

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY 16 DECEMBER 2002 AT 2.00PM**

Agenda Item No.

6

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 monitoring information to 30th September 2002,
- other budget monitoring issues and their impact, if any, on future years.

2. Summary

- 2.1 As at 30th September 2002 pressures have been identified that could result in an overspend of £2.12m (0.25%) against the latest budget of £855.88m.
- 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 £4.617m. Reprofiled spending on a number of planned self financing schemes accounts for £2.889m of this figure. Analysis by type of variance is shown in Table 4 (Para 2.1), whilst a detailed analysis is supplied in Appendix B.

3. Conclusion

- 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 firefighters' 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 special provision is as follows:

	£m
Fridge disposal	0.3
Asylum seekers	0.7
Housing benefit	0.4
Out County Placements	1.7
Total to date	3.1

3.3 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.

3.4 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. Management action is continuing in an effort to reduce this call on the contingency. Every effort is being made to use foster placements where possible, however there is still a shortage of suitable carers to meet the demand.

3.5 In the previous monitor, the issue of the Preserved Rights of some Adult Care Services clients was recorded as a potential call on this provision. Since then, the government has confirmed that additional grant will be made available to fund these liabilities.

3.6 As at September, the latest approved budget for 2002/3 also contains basic contingency provision of £2.769m, against which the following additional costs will need to be offset.

Local government workers' pay award	£1.5m
Increased property insurance premiums	£0.3m

3.7 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.

3.8 In addition to the above claims on the contingency and special provision there remain a number of uncertainties that are likely to generate further claims on the contingency including the impact of the fire pay dispute and pay award.

3.9 In 2001/02 CSF Education overspends were carried forward into the 2002/03 financial year, and this could be done again.

- 3.10 If the projected year end position set out in this monitor remains unchanged, the forecast net overspend of £2.12m will reduce the underlying level of general balances at 31st March 2003 from £14.14m, forecast in the report on the Statement of Accounts 2002/03, to £12.02m. This would be a lower level than expected, and so to minimise this impact services need to continue to manage their overspends within their approved budget totals.

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	£000
Adult Care Services	1,296	(200)		1,096
Children, Schools & Families	1,082		(239)	843
Community Information	160			160
Corporate Services		(50)		(50)
Environment	65			65
Fire & Rescue	80			80
Trading Standards				
Coroners		(30)		(30)
Emergency Planning				
Registration				
Precepts			(44)	(44)
Totals at 31/3/03	2,683	(280)	(283)	2,120

- 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 1.6.

Table 2

Service	Description	Para ref.	Forecast Over/ (Under spend) £000
ACS	Elderly Residential, Nursing Homes and Extra Care Sheltered Housing	1.3.1	100
	Home Care (for EPD client group)	1.3.2	100
	Home Ability / Adaptations	1.3.3	96
	MH Residential & Day Care	1.3.4	150
	MH Staffing Budgets	1.3.5	(200)
	Performance Fund	1.3.6	750
CSF	Local Services Transport	1.4.1	250
	Childcare Litigation Fees	1.4.2	477
	Maternity Cover	1.4.3	205
	Home to School Transport - Mainstream	1.4.4	150
	Vacancies (various divisions)	1.4.5	(200)
CID	Libraries Incomes	1.5.1	160
All services	Other forecast variances below £75k		82
	Forecast Overspend		2,120

1.3 ADULT CARE SERVICES (ACS)

1.3.1 Elderly Residential, Nursing Homes and Extra Care Sheltered Housing - £100,000 or 0.3% overspend

Based on commitments as at 30th September 2002 and allowing for various adjustments including new clients costing more than current clients, this budget is projected to overspend by £100,000 (0.3% on £40.9m). 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 this 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 September 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 does not increase over the next six months.

1.3.3 Home Ability / Adaptations - £96,000 or 9.6% 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. The number of clients waiting for special equipment has reduced over the last six months. If the current rate of expenditure continues throughout the remainder of the year an overspend of £96,000 will occur. This is a 9.6% overspend on a budget of £1m.

1.3.4 Mental Health (MH) Residential and Day Care - £150,000 overspend

Based on commitments as at 30th September 2002, this budget is projected to overspend by around £150,000 since new clients tend to cost more than previous clients and more new clients are being placed than clients leaving.. The total net budget for residential and day care is £3.375m.

