

**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 31st December 2003,

**2. Summary**

- 2.1 The monitoring position as at 31st December 2003 indicates a potential revenue overspend of £4.848m (0.51%) against the latest budget of £958.362m. A significant factor in the projected overspend is the pressure within the Looked After Children area of CSF.
- 2.2 The principal reasons for the variation in the forecast revenue outturn are listed in Table 2 (Para 1.2), whilst a more detailed analysis is shown in Appendix A.
- 2.3 Table 3 (Para 3.1) analyses by service the forecast capital underspend of £17.123m. Slippage on externally funded schemes within CSF account for £7.62m of this figure, whilst reprofiled spending on planned self-financing schemes accounts for a further £5.648m of the slippage. Analysis by type of variance is shown in Table 4 (para 3.1), whilst a detailed analysis is given in Appendix B.
- 2.4 £5.3m was included in the 2003/04 budget as a special provision to cover a number of areas where potential pressures have been identified. To date only £243,000 of this provision has been allocated to CSF to cover the projected costs associated with the implementation of the recommendations of the Climbie enquiry. In addition, £2.157m of budget provision within Adult Care Services to provide for loss of income on residential allowances is not now required as this loss of income is to be compensated by specific grant. At its meeting in December the cabinet agreed that this be added to the special provision, so that the balance on this provision now stands at £7.214m.
- 2.5 This monitor shows a net increase in the CSF overspend of £870,000 compared to the November monitor. As reported in previous monitors CSF have been taking action to identify savings to offset the pressures on the service, and progress so far in achieving these savings totalling £3.773m is reported in this monitor.

- 2.6 CSF continue to try to contain the pressures on the budget, but on the basis of current estimates the special contingency continues to be sufficient to meet the additional costs if the cabinet were minded to apply it for this purpose.
- 2.7 Where monitoring has identified continuing underlying budget pressures in services, particularly CSF, these have been reflected in the preparation of the 2004/5 budget.
- 2.8 There are no requests for virements / carry forwards coming forward at this time, although a number of carry forwards totalling £1.307m are referred to in the report for decision when the provisional outturn report is presented to Cabinet in July.
- 2.9 General Reserves at 31 March 2003 are projected to be £12.5m taking into account delays in timing of some capital receipts and the likely revenue outturn presented in this report.

## 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	1,900	(3,410)		(1,510)
Children, Schools & Families	11,482	(3,773)	(1,200)	6,509
Libraries, Arts, Halls & Trading Standards	133	(220)		(87)
Corporate Services	16	(48)		(32)
Environment	340	(300)		40
IT		(302)		(302)
Central Services	230			230
<b>Totals at 31/3/04</b>	<b>14,101</b>	<b>(8,053)</b>	<b>(1,200)</b>	<b>4,848</b>

- 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 1.8.

**Table 2**

Service	Description	Para ref.	Forecast Over/ (Under spend) £000
<b>ACS</b>	Elderly Residential, Nursing Care Homes and Extra Care Sheltered Housing	1.3.1	(2,200)
	Home Care (EPD client group)	1.3.2	1,350
	Physical Disability Residential and Nursing Care Homes	1.3.3	100
	Strategic Centre and Support Services (includes 450 carry forward request)	1.3.4	(680)
	Learning Disability Income Budgets (Outside JCPB)	1.3.5	80
	Learning Disability Residential Care Homes - Commissioned by JCPB from ACS	1.3.6	300
	Performance Fund (carry forward request)	1.3.7	(270)
	Learning Disability Development Fund (carry forward request)	1.3.8	(240)
<b>CSF</b>	Out County Placements	1.4.1	4,944
	Fostering and Adoption	1.4.2	1,125
	SEN Home to School Transport	1.4.3	780

	Local services staffing	1.4.4	435
	Children with Disabilities Respite & Shared Care	1.4.5	376
	Local Services Transport	1.4.6	580
	ORACLE	1.4.7	350
	Looked After Children	1.4.8	426
	Legal & Other Specialist Fees	1.4.9	303
	Premature Retirement	1.4.10	289
	Section 17	1.4.11	144
	SEN Additional Welfare and Tuition	1.4.12	480
	Client Service Charges	1.4.13	89
	Call Centre Recharge	1.4.14	135
	Cognitive Ability Tests and Assessment Data	1.4.15	100
	Mainstream Home to School Transport	1.4.16	200
	Youth Offending Teams	1.4.17	180
	Hospital & Home Education	1.4.18	129
	Maternity Cover	1.4.19	189
	Residential Homes	1.4.20	228
	Nursery provision	1.4.21	(1,200)
	In Year Savings	1.4.22	(820)
	Further In Year Savings	1.4.23	(1,000)
	Annual provisions/minor capital works	1.4.24	(1,023)
	Family Placement Teams	1.4.25	(340)
	Leased Car Discounts	1.4.26	(305)
	Transition Courses	1.4.27	(109)
	Family Centres	1.4.28	(128)
<b>Libraries, Arts, Halls &amp; Trading Standards</b>	Libraries IT	1.5.1	(75)
	Libraries Income	1.5.2	95
	Libraries Staffing	1.5.3	(95)
<b>Information Technology</b>	Customer Services Centre	1.6.1	(302)
<b>Environment</b>	Passenger Transport	1.7.1	90
	Waste Management	1.7.2	(200)
	Transport Planning, Policy & Strategy	1.7.3	200
<b>Central Services</b>	Capital Financing and Interest on Balances	1.8.1	230
	<b>Forecast Overspend &gt;75K Variances</b>		<b>4,940</b>
<b>All Services</b>	< 75k Variances		(92)
	<b>Total Forecast Overspend</b>		<b>4,848</b>

### **1.3 ADULT CARE SERVICES (ACS)**

#### **1.3.1 Elderly Residential, Nursing care homes and Extra Care Sheltered Housing - £2.2m or 4.6% underspend**

One of the main reasons for the underspend relates to lack of capacity both in terms of total places available and providers agreeing to Hertfordshire's maximum weekly rates. These issues are being addressed currently.

