

COUNTY COUNCIL REVENUE AND CAPITAL BUDGET MONITOR

Report of the Finance Director

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1. Purpose of the Report

To inform Cabinet of the forecast outturn for Revenue and Capital Budgets in respect of 2004/05.

2. Summary

- 2.1 The monitoring position as at 30th June 2004 indicates a possible revenue overspend of £1.922m (0.19%) against the latest budget of £1,018.990m.
- 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 The original budget contains the special provision of £5.3m to cover potential risks / uncertainties arising during the year and the pay and price contingency of £3.192m. Contained within this report are a number of requests for possible use of contingency / special provisions, summarised below:

		£'000
CSF	Social Worker Recruitment and Retention	1,082
	IRIS / ORACLE	535
	Adult and Community Learning Grant	531
	Joint Inspection Framework	157
Fire Service	Integrated Risk Management Plan	<u>100</u>
		2,405

- 2.4 Table 3 (Para 3.1) analyses by service the capital pