES | | | | | | |
| County Funded | 6,875 | 0 | 887 | 7,762 | 7,832 | 70 |
| Externally Funded | 25,334 | (239) | 3,807 | 28,902 | 28,912 | 10 |
| Self Financing | 9,417 | 218 | (328) | 9,307 | 9,307 | 0 |
| Annual Provisions | 8,212 | 0 | (719) | 7,493 | 7,333 | (160) |
| Total Children, Schools & Families | 49,838 | (21) | 3,647 | 53,464 | 53,384 | (80) |
| ADULT CARE SERVICES | | | | | | |
| County Funded | 869 | 0 | 805 | 1,674 | 1,674 | 0 |
| Externally Funded | 640 | 0 | 478 | 1,118 | 1,118 | 0 |
| Self Financing | 1,000 | 0 | 0 | 1,000 | 1,000 | 0 |
| Annual Provisions | 659 | 0 | 4 | 663 | 663 | 0 |
| Total Adult Care Services | 3,168 | 0 | 1,287 | 4,455 | 4,455 | 0 |
| Environment | | | | | | |
| County Funded | 4,634 | 0 | 641 | 5,275 | 5,275 | 0 |
| Externally Funded | 23,536 | 101 | 0 | 23,637 | 23,637 | 0 |
| Self Financing | 0 | 80 | 0 | 80 | 80 | 0 |
| Annual Provisions | 1,290 | 0 | 0 | 1,290 | 1,290 | 0 |
| Total Environment | 29,460 | 181 | 641 | 30,282 | 30,282 | 0 |
| Community Information | | | | | | |
| County Funded | 400 | 0 | 480 | 880 | 880 | 0 |
| Externally Funded | 0 | 655 | 0 | 655 | 655 | 0 |
| Annual Provisions | 239 | 0 | 318 | 557 | 557 | 0 |
| Total Community Information | 639 | 655 | 798 | 2,092 | 2,092 | 0 |
| Protection | | | | | | |
| County Funded | 534 | 0 | 32 | 566 | 566 | 0 |
| Externally Funded | 0 | 0 | 0 | 0 | 0 | 0 |
| Self Financing | 2,200 | 0 | 0 | 2,200 | 2,200 | 0 |
| Annual Provisions | 263 | 0 | 46 | 309 | 309 | 0 |
| Total Protection | 2,997 | 0 | 78 | 3,075 | 3,075 | 0 |
| Corporate Services | | | | | | |
| County Funded | 2,050 | 0 | 429 | 2,479 | 2,479 | 0 |
| Self Financing | 0 | 0 | 0 | 0 | 0 | 0 |
| Annual Provisions | 1,075 | 0 | 257 | 1,332 | 1,332 | 0 |
| Total Corporate Services | 3,125 | 0 | 686 | 3,811 | 3,811 | 0 |
| Magistrates Courts | | | | | | |
| Externally Funded | 0 | 356 | 0 | 356 | 356 | 0 |
| Total | 89,227 | 1,171 | 7,137 | 97,535 | 97,455 | (80) |

* underspends shown in brackets