This large and volatile budget should be considered alongside the home care budget (see 2. below). The department's policy (in line with government policy) continues to be 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 £1.35m for home care.

Based on commitments as at 31 December 2003 and allowing for various adjustments, including an allowance for dependency levels increasing for current clients, this budget is projected to underspend by £2.2m (4.6% on £47.379m).

£600,000 was included in this year's budget to reflect the fact that in previous years new placements tended to cost more on average than previous clients. However, based on around 900 clients placed in the first nine months of this financial year the average cost of a new placement is virtually the same as previous clients. The upward trend in average costs per client therefore appears to have levelled off. This factor contributes to the projected underspend.

The projected underspend has reduced by £150,000 from last month.

#### **1.3.2 Home Care (for EPD client group) - £1,350,000 or 4.6% overspend**

As above, this is a large and very volatile budget and based on commitments as at 31 December 2003 this budget is projected to overspend by £1.35m – an increase in £150,000 compared with the amount reported last month.

The projected overspend results partly from the policy of, whenever possible, supporting people in their own home as opposed to placing them in residential or nursing homes. As a consequence, the number of people receiving home care has increased by around 250 (nearly 5%) in the last six months. Also, a couple of pilot projects have been set up during this year; the first being an enabling project (providing more support initially with a view to reducing the amount of home care over time) and the second being a flexible project (following discussions with the clients, several home carers provide a service for a group of clients as and when needed / required).

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 three months.

£1.35m equates to a 4.6% overspend on a budget of £29.178m. The Health & Social Care budget of £666,000 is included in this section.

The home care projected overspend and the residential and nursing home projected underspend in this financial year will be taken into consideration when the detailed Adult Care Services budget is set for 2004/05.

### **1.3.3 Physical Disability Residential and Nursing Care Homes - £100,000 or 1.4% overspend**

Based on the clients that are being funded currently this budget is projected to overspend by a small amount, however, as new clients are placed between now and the end of the financial year and if there is not a corresponding reduction in current commitments then this budget will overspend by around £100,000. A balanced budget was reported last month.

The projected overspend of £100,000 is 1.4% on a budget of £7.227m.

### **1.3.4 Strategic Centre and Support Services - £680,000 or 4.8% 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 £450,000 will therefore be requested later in the year to reflect the delay in the implementation of Oracle. The Strategic Centre underspend has increased £80,000 to £230,000 from the November Monitor, mainly as a result of staff vacancies within various support services sections and further delays in starting some new projects. This equates to an underspend (after carry forward requests) of 1.6% on a budget of £14.069m including specific grants.

### **1.3.5 Learning Disability Income Budgets (Outside JCPB) - £80,000 or 1% overspend**

The projected overspend (shortfall in income) of £80,000 results from the fact that the average client contribution in residential care, hostels and groups homes is less than included in the budget. This is a 1.0% overspend on a budget of £7.918m.

A projected overspend of £50,000 was reported last month.

### **1.3.6 Learning Disability Residential Care Homes Commissioned by JCPB from ACS - £300,000 or 0.8% overspend**

As a result of placing several high dependency (high cost) clients over the last few months and planned placements of clients in the next few months, the gross budget for independent sector learning disability residential homes is projected to overspend by £300,000 – a reduction of £50,000 compared with last month.

£300,000 equates to 0.8% on a budget of £35.573m.

### **1.3.7 Performance Fund – £270,000 underspend**

The 2003/04 Performance Fund grant allocation for Hertfordshire is £1.935m. This is a non-recurring grant which is being used to fund one-off projects. The start of some of these projects has been delayed and the duration has been extended including the Practice Development Programme and Welfare to Work.

A request will be made to carry forward £270,000 of this fund into 2004/05.

### **1.3.8 Learning Disability Development Fund – £240,000 underspend**

The Learning Disability Development Fund is for 3 years initially – 2002/03 to 2004/05. The budget in 2003/04 is £660,000 including a carry forward from 2002/03. There have been delays in starting certain schemes, some of which were planned to start in 2002/03 and others in 2003/04.

A request will be made to carry forward £240,000 of this fund into 2004/05.

## **1.4 CHILDREN, SCHOOLS & FAMILIES (CSF)**

### **1.4.1 Out County Placements - £4.944m or 31% overspend**

At the end of the last financial year this budget had a significant overspend and elected members raised concerns and referred this issue to Resources Scrutiny Committee.

The final paragraph of this section sets out progress on the subsequent internal review.

The budget for Out County Placements was increased 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 the following 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 around 12% higher on average than in the previous year. This gives a variation of approximately £1.04m over the budgeted inflation increases of 5% calculated last November as part of the budget process.

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

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.

The recent report to Children and Families Panel on 11 December 2003 identified drivers for the increase in Out County Placements. These include nature of provision (e.g. rise of teenagers who have challenging sexualised behaviour), problems with recruitment and retention of skilled social workers, together with pressure from families to secure looked after status for their children to secure additional support.

The impact of this increase in volume in terms of days funded equate to a cash impact of +£1.6m. The effect of the change in 'mix' of placements (particularly social care) from the lower to the higher cost care areas, accounts for overspend against the budget of +£2.3m.

To summarise the overspend position currently, forecast can be broken down as

follows:-

	£
• Volume increase	1.60m
• 'Mix' in placements	2.30m
• Unit Cost Increase	1.04m

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.

