

HERTFORDSHIRE COUNTY COUNCIL

**CABINET
MONDAY 8 SEPTEMBER 2003 AT 2.00 P.M.**

Agenda Item No:

8

COUNTY COUNCIL REVENUE AND CAPITAL BUDGET MONITOR

Report of the Finance Director

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1. Purpose of the Report

To inform members of:

- the forecast outturn for Revenue and Capital Budgets in respect of 2003/04, based on budget monitors to 30th June 2003,
- other budget monitoring issues and their impact, if any, on future years.

2. Summary

- 2.1 The monitoring position as at 30 June 2003 indicates a potential overspend of £2.64m (0.28%) against the latest budget of £958.362m. This almost exclusively relates to pressures within CSF, especially within the Looked After Children area.
- 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. There are no significant variations in the capital budget to report at this stage.

3. Conclusion

- 3.1 £5.3m has been included in the 2003/04 budget as a special contingency to cover a number of areas where potential pressures have been identified. To date only £243,000 of this contingency has been allocated to CSF to cover the projected costs associated with the implementation of the recommendations of the Climbie enquiry.
- 3.2 The projected CSF overspend takes into account management savings that the service has identified to partially offset pressures, and there appears limited scope for further improvement in this projected

overspend. The demand led nature of many of the CSF budgets together with increasing charges mean that there may indeed be further pressure on the CSF budget during the remainder of the year.

- 3.3 CSF will continue to try to contain the pressures on the budget, but at the current level of overspending and depending on the final scale of other claims, the special contingency would be sufficient meet the additional costs of the cabinet were so minded.

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 2003/04

Table 1

	Overspends	Planned Under-spends	Unplanned Under-spends	Net Variances
	£000	£000	£000	£000
Adult Care Services	1,161	(1,502)		(341)
Children, Schools & Families	4,976	(1,229)	(1,000)	2,747
Central Services	230			230
Totals at 31/3/04	6,367	(2,731)	(1,000)	2,636

- 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 Care Homes and Extra Care Sheltered Housing	1.3.1	(643)
	Home Care (EPD client group)	1.3.2	648
	PD Residential and Nursing care homes	1.3.3	(208)
	EDP Area and Specialist Teams	1.3.4	220
	Strategic Centre and Support Services	1.3.5	(300)
CSF	Out County Placements	1.4.1	3,000
	Fostering and Adoption	1.4.2	1,066
	SEN Home to School Transport	1.4.3	600
	Reorganisation Costs	1.4.4	250
	Nursery provision	1.4.5	(1,000)
	In Year Savings	1.4.6	(820)
	Transition Courses	1.4.7	(109)
	Family Placement Teams	1.4.8	(300)
Central Services		1.5.1	230
All services			2
	Forecast Overspend		2,636

1.5 ADULT CARE SERVICES (ACS)

1.5.1 Elderly Residential, Nursing care homes and Extra Care Sheltered Housing - £643,000 or 1.4% underspend

This budget should be considered alongside the home care budget (see 2. below). The department's policy (in line with government policy) is to support clients in their own home to avoid or delay admission to a residential or nursing home. Hence, the projected underspend within this budget should be considered with the projected overspend of £648,000 for home care services (£574,000 relates to the elderly and £74,000 relates to clients with a physical disability).

Based on commitments as at 30 June 2003 and allowing for various adjustments including new clients costing more than current clients, this budget is projected to underspend by £643,000 (1.4% on £47.379m).

From 8 April 2002 people entering residential or nursing homes were no longer eligible for residential allowances. In 2002/03 authorities received a grant of £93m to recognise the extra cost they would incur – Hertfordshire's share of this specific grant allocation for 2002/03 was £1.854m to reflect the reduction in client contributions. The cost has risen from £93m in 2002/03 to £223m in 2003/04 with this sum now being included in the Total Formula Spending. From October 2003, existing clients will also no longer be eligible for residential allowances, and so authorities will receive a transfer from the Department of Works and Pensions (DWP) in respect of these new responsibilities.

A consultation process is currently taking place concerning the methodology for transferring monies, amounting to around £183m for England, from the DWP to the Department of Health for distribution to local authorities in 2003/04. The financial implications for Hertfordshire will not be known until the outcome of the consultation has been published.

1.3.2 Home Care (for EPD client group) - £648,000 or 2.2% overspend

As above, this is a large and very volatile budget and based on commitments as at 30 June 2003 it is projected to overspend by £648,000. By the year end every effort will have been made to ensure that the projected outturn has not increased significantly. A home care action plan, that was introduced in 2001/02, is still being implemented and this will ensure that the overspend is kept under control over the next nine months.

1.3.3 PD Residential and Nursing care homes - £208,000 or 2.9% underspend

This budget is projected currently to underspend by over £500,000, however, as new clients are placed throughout the remainder of this financial year the underspend is expected to reduce to £208,000.