1.3.5 MH Staffing Budgets - £200,000 underspend

At the moment there is a large number of vacancies within MH locality teams and only some of these posts are covered by agency staff. The current projected underspend is £200,000. The total MH pay budget is £4.58m.

1.3.6 Performance Fund - £750,000 overspend

A Performance Fund was introduced in April 2002 for intermediate care. The specific grant relating to the fund for ACS is £958,000. Criteria outlining which type of schemes / projects can be financed from the fund has been issued recently. The government has established criteria for schemes which can be funded from the Performance Fund. These extremely rigid criteria disallow any recurring expenditure. This is an unprecedented restriction on the use of such grants and means that only schemes amounting to just over £200,000 meet the criteria and hence there is a funding shortfall of £750,000.

In the report to Cabinet on 11th March 2002 it was explained that there was a risk in assuming that the Performance Fund could be used to support some of the Adult Care Services budget pressures. Without the projected income from the Performance Fund service reductions would have had to be introduced when the budget was set.

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 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 that these management actions will have an impact in limiting the overspend. The service is undertaking more investigative work so that the impact of these actions can be precisely quantified.

1.4.2 Childcare Litigation Legal Fees - £477,000 or 55.1% Overspend

The forecast overspend of £477,000 reflects the increased costs of child care litigation due to the volumes of work involved. The current forecast represents an increase in the overspend of £237,000 compared to that reported on the July monitor.

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

The overspend reflects the current projection based upon the level 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. The base budget has been reviewed in the light of longer-term trend data, and the ongoing pressure on this budget will be considered in the development of the 2003/04 budget.

1.4.4 Home to School Transport - Mainstream - £150,000 or 1.4% overspend

The overspend is based upon the pattern of transport from September 2002 and this is a consequence of the need to transport more children by taxi/minibus routes. Some journeys are for denominational schools, some in areas such as Lea Valley where there is a shortage of places and some relate to Consortium transport.

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.

1.5 COMMUNITY INFORMATION

1.5.1 Libraries Income - £160,000 overspend or 10.2%

The trend of increasing numbers of video loans now appears to have reversed, and this is an anticipated shortfall of £70,000 against budgeted video income. Income from fines and reservations is currently projected to be £90,000 short of the budgeted figures. This results from a combination of declining borrowings and the introduction of automated loan renewal methods. The position on this income budget will continue to be closely monitored and every effort will be made to contain this pressure within the overall budget for Community Information. The impact in future years of the income shortfall will need to be considered as part of the 2003/04 budget process.

2. CAPITAL BUDGET

2.1 Projected Outturn and Variances

Expenditure for the Capital Budget is estimated to be £4.617m 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	53,259	(205)
Adult Care Services	4,585	2,933	(1,652)
Environment	32,543	31,983	(560)
Community Information	2,188	2,188	
Protection	3,075	875	(2,200)
Corporate Services	3,661	3,661	
Magistrates Courts	356	356	
Total	99,872	95,255	(4,617)

The variance of £4.617m can be analysed as net slippage of £4.792m and overspends of £175,000.

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	(205)			(205)
Adult Care Services	(1,652)			(1,652)
Environment	(735)	175		(560)
Community Information				
Protection	(2,200)			(2,200)
Corporate Services				
Magistrates Courts				
Total	(4,792)	175	0	(4,617)

Note:- Of the total slippage shown in Table 4, £2.889m relates to the reprofiling of spend on a number of proposed self financing schemes.

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 – (Sheredes)	2.2.3	150
	2002/03 Major Schemes - (Round Diamond)	2.2.4	(500)
	2002/03 Major Schemes – (Care Stds Acts)	2.2.5	(100)
	1999/00 Major Schemes (Francis Combe)	2.2.6	(150)
	Other Variances of less than £50k	-	(115)
	2002/03 Annual Provisions	2.2.7	500
Adult Care Services	Countywide Learning Disability hostel programme	2.3.1	(752)
	Dacorum Project (Self Financing)	2.3.2	(900)
Environment	Self Financing Land at Blanche Farm	2.4.1	100
	Household Waste Recycling Centre	2.4.2	(735)
	ICT Set-up Costs at New Area Offices	2.4.3	175
	Budget Change – Self Financing Pulters Farm	2.4.4	111
Protection	Watford & St Albans Fire Stations	2.6.1	(2,200)
	Total Forecast Variance		(4,617)

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 now complete. 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 Major Schemes (Round Diamond) – slippage £500,000

Slippage of £500,000 is expected on the Round Diamond scheme due to work being carried out later than originally planned, following delays earlier in the life of the scheme around finalising the detailed budgets and funding sources of this part self-financed scheme. This has resulted in some expenditure being pushed into the 2003/04 financial year, however work on site is now well underway.