A detailed study of the Out County Placements budget was presented to the Children, Schools and Families Panel on 11<sup>th</sup> December and the recommended management actions which will include stricter placement and financial controls and improved commissioning arrangements will be implemented.

#### **1.4.2 Fostering and Adoption - £1,125,000 or 17.4% 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 placements will cost an average of between £10,000 and £12,000 each. The additional overspend over and above standard costs relate to an increase in day care and respite service provision. There is a close relationship between this budget and Out County Placements.

#### **1.4.3 SEN Home to School Transport - £780,000 or 7.7% overspend**

The projection of £780,000 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 have now been tendered. Contract renewals are showing increased costs, which is impacting on spending levels.

#### **1.4.4 Local Services Staffing and Staff Related - £435,000 or 1.7% overspend**

Despite an overall improvement in the vacancy position in the Quadrants, there is still some need for agency cover to fill remaining vacancies. Quadrants are reviewing staff deployment to reduce this level of spend. An exercise is under way to review and report upon the use made of the Behaviour and Achievement funding made available in 2003/04 and the full year costs in 2004/05. This covers a number of Divisions including Local Services.

#### **1.4.5 Children with Disabilities Respite and Shared Care - £376,000 or 33.9% overspend**

The overspend reflects the high level of demand for respite care. The level of care provided in packages is being reviewed to ensure it is appropriate and to reduce the level of spending where possible, however, this may lead to pressure in meeting future demands. The £31,000 reduction against last month's forecast relates to the impact of commitments not being fully utilised in the Shared Care and Respite service areas.

#### **1.4.6 Local Services Transport - £580,000 or 40.9% 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. The movement of £105,000 during the month relates to further increases in natural parent's visits, taxis to schools and volunteer drivers.

Management action to address the overspend problem currently being implemented 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.

#### **1.4.7 ORACLE - £350,000 or 116.7% overspend**

Delays in project development and implementation have resulted in additional project costs.

#### **1.4.8 Looked After Children - £426,000 or 79.8% overspend**

The budget is for payments to young people living independently, payment to parents under Placement with Parents Regulations and exceptional expenditure. The main reasons for overspending are the continued employment of sessional workers via Wrixon Care Agency in East Quadrant and high levels of exceptional expenditure for 5 clients based in West quadrant.

Management action to address this issue has been identified as follows:

- To investigate and agree end dates for the high expenditure clients (West)
- Review all sessional work packages

The movement of £14,000 during the month relates to continuing levels of expenditure for one quadrant, partly offset by a revision in the commitment usage elsewhere.

#### **1.4.9 Legal and Other Specialists Fees - £303,000 or 22.8% overspend**

It is anticipated that this budget will overspend by £303,000 because of increased volumes of childcare litigation. Management action is underway to review costs. There are concerns however around continuing levels of litigation.

#### **1.4.10 Premature Retirements - £289,000 or 9.5% overspend**

The overspend reflects the level of existing and ongoing retirement pension commitments which do not allow sufficient remaining budget to fund unavoidable new retirements. Efforts continue to contain the overspend by creating redeployment opportunities.

#### **1.4.11 Section 17 - £144,000 or 22.7% overspend**

This budget provides preventative, childminding and playgroup funding for young people placed under Section 17 of the Children's Act. The main reasons for overspending are the continued employment of sessional workers via Wrixon Care Agency in East and West quadrant, plus a number of high costing clients in West quadrant.

Management action to address this issue has been identified, including review of all high spending cases and review of all sessional work packages. The reduction in projection during the month of £45,000 relates to a further decrease to the forecast spend during sessional work and reduced commitments for childminding and playgroup sponsorship.

#### **1.4.12 SEN Additional Welfare and Tuition - £480,000 or 6.8% overspend**

The overspend largely reflects an increase in the number of children with Special Educational Needs, together with an increase in the level of need identified on some of the new allocations. There have also been further backdated payments relating to 2002/03, over and above the provision made.

#### **1.4.13 Client Service Charges - £89,000 or 15% overspend**

The budget funds the CSF Client Services Division of the HCC Call Centre and relates to staffing and associated non-pay costs. The main reason for the overspending relates to a higher than anticipated service volume need, affecting staffing level requirements which has also resulted in the use of agency workers.

#### **1.4.14 Call Centre Recharge - £135,000 or 22.5% overspend**

Related to paragraph 1.4.13 projected CSF call volumes being handled through the call centre mean that the service will need to cover additional call charges over the previously budgeted level.

#### **1.4.15 Cognitive Ability Tests and Assessment Data - £100,000 or 1.3% overspend**

The cost of analysing CAT results making them available to secondary schools has not been fully budgeted for. This also applies to the cost of processing Assessment Data. The total overspend resulting is £100,000.

#### **1.4.16 Mainstream Home to School Transport - £200,000 or 2.4% overspend**

Expenditure on transport ordered by CSF directly (as opposed to through the Passenger Transport Unit (PTU)) is projected to be £200,000 over budget. The expenditure relates largely to consortium transport and various exceptional hardship items. The position on transport commissioned through PTU is now clearer in the light of the pattern of transport required in the new academic year, and PTU ordered expenditure is expected to be within budget.

#### **1.4.17 Youth Offending Teams - £180,000 or 6.1% overspend**

Forecast expenditure is £180,000 more than the total funding available from CSF, other agencies and Government Grant. Further work is needed to manage the impact in 2003/04 and into 2004/05.

#### **1.4.18 Hospital & Home Education - £129,000 or 14.3% overspend**

The current level of demand for Hospital & Home Tuition has resulted in a forecast overspend of £129,000. Budget management responsibility currently sits within Development Division, although expenditure commitments are entered into by Quadrant based staff. It is proposed to set savings targets for each Quadrant, to focus attention in particular on the need to ensure that Home Tuition is only continued for so long as it is the most appropriate provision for the individual child.