1.3.4 EPD Area and Specialist Teams - £220,000 or 1.6% overspend

As a consequence of concentrating on reducing the waiting lists within the EPD Areas with the objective of halving them by March 2004, the staffing budgets are projected currently to overspend by £220,000. This projection is based on both permanent staff and agency staff. The level of agency payments continues to be closely monitored.

1.3.5 Strategic Centre and Support Services - £300,000 underspend

A one off budget in 2003/04 of £600,000 was established to meet the additional costs falling on ACS to develop and implement both the Oracle and SAP systems. The Oracle system now will not become fully operational until 2004/05 and hence certain costs that were planned to be incurred in 2003/04 will now fall in 2004/05. A carry forward of £300,000 will therefore be requested to reflect the delay in the implementation of Oracle.

1.4 CHILDREN, SCHOOLS & FAMILIES (CSF)

At the end of last financial year the CSF budget had a significant overspend and elected members raised concerns. CSF Scrutiny Committee have asked for a report on this for their next meeting. As a result of the overspend an internal audit was commissioned and the outcomes of the report will be presented to the next Resources & CSF Scrutiny Committee meetings along with the latest monitoring information for 2003/04.

1.4.1 Out County Placements - £3,000,000 or 18.8% Overspend

The budget for Out County Placements was increased by £3m in 2003/04 to reflect demography in terms of pattern of need and expected inflation of an average 5%. Despite this increase this budget is suffering from additional pressures in three areas.

- Increases in unit costs

The impact of the care standards legislation on residential homes, requiring building alterations and revised occupancy rates, together with higher staffing costs from e.g. increases in national insurance rates, are leading to significant increases in the cost of out county placements. The price of placements is currently between 9 and 10% higher on average than in the previous year. This gives a variation of approximately £700k over the budgeted inflation

increases of 5% calculated last November as part of the budget process.

- Impact of unaccompanied asylum seekers

The impact of unaccompanied asylum seekers has already been raised in previous reports as an area of concern. Most unaccompanied asylum seekers are placed with foster carers and the Government provides a grant to cover the costs of these placements. As numbers of Looked After Children have increased, there is increased demand for foster care placements. Placing unaccompanied asylum seekers in foster care placements means that Looked After Children have to be placed out county which is more expensive. The net impact of this movement is approximately £500k.

- Impact of growth in Looked After Children numbers and legislative changes on social care placements

Although the number of Looked After Children has risen in Hertfordshire over recent years it has only now reached the national average. Changes in legislation following the Care Leavers Act and the Climbié Report have led to an increase in the duration of out county placements. Children on average enter care earlier and stay in care for longer. Although difficult to predict, it appears that this will lead to a projected overspend of £1.8m at the year end.

The Out County budget is a complex one and has many interrelationships with other budgets contained in this report. As a demand led budget, which is not easy to predict, if numbers rise and we are unable to recruit additional foster carers the budget may be subject to further pressure. It is proposed to carry out a detailed review of out-county placements together with related budgets, to enable better modelling of budget needs and improve control mechanisms. As a preliminary to the review, Internal Audit will compare our practice and costs with other councils. It is aimed to complete the review by the end of September with a report to the Children and Families Panel on 25th September.

1.4.2 Fostering and Adoption - £1,066,000 or 16.5% Overspend

The increase in Looked After Children has meant that an additional 86 new foster placements are needed above the provision in the original budget. It is estimated that this will cost, using an average of between £10,000 and £12,000 per placement, £1.066m more by the year end. There is a close relationship between this budget and Out County Placements. This budget will form part of the in depth review mentioned above.

1.4.3 SEN Home to School Transport - £600,000 or 5.9% Overspend

The projection of £600,000 spend above budget is based on increased numbers of pupils needing transport and estimates for new contracts in the East and North of the county which is currently in the tender process. Contract renewals are showing increased costs, which is impacting on spending levels.

1.4.4 Reorganisation Costs - £250,000 or 8.2% Overspend

This item arises from current commitments in respect of added years costs relating to early retirements. Efforts continue to reduce the overspend by creating redeployment opportunities, but the budget may overspend by up to £250,000 in this year.

1.4.5 Nursery Provision - £1m or 25% underspend

Progress towards universal nursery provision for three year olds is planned to take place over the financial years 2003/4 and 2004/5, and although this is still expected to be achieved in this timescale, the uptake of nursery places has been slower than anticipated in some areas. It is estimated that this will result in a one-off underspend in 2003/4 of £1m.

1.4.6 In Year Savings - £820,000 or 2.5% Underspend

All divisions of CSF (excluding schools budgets) will identify savings of 2.5% of their divisional budgets to contribute to the management of the overspends listed above. These savings will not impact on service priorities. Work is underway to identify specific budgets to be saved.

1.4.7 Transition Courses - £109,000 or 64.5% Underspend

The underspend reflects the increasing proportion of the cost of these courses which is now being met by the Learning and Skills Council.

1.4.8 Family Placement Teams - £300,000 or 7% Underspend

Savings relate to fostering projects - complex placement allowances and other staffing associated costs.