2.2.5 2002/03 Major Schemes (Care Standards Act) – slippage £100,000

The £150,000 scheme at Falconer has been delayed whilst arrangements are made to link it to the much larger £1,550,000 Major scheme also at Falconer, work on site is scheduled to begin in Spring 2003.

2.2.6 1999/00 Major Schemes (Francis Combe) – slippage £150,000

Delays early on in the life of this £4 million scheme, which is now on site, mean that a sum of around £150,000 will not be required until 2003/04, to cover any final items arising after the main construction has been completed.

2.2.7 2002/03 Annual Provisions for Structural Repairs and Maintenance – expenditure brought forward £500,000

It is estimated that £500,000 of expenditure in 2002/03 on structural repairs and maintenance will take place in advance of the originally planned cash flow. For cash flow management purposes, this expenditure can be offset against the reported slippage elsewhere in the CSF programme.

2.3 ADULT CARE SERVICES

2.3.1 Countywide Learning Disability hostel programme (Slippage £752,000)

Changes to the national minimum standards guidelines has resulted in it taking longer to finalise scheme details. The strategy to reprovide hostel places is to work closely with housing providers and this has resulted in alternative and additional funding being available. As a consequence, capital expenditure has not been incurred as soon as was first estimated.

Due to the complex partnerships of these schemes, delays and general slippage on external schemes, for example, Sir John Newsome (Welwyn Garden City) and Chilwell Gardens (South Oxhey) has occurred.

2.3.2 Dacorum Project (Self Financing) – (reprofiled spend £900,000)

This project involves various accommodation moves in the Dacorum area including sharing accommodation with health and the reprovision of a day centre.

There have been delays in finalising partnership agreements, however, these have now been resolved and a final business case will be presented to cabinet for approval in due course. Once approved, the self-financing project could start on site after a six month design lead in time.

2.4 ENVIRONMENT

2.4.1 Self Financing Land at Blanche Farm (Budget Change £100,000)

It was agreed through the Urgency Procedures that this land could be purchased due to its strategic importance to the Authority and that speed of purchase was vital. The funds will ultimately be more than recouped by the sale of a Rural Estate property at Ashwell.

2.4.2 Household Waste Recycling Centre (Slippage £735,000)

The contract for the Household Waste Recycling Centre has not been let due to unforeseen difficulties that have increased the cost above the budget currently available. Consideration is currently being given to how best to proceed with the project next financial year.

2.4.3 ICT Set-up Costs at New Area Offices (overspend £175,000)

A total amount of £275,000 has been budgeted over the current and next financial year for expenditure on the ICT infrastructure at the new area offices. It is now clear that this will all need to be spent this year, resulting in an overspend of £175,000 in 2002/03 and a corresponding underspend of the same amount in 2003/04. In order to best facilitate the resultant cash flow implications, a virement will be requested from the underspend on the Waterdale scheme, and if approved, the net amount for that project will be slipped forward. In 2003/04, a virement will be requested from the amount budgeted for ICT expenditure to the Waterdale scheme which will then restore

the existing budget for its implementation.

2.4.4 Budget Change – Self Financing Pulters Farm (£111,000)

A total of £191,000 remains of the original funds generated to finance this project which will now all be spent in the current financial year. The movement in the budget reflects this change.

2.5 COMMUNITY INFORMATION

No variance has been reported by Community Information.

2.6 PROTECTION (Reprofiled spend - £2.2m)

The self-financing schemes at Watford and St Albans are now expected to begin in 2003/04.

2.7 CORPORATE SERVICES

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

3. REQUESTS FOR VIREMENTS

3.1 This meeting of the Cabinet is asked to consider the following requests for virements and technical adjustments over £75,000 . Virements (a) to (d) are essentially of a technical nature relating final adjustments for the CSF/ACS reorganisation, funding annual provisions slippage and allocating the costs of single status agreement across the services affected. Virement (e) is explained in paragraphs 2.4.2 & 2.4.3 of this report.

(a) Service: ACS
To: CSF
Amount: £669,000
Reason: Final split of ex social services computer unit budget between the two new services.