#### **1.4.19 Maternity Cover - £189,000 or 20.6% overspend**

Additional budget was made available in 2003/04 to reflect legislative changes to maternity leave and to cover the trend of increased numbers. Continued volume changes lead to a projected overspend of £189,000.

#### **1.4.20 Residential Homes - £228,000 or 3.4% overspend**

The cost of agency staff to cover staff sickness and vacancies could lead to a variation of £228,000 should it continue at current levels. The staff rota system is under review to reduce the need to spend in this area, but is unlikely to reduce spend beyond this figure.

#### **1.4.21 Nursery Provision - £1,200,000 or 30% unplanned 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 now estimated that this will result in a one-off underspend in 2003/4 of £1.2m.

#### **1.4.22 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. Specific budgets on which savings totalling £820,000 will be made have now been identified for Directorate, Operations, SSC, Local Services, Planning, Resources and Other Departmental Overheads.

#### **1.4.23 Further In Year Savings - £1m or 3.0% underspend**

As part of a further Budget Challenge Exercise, additional savings totalling £1m have been identified in 2003/04. These savings have largely been achieved by rephasing expenditure plans and will not impact on service priorities.

#### **1.4.24 Annual provisions / minor capital works - £1.023m underspend**

Savings of £1.023m have been identified in the service's capital programme, which will enable an equivalent reduction in the revenue contributions to capital, that support the

overall programme. See paragraphs 3.2.12 and 3.2.14 for detail of this underspend.

#### **1.4.25 Family Placement Teams - £340,000 or 8.0% underspend**

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

#### **1.4.26 Leased Car discounts - £305,000 underspend**

The volume of new leased cars ordered in 2003/4 has given rise to higher than originally budgeted levels of discount from the manufacturer

#### **1.4.27 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.

#### **1.4.28 Family Centres - £128,000 or 4.6% underspend**

The movement of £20k during the month reflects the continued staff vacancy position in the family centres.

### **1.5 Libraries, Arts, Halls & Trading Standards**

#### **1.5.1 Libraries IT - £75,000 or 4.6% underspend**

As previously reported, the installation schedule for the new PCs in 2003/04 means that the Service has not been required to pay a full year's support charge for these machines. This leaves a projected net underspend of £75,000 on Libraries IT.

#### **1.5.2 Libraries Income - £95,000 or 6.2% overspend**

As previously reported, with the Best Value Review *not* raising fees and charges, this area has remained the focus of management attention. It is now anticipated that the shortfall in income will be £95,000.

#### **1.5.3 Libraries Staffing - £95,000 1.1% underspend**

As previously reported, due to restructuring as part of the central review, and difficulties recruiting staff, several posts were unfilled for much of the year. In addition a vacancy freeze has been agreed with Unison pending the introduction of single staffing. As a result, it is expected that staff underspends will cover the shortfall in Libraries income.

It is not anticipated that this scale of underspend will be repeated next year once these vacancies are filled, and because, as the single largest budget within Community Information, this budget is likely to be reduced as CI is asked to meet its share of corporate initiatives such as the graduate trainee programme.

#### **1.5.4 Libraries Repairs & Maintenance - request for carry forward**

As previously reported, there is a very real risk that there will be a significant underspend on repairs and maintenance, as a result of delays by property service suppliers during the year in getting commissioned work underway. It is intended that a request will be made for all underspend at the year-end to be carried forward, in order to eliminate the associated backlog in essential works.

### **1.5.5 Libraries Single Staffing - request for carry forward £87,000**

As previously reported, it is currently intended that at the year-end approval will be sought to carry forward any net underspend total on Libraries, HALS, Arts & Trading Standards, currently £87,000. This is to assist with any one-off costs relating to the introduction of single staffing in mobile libraries and certain static libraries, including retirement and redundancy costs. As the introduction of single staffing is planned for 1<sup>st</sup> April, the costs will be clearer by the year-end.

## **1.6 Information Technology**

### **1.6.1 Customer Service Centre - £302,000 or 2.1% underspend**

The cumulative underspend on the Customer Service Centre budget has been carried forward from year to year, resulting in a balance of £252,000 brought forward into 2003/04. As previously reported, it is intended that this same figure is carried forward into 2004/05, leaving any increase in the cumulative underspend at the year-end unallocated.

### **1.6.2 Infrastructure Investment Fund - request for carry forward**

As previously reported, the current priority for IT work is the SHARP project. Although there is an agreed programme of infrastructure work for the Investment Fund, much of this work has been deferred due to SHARP, and so a very significant underspend is anticipated on this budget. Although the extent of the underspend depends on progress on the SHARP-related work, and so can not be quantified at present, the intention is to seek approval to carry forward all underspend at the year-end, to enable the high priority investment programme to be completed.

## **1.7 Environment**

### **1.7.1 Passenger Transport - £90,000 or 1% overspend**

In previous months it has been reported that great pressure has been exerted upon the Passenger Transport budget due to the substantial increases in retendered contract prices, these being significantly in excess of the amount allowed for as inflation. Action has already been taken to mitigate the impact of this overspend, previously projected to be £250,000 and other options are being considered to help contain the spend closer to the budget.

### **1.7.2 Waste Management - £200,000 or 1% underspend**

Latest figures show that the exceptionally dry summer had a greater impact than previously thought on the quantity of waste for disposal. Reduced tonnages and weight reduction benefits gained by transporting dry rather than wet waste, has now enabled

the department to forecast an underspend, despite incurring increased costs for the disposal of abandoned cars. The trend confirms that the £200,000 set aside in this year's general contingency for the potential funding of this growing pressure will not now be required.

### **1.7.3 Transport Planning Policy & Strategy – £200,000 or 8.7% overspend**

In previous months attention has been drawn to difficulties with the recruitment of permanent staff and the need to employ more expensive temporary staff to keep services running. The additional costs in the Transport Planning Area are mitigated by vacancies in other areas of the department. (Strategy, Planning and Information)

## **1.8 Central Services**

### **1.8.1 Capital Financing and Interest on Balances - £230,000 or 1.3% overspend**

Interest rates fell 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. AREAS OF CONCERN**

**2.1** There are a number of budgets showing current overspends because of actual spending to date or known commitments. There are also some areas of concern where uncertainties on tender prices or income generated exist. No variations are projected at the year-end on these budgets as it is anticipated that management action in place will contain the potential risks, however these budgets represent areas of concern and are detailed below.

### **2.2 Children, Schools & Families**

#### **2.2.1 Homecare P&V Agency**

This budget provides for private and voluntary homecare for clients other than Children with Disability. The potential overspend of £58,000 relates to high-cost packages for two clients. Management action to ensure alternative provision and thereby substantially reduce the overspend is in hand.

#### **2.2.2 Child & Adolescent Mental Health Service**

The Child & Adolescent Mental Health Service is now operated as a pooled budget with ACS and the Health Service. Under the terms of the pooling agreement, CSF is obliged to make its full contribution even if the relevant part of the service underspends. £106,000 is the 2002/03 underspend which the Pooled organisation is entitled to claim from CSF.

#### **2.2.3 High Wick Funding (Resources)**

Back in 1997/98, the Hospital Special School that operated at High Wick was closed, following an agreement made between the District Health Authority and Hertfordshire County Council.

Part of that agreement was that the District Health Authority were to make an annual revenue payment each year in perpetuity to provide funding for the children that would

have otherwise attended the school. Invoices have been raised on an annual basis by Education/CSF Finance for the revenue amount (plus inflation) and all have been paid. However, the invoice for 2002/03 amount of £95,000 was queried by Health. There is no signed legal agreement for the arrangement, although reference to the agreement is made in the Education Committee paper of 21 September 1987. County Secretary has been contacted for advice. £105,000 has been budgeted for this income in 2003/04 giving a potential total concern of £200,000.

## **2.2.6 IT Equipment and Administrative Costs**

IT infrastructure and PC installation costs, along with postages have experienced significant pressure in the year. Actions are being taken to contain these costs but in the worst case a gross overspend in 2004/05 of £400,000 may arise.

## **2.2.7 Adult and Community Learning (ACL)**

CSF currently claims grant of around £2m from the LSC to fund Adult and Community Learning across a number of Departments within HCC.

The LSC have been refining eligibility criteria and have introduced Individualised Learning Records, These allow a more detailed analysis of our expenditure currently claimed against grants. A review of the spend, following the Budget Challenge exercise, has identified provision within ACS which may not be eligible to be grant funded. This totals £532,000 in 2003/04. Discussions are underway with the LSC to determine whether we can maximise other areas of provision and thereby reduce the shortfall. It is possible that of the £500,000 potential shortfall, around £200,000 may still be eligible. Nationally the LSC is re-focusing funding towards more work related training which may impact on our remaining grant funding, especially in 2004/05.

## **2.4 Environment**

### **2.4.1 Highways Management – Outstanding Claims**

A number of claims for payment due to exceptional circumstances remain outstanding from the previous Highways maintenance contract. Should the contractor be successful in enforcing acceptance of some or all of these, there will be a significant impact on this year's projected outturn.

### **2.4.2 Section 74 Income**

The Routine Maintenance budget contains an amount of £135,000 for net income from the utilities under Section 74 of the Highways Act, where amounts are payable to the highways authority for excessive time taken in carrying out works on the highway. Continuing national legal developments cast doubt on whether this money will be received.

## **3. CAPITAL BUDGET**

### **3.1 Projected Outturn and Variances**

Expenditure for the Capital Budget is estimated to be £17.123m below latest budget at outturn. Analysis of this variance by service is shown in table 3.

**Table 3**

<b>Service</b>	<b>Latest Budget</b>	<b>Current Forecast Outturn</b>	<b>Projected Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Children, Schools & Families	68,565	59,365	(9,200)
Adult Care Services	7,994	3,554	(4,440)
Environment	34,972	34,972	0
Community Services	5,692	2,882	(2,810)
Information Technology	1,020	793	(227)
Corporate Services	4,236	3,790	(446)
Magistrates Courts	342	342	0
<b>Total</b>	<b>122,821</b>	<b>105,698</b>	<b>(17,123)</b>

The variance of £17.123m can be analysed as net slippage of £16.355m and underspends of £1.133m and expenditure brought forward of £363,000. The variance is analysed by service in table 4 below:

**Table 4**

<b>Service</b>	<b>Slippage</b>	<b>Expenditure b/fwd</b>	<b>Under-spends</b>	<b>Total Projected Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Children, Schools & Families	(8,540)	363	(1,023)	(9,200)
Adult Care Services	(4,440)	0	0	(4,440)
Environment	0	0	0	0
Community Services	(2,700)	0	(110)	(2,810)
Information Technology	(227)	0	0	(227)
Corporate Services	(448)			(446)
<b>Total</b>	<b>(16,355)</b>	<b>363</b>	<b>(1,133)</b>	<b>(17,123)</b>

**Note:** - Of the total slippage shown in Table 4,( £16.355m), £5.648m relates to the reprofiling of spend on various proposed self-financing schemes. £3.730million relate to CSF Basic Need allocations awarded to the authority over the last three years where the amounts are yet to be allocated to specific capital projects, and £3.89m relate to other externally funded schemes within CSF.

Table 5 shows those projects with material variances.