1.5 Central Services

1.5.1 Capital Financing and Interest on Balances - £230,000 or 1.3% overspend

Interest rates have fallen further than treasury management adviser predicted at the time the budget was set in late autumn, and so interest on balances is now projected to be lower than originally expected.

2. CAPITAL BUDGET

2.1 Projected Outturn and Variances

No variations against the approved capital budget are projected.

Table 3

Service	Latest Budget	Current Forecast Outturn	Projected Variance
	£000	£000	£000
Children, Schools & Families	68,565	68,565	0
Adult Care Services	7,994	7,994	0
Environment	34,017	34,017	0
Community Information	1,952	1,952	0
Protection	4,287	4,287	0
Corporate Services	4,149	4,149	0
Magistrates Courts	160	160	0
Total	121,124	121,124	0

COUNTY SUMMARY REVENUE BUDGET MONITOR AS 30 th JUNE 2003							
(all figures in £'000)							
SERVICE	Original Budget	Carry Forward from 2002/2003	Approved Virements & Technical Adjustments	Latest Approved Budget	Projected Spend at Year End	Projected Variance	Carry Forwards 2003/2004 Requested
Adult Care Services	176,278	0	(48)	176,230	175,889	(341)	348
Children, Schools & Families	674,637	0	213	674,850	677,597	2,747	
Community Information	19,304	466	21	19,791	19,791	0	
Corporate Services	11,917	346	188	12,451	12,451	0	
Environment	95,816	220	85	96,121	96,121	0	
<u>Protection</u>							
Fire	33,247	0	57	33,304	33,304	0	
Trading Standards	2,439	90	(37)	2,492	2,492	0	
Coroners	808	28	0	836	836	0	
Registration	720	18	0	738	738	0	
Emergency Planning	276	53	0	329	329	0	
Protection Total	37,490	189	20	37,699	37,699	0	0
Magistrates Courts (net)	2,051	24	0	2,075	2,075	0	
Contingency	2,372	0	(144)	2,228	2,228	0	
Special Provision	5,300		(243)	5,057	5,057	0	
Precepts	7,501			7,501	7,501	0	
Central Services	17,684		(92)	17,592	17,822	230	
Capital Charges non operational assets	8,788		0	8,788	8,788	0	
Unapportioned Central Overheads	(102,021)			(102,021)	(102,021)	0	
Asset Management Revenue Account			0	0		0	
NET REVENUE BUDGET	957,117	1,245	0	958,362	960,998	2,636	348
Funded from Capital Resources				0		0	
COUNTY FUND TOTAL	957,117	1,245	0	958,362	960,998	2,636	348

CAPITAL BUDGET MONITOR AS AT 30 JUNE 2003						
SERVICE	Original Budget	Adjustments & Virements (approved & requested)	Previous Year Slippage	Latest Budget	Projected Spend at Year End	Projected Year End Variance *
	2003/04	2003/04	2003/04	2003/04	2003/04	2003/04
	£000	£000	£000	£000	£000	£000
CHILDREN, SCHOOLS & FAMILIES						
General Funded	5,900	0	1,788	7,688	7,688	0
Externally Funded	36,590	3,965	1,253	41,808	41,808	0
Self Financing	10,886	0	0	10,886	10,886	0
Annual Provisions	8,036	100	47	8,183	8,183	0
Total Children, Schools & Families	61,412	4,065	3,088	68,565	68,565	0
ADULT CARE SERVICES						
General Funded	1,178	388	1,288	2,854	2,854	0
Externally Funded	718	82	8	808	808	0
Self Financing	2,480	968	0	3,448	3,448	0
Annual Provisions	659	0	225	884	884	0
Total Adult Care Services	5,035	1,438	1,521	7,994	7,994	0
Environment						
General Funded	5,836	0	785	6,621	5,275	0
Externally Funded	23,518	1,000	669	25,187	25,187	0
Self Financing	875	0	0	875	875	0
Annual Provisions	1,334	0	0	1,334	1,334	0
Total Environment	31,563	1,000	1,454	34,017	34,017	0
Community Information						
County Funded	358	0	364	722	722	0
Externally Funded	0	609	0	609	609	0
Annual Provisions	417	0	204	621	621	0
Total Community Information	775	609	568	1,952	1,952	0
Protection						
County Funded	1,474	0	280	1,754	1,754	0
Externally Funded	0	0	0	0	0	0
Self Financing	2,200	0	0	2,200	2,200	0
Annual Provisions	264	0	91	333	333	0
Total Protection	3,938	0	371	4,287	4,287	0
Corporate Services						
County Funded	2,454	(98)	902	3,258	3,258	0
Self Financing	0	0	0	0	0	0
Annual Provisions	1,104	(381)	168	891	891	0
Total Corporate Services	3,558	(479)	1,070	4,149	4,149	0
Magistrates Courts						
Externally Funded	0	160	0	160	160	0
Total	106,259	6,793	8,072	121,124	121,124	0

* underspends shown in brackets