(b) Service: ACS
To: CSF
Amount: £75,000
Reason: Porters Wood Accommodation Costs. To reflect the historic pattern of expenditure between ACS and CSF.

(c) Service: Central Services
To: Community Information
Amount: £353,000

Reason: Revenue Funding for 2001/02 Capital Slippage on annual provisions.

- (d) Service: Contingency
To: Services
Amount: £249,000
Reason: Assimilation of Manual Worker Grades as part of the single status agreement

- (e) Service: Environment
Amount: £175,000
From: Waterdale Household Waste Recycling Centre scheme
To: Environment ICT Set-Up at New Area Offices
Reason: To bring forward necessary spend previously planned for 2003/4, funded from slippage of Waterdale project

**COUNTY SUMMARY REVENUE BUDGET MONITOR AS AT 30TH
SEPTEMBER, 2002**

(all figures in
£'000)

SERVICE	Original Budget	Carry Forward from 2001/2002	Approved Virements & Technical Adjustments	Latest Approved Budget	Projected Spend at Year End	Projected Variance	Carry Forwards 2002/03 Requested
Adult Care Services	154,682		(704)	153,978	155,074	1,096	
Children, Schools & Families	708,573		884	709,457	710,300	843	
Community Information	20,622	280	417	21,319	21,479	160	
Corporate Services	12,411	559	59	13,029	12,979	(50)	
Environment	84,986	110	20	85,116	85,181	65	
<u>Protection</u>							
Fire	34,769		28	34,797	34,877	80	
Trading Standards	2,205	79	51	2,335	2,335		
Coroners	740	51		791	761	(30)	
Registration	709	25		734	734		
Emergency Planning	267	68		335	335		
Protection Total	38,690	223	79	38,992	39,042	50	
Magistrates Courts (net)	3,009	22	3	3,034	3,034		
Contingency	2,348	816	(395)	2,769	2,769		
Special Provision	5,300			5,300	5,300		
Precepts	7,324			7,324	7,280	(44)	
Central Services	16,538		(363)	16,175	16,175		
Capital Charges non operational assets	10,403			10,403	10,403		
Unapportioned Central Overheads	2,380			2,380	2,380		
Asset Management Revenue Account	(210,098)			(210,098)	(210,098)		
NET REVENUE BUDGET	857,168			859,178	862,182	2,120	
Funded from Capital Resources	(3,300)			(3,300)	(3,300)		
COUNTY FUND TOTAL	853,868	2,010		855,878	858,882	2,120	

0.25%

CAPITAL BUDGET MONITOR AS AT 30 SEPTEMBER 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		887	7,762	7,127	(635)
Externally Funded	25,334	(239)	3,807	28,902	28,912	10
Self Financing	9,417	218	(328)	9,307	9,307	
Annual Provisions	8,212		(719)	7,493	7,913	(420)
Total Children, Schools & Families	49,838	(21)	3,647	53,464	53,259	(205)
ADULT CARE SERVICES						
County Funded	869		805	1,674	922	(752)
Externally Funded	640	130	478	1,248	1,248	
Self Financing	1,000			1,000	100	(900)
Annual Provisions	659		4	663	663	
Total Adult Care Services	3,168	130	1,287	4,585	2,933	(1,652)
Environment						
County Funded	4,634	150	641	5,425	4,865	(560)
Externally Funded	23,536	2,001		25,537	25,537	
Self Financing		291		291	291	
Annual Provisions	1,290			1,290	1,290	
Total Environment	29,460	2,442	641	32,543	31,983	(560)
Community Information						
County Funded	400		480	880	880	
Externally Funded		705		705	705	
Annual Provisions	239	46	318	603	603	
Total Community Information	639	751	798	2,188	2,188	
Protection						
County Funded	534		32	566	566	
Externally Funded						
Self Financing	2,200			2,200		(2,200)
Annual Provisions	263		46	309	309	
Total Protection	2,997		78	3,075	875	(2,200)
Corporate Services						
County Funded	2,050		429	2,479	2,479	
Self Financing						
Annual Provisions	1,075	(150)	257	1,332	1,332	
Total Corporate Services	3,125		686	3,811	3,811	
Magistrates Courts						
Externally Funded		356		356	356	
Total	89,227	3,508	7,137	99,872	95,255	(4,617)

* underspends shown in brackets