**Table 5**

<b>Service</b>	<b>Description</b>	<b>Para. Ref.</b>	<b>Forecast slippage £000</b>
<b>Children, Schools &amp; Families</b>	2002/03 Harpenden & St Albans Secondary Basic Need Schemes	3.2.1	(1,050)
	2002/03 Stevenage Secondaries Basic Need Scheme	3.2.2	(970)
	2001/02 Basic Need – Bushey Primaries	3.2.3	(250)
	2001/02 Basic Need – St Albans Secondaries	3.2.4	(260)
	2001/02 Basic Need- Sandon Primaries	3.2.5	(100)
	2000/2001 Basic Need – South West Herts	3.2.6	(1,100)
	NDS Modernisation Barnwell	3.2.7	(540)
	NDS Modernisation – Hemel Hempsted V1th Form	3.2.8	(500)
	NDS Modernisation - Queens	3.2.9	(500)
	NDS Modernisation - Broxbourne	3.2.10	(750)
	Externally Funded (School Access Initiative)	3.2.11	(1,600)
	2003/04 Learning Support Units	3.2.12	(350)
	2002/03 Heathcote Secondary	3.2.13	(465)
	2002/03 Savings/Underspends	3.2.14	(175)
	2001/2002 Major Schemes - Bowmansgreen	3.2.15	363
	Annual Provisions – Savings/Underspends	3.2.16	(848)
	Other variances – less than £50k		(105)
<b>Adult Care Services</b>	General Funded	3.3.1	(692)
	Self Financing	3.3.2	(3,448)
	Annual Provisions	3.3.3	(300)
<b>Environment</b>	Potential Purchase of land Royston	3.4.1	
<b>Community Services</b>	Watford & St Albans Fire Stations	3.5.1	(2,200)
	Bovingdon Fire Station	3.5.2	(500)
	Thermal Image Cameras	3.5.3	(110)
<b>Information Technology</b>	Call Centre & Web Site	3.6.1	(117)
	Annual Provisions	3.6.2	(110)
<b>Corporate Services</b>	County Hall Replacement Chillers	3.7.1	(448)
	Other		2
	<b>Total Forecast Variance</b>		<b>(17,123)</b>

### 3.2 Children, Schools & Families

### **BASIC NEED 2002/03**

The following text sets out why the a number of Basic Need allocations awarded to the authority over the last three years have still to be assigned to specific capital projects. Any proposals requiring member approval will be brought forward to Cabinet in due course.

#### **3.2.1 Harpenden and St Albans Secondaries – slippage £1.05m**

Pressure for places from within the priority area is continuing to increase in Harpenden but not in St Albans following the introduction of the new admission rules. The Authority has submitted a Targeted Capital bid to the DfES to expand provision in Harpenden but the outcome will not be known until the end of January or the beginning of February 2004. It would not be appropriate to allocate any of the Harpenden/St Albans “basic need” until it is clear whether other funding will be available to provide the necessary additional accommodation.

#### **3.2.2 Stevenage Secondaries – slippage £970,000**

The Authority has submitted a bid for funding to the DfES under the new programme “Building Schools for the Future”. The outcome of that bid will be known in early February 2004 if we are to receive funding in 2005/06. However, if it is not funded in 2005/06 it is possible that it could be approved for 2006/07. The outcome for that will be announced in March 2004 so it may not be sensible to allocate the £970,000 at least until after the March announcement.

### **BASIC NEED 2001/02**

#### **3.2.3 Bushey Primaries – slippage £250,000**

There was initially £490,000 in this allocation but £240,000 was spent two years ago at Little Reddings Primary School to provide 2 additional classrooms. This enabled the school to raise its admission limit from 51 to 60 and thus made it much easier to deliver the Key Stage 1 pledge (no infant child should be in a class of more than 30).

There is a Bushey primary review scheduled for 2005 and it is proposed to allocate the remainder of the “basic need” to support that review.

#### **3.2.4 St Albans Secondaries – slippage £260,000**

This allocation may be needed to support the expansion of places in Harpenden and therefore it is important to wait for the DfES announcement on successful bids for ‘Targeted Capital’ (early February 2004) before deciding where to use the £260,000.

#### **3.2.5 Sandon Primaries – slippage £100,000**

This allocation could be spent anywhere in the area and because at the present time there is greater pressure for places at one of the other local villages the allocation may be used there to fund the additional accommodation.

#### **3.2.6 BASIC NEED 2000/01 – South West Herts - slippage £1.1m**

This allocation was initially well over £2m. A significant amount was spent at Queens School to provide additional places on the Bushey side of Watford and at the same time the Authority began negotiations with Rickmansworth School (Foundation) to create more places. However, Rickmansworth School eventually decided that there was not sufficient funding available to enable them to increase capacity by a form of entry.

The Authority is now in discussion with St Clement Danes School to see if they could use the “basic need” and some additional DfES funding to take an extra form of entry. Until these discussions are concluded (and they involve feasibility studies to cost the necessary works) it is not possible to allocate the remaining “basic need”.

### **EXTERNALLY FUNDED SCHEMES (NDS MODERNISATION FUND)**

The two-year £11.3 million Modernisation programme (including £1.1 million of Condition grant) is forecasted to have slippage of £2.29m against the following four schemes:

#### **3.2.7 Barnwell – slippage £540,000**

This scheme has been put on hold whilst further discussions take place concerning secondary provision in Stevenage and to prepare a bid for “Building Schools for the Future” funding, which was submitted to the DfES at the end of October.

#### **3.2.8 Hemel Hempsted V1th Form – slippage £500,000**

Poor ground conditions have led to additional costs and delays with this scheme and it is now expected to start on site in summer 2004.

#### **3.2.9 Queens – slippage £500,000**

This scheme was to be part-funded by £100,000 of sponsorship arranged by the school but the external sponsor pulled out causing delays whilst the scheme is re-worked. Work on site will not now commence before the 2004/05.

#### **3.2.10 Broxbourne – slippage £750,000**

This scheme has been delayed whilst additional funds from the 2004/05 capital programme are bid for, if this is approved then it is expected that work will begin on site in summer 2004.

#### **3.2.11 EXTERNALLY FUNDED SCHEMES (SCHOOLS ACCESS INITIATIVE) - slippage £1.6m**

£1.6m of slippage is being reported for the first time this year. This funding is all allocated to a range of projects at schools with access needs prioritised on the basis of asset management plan data. The delay is because of a shortage of building surveyors, needed by contractors and consultants, to oversee the work. The current programme of access improvements is spread over three years and all projects, including those that have slipped, will be completed by the end of 2004/05.

#### **3.2.12 2003/04 Learning Support Units – slippage £350,000**

Capital works have been completed at six of the LSUs. The remaining works, all of which are slightly larger scale building projects than the earlier ones, are expected to be completed in the first half of 2004/05.

### **3.2.13 2002/03 Heathcote Secondary – slippage £465,000**

This scheme has been put on hold to enable further discussions to take place concerning secondary provision in Stevenage and to prepare a bid for “Building Schools for the Future funding”, which was submitted to the DfES at the end of October.

### **3.2.14 2002/03 - savings/underspend £175,000**

Savings totalling £175,000 have been identified, consisting of the £100,000 allocation for pump-priming work to resolve the secondary places issues in Harpenden and £75,000 for Park ESC scheme which had been delayed to pursue a more comprehensive review of ESC accommodation.

### **3.2.15 2001/02 Bowmansgreen – expenditure brought forward £363,000**

The Bowmansgreen scheme was brought forward last year because of the expected development of the former Napsbury Hospital site for housing. The school will increase from an intake of 51 per year to 60 (2FE) when the houses are built (using Section 106 funding from the developer) and it was necessary to carry out these improvement works to replace the five mobile classrooms (“phase one” which has now been completed) ahead of the expansion works.

### **3.2.16 Annual provisions – savings/underspends £848,000**

Savings totalling £848,000 have been found from uncommitted annual provisions schemes for Minor Works, Health & Safety, Furniture & Equipment and School Meals equipment to help offset the overall 2003/04 CSF revenue budget overspend position.

## **3.3 Adult Care Services**

### **3.3.1 General Funded**

#### **Reprovision of Learning Disability Hostel - slippage £309,000**

All learning disability projects are now on site, however, the start dates of two 2 key projects, which were due to start in November 2003, have slipped to late January 2004.

The start date of the Cole Green Lane scheme has slipped due to planning consent delays (the Welwyn Garden City new town commission consent) and design changes leading to slippage of £229,000. Whilst the project at Manor House, Bushey has been delayed for design reasons, the need to finish a prior contract on site and the need not to have building staff on site over the Christmas and New Year period, producing slippage of £80,000.

#### **Disability Discrimination Act Work - slippage £150,000**

Due to delays in the start of various schemes there will be a slippage of £150,000.

### **Minor Works – slippage £133,000**

All of the schemes that will not be completed by 31 March 2004 will be completed by June 2005.

### **3.3.2 Self-Financing Schemes – slippage £3.448m**

Approval has not yet been given for either the Dacorum Project (involving services and offices in Hemel Hempstead and Berkhamstead) or the replacement of the Balmoral day centre in Watford. Therefore, neither of these schemes will start until 2004/05.

### **3.3.3. Annual Provisions – slippage £300,000**

Slippage is estimated to be £300,000

## **3.4 Environment**

Approval under the Scheme of Delegation to Officers has been received for the potential purchase of land that has recently come on to the market at Royston to expand the household waste recycling facility there. Should it be possible to complete the transaction prior to 31st March 2004, it is proposed that the funds would be made available by adjusting the work programme at Harpenden so that the cash flow for that scheme extends into 2004/05. The approval makes clear that £100,000 of the £275,000 cost will be funded by the Environment Department as this is the element for the land actually needed. The remainder will be reimbursed to the department by the sale of the surplus land next year.

## **3.5 Community Services**

### **3.5.1 Watford and St Albans Fire Stations - slippage of £2.2m**

The delayed start, due to planning difficulties to the self financing schemes at Watford and St Albans means that these projects will now slip into 2004/05.

### **3.5.2 Bovingdon Fire Station - slippage - £500,000**

Due to difficulties in locating a suitable site for the new Bovingdon Fire Station, this project is also expected to slip to the new financial year.

### **3.5.3 Thermal Imaging Cameras – saving £110,000**

As part of the new dimensions project the ODPM is to supply some Thermal Imaging cameras to Hertfordshire Fire & Rescue Service. This will result in a saving of £110,000.

## **3.6. Information Technology**

### **3.6.1 Call Centre & Web Site – underspend £117,000**

Capital budget provision for items such as server room alterations over the whole life of the Customer Service Centre (CSC), and budget for the CSC technology refresh were brought forward into 2003/04. As previously reported, these amounts are still required, but not until nearer the end of the current contract, and so it is intended that approval will be sought at year-end to carry forward the unspent balance.

### **3.6.2 Annual Provisions - underspend £110,000**

As previously reported, the current projection on the annual provisions budget is for slippage of £130,000. The items slipping are those which may be deferred until after SHARP go-live on 1<sup>st</sup> April such as work related to the Balanced Scorecard, which is currently on hold across the authority pending completion of SHARP.

### **3.7.1 County Hall Chillers – Slippage £448,000**

This work has been commissioned and is out to tender, however work will not commence until the end of March at the earliest and therefore slippage will be requested to allow it to take place in the next financial year.

## **4. RESERVES**

- 4.1 In December 2003 it was reported that general reserves were estimated to be £17m by April 2004, provided that no further delays in the timing of some capital receipts occur. There is now a significant likelihood that some of the sales concerned will not be concluded until the new financial year, leading to a revised projection of year end general reserves of £12.5m.

## APPENDIX A

## COUNTY SUMMARY REVENUE BUDGET MONITOR AS 31st DECEMBER, 2003

SERVICE	Original Budget	Carry Forward from 2002/03	(all figures in £'000)			Projected Spend at Year End	Projected Variance	Carry Forwards 2003/04 Requested
			Approved Virements & Tech Adj	Latest Approved Budget				
Adult Care Services	176,278	0	(2,172)	174,106	172,596	(1,510)	960	
Children, Schools & Families	674,637	0	352	674,989	681,498	6,509		
Community Services								
Libraries, HALS, Arts & Trading Stds	21,150	90	299	21,539	21,452	(87)	87	
Fire	33,247	0	235	33,482	33,482	0		
Registration	720	18	0	738	738	0		
Coroners	808	28	1	837	837	0		
Emergency Planning	276	53	0	329	329	0		
Total Community Services	56,201	189	535	56,925	56,838	(87)		
Information Technology	593	466	32	1,091	789	(302)	252	
Corporate Services	11,917	346	(654)	11,609	11,577	(32)	8	
Environment	95,816	220	1,292	97,328	97,368	40		
Magistrates Courts (net)	2,051	24	80	2,155	2,155	0		
Contingency	2,372	0	(647)	1,725	1,725	0		
Special Provision	5,300		1,914	7,214	7,214	0		
Precepts	7,501			7,501	7,501	0		
Central Services	17,684		(642)	17,042	17,272	230		
Capital Charges non operational assets	5,461		0	5,461	5,461	0		
Unapportioned Central Overheads	3,327			3,327	3,327	0		
Asset Management Revenue Account	(102,021)		(90)	(102,111)	(102,111)	0		
NET REVENUE BUDGET	957,117	1,245	(0)	958,362	963,210	4,848	1,307	
Funded from Capital Resources				0		0		
COUNTY FUND TOTAL	957,117	1,245	(0)	958,362	963,210	4,848	1,307	

**CAPITAL BUDGET MONITOR AS AT 31 DECEMBER 2003**

<b>SERVICE</b>	<b>Original Budget</b>	<b>Adjustments &amp; Virements (approved &amp; requested)</b>	<b>Previous Year Slippage</b>	<b>Latest Budget</b>	<b>Projected Spend at Year End</b>	<b>Projected Year End Variance *</b>
	<b>2003/04</b>	<b>2003/04</b>	<b>2003/04</b>	<b>2003/04</b>	<b>2003/04</b>	<b>2003/04</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>CHILDREN, SCHOOLS &amp; FAMILIES</b>						
General Funded	5,900	0	1,788	7,688	6,856	(832)
Externally Funded	36,590	3,965	1,253	41,808	34,288	(7,520)
Self Financing	10,886	0	0	10,886	10,886	0
Annual Provisions	8,036	100	47	8,183	7,335	(848)
<b>Total Children, Schools &amp; Families</b>	<b>61,412</b>	<b>4,065</b>	<b>3,088</b>	<b>68,565</b>	<b>61,140</b>	<b>(9,200)</b>
<b>ADULT CARE SERVICES</b>						
General Funded	1,178	(112)	1,788	2,854	2,162	(692)
Externally Funded	718	82	8	808	808	0
Self Financing	2,480	968	0	3,448	0	(3,448)
Annual Provisions	659	0	225	884	584	(300)
<b>Total Adult Care Services</b>	<b>5,035</b>	<b>938</b>	<b>2,021</b>	<b>7,994</b>	<b>3,554</b>	<b>(4,440)</b>
<b>Environment</b>						
General Funded	5,836	0	785	6,621	6,621	0
Externally Funded	23,518	1,000	669	25,187	25,187	0
Self Financing	875	955	0	1,830	1,830	0
Annual Provisions	1,334	0	0	1,334	1,334	0
<b>Total Environment</b>	<b>31,563</b>	<b>1,955</b>	<b>1,454</b>	<b>34,972</b>	<b>34,972</b>	<b>0</b>
<b>Community Services</b>						
General Funded	1832	0	644	2,476	1,866	(610)
Externally Funded	0	43	0	43	43	0
Self Financing	2,200	0	0	2,200	0	(2,200)
Annual Provisions	659	18	296	973	973	0
<b>Total Community Services</b>	<b>4691</b>	<b>61</b>	<b>940</b>	<b>5692</b>	<b>2,882</b>	<b>(2,810)</b>
<b>Information Technology</b>						
General Funded	0	164	0	164	47	(117)
Externally Funded	0	562	0	562	562	0
Annual Provisions	0	294	0	294	184	(110)
<b>Total Information Technology</b>	<b>0</b>	<b>1,020</b>	<b>0</b>	<b>1,020</b>	<b>793</b>	<b>(227)</b>
<b>Corporate Services</b>						
County Funded	2,454	(77)	968	3,348	2,899	(446)
Self Financing	0	0	0	0	0	0
Annual Provisions	1,104	(381)	168	891	891	0
<b>Total Corporate Services</b>	<b>3,558</b>	<b>(458)</b>	<b>1,136</b>	<b>4,236</b>	<b>3,790</b>	<b>(446)</b>
<b>Magistrates Courts</b>						
Externally Funded	0	342	0	342	342	0
<b>Total</b>	<b>106,259</b>	<b>7,923</b>	<b>8,639</b>	<b>122,821</b>	<b>105,698</b>	<b>(17,123)</b>

\* underspends shown in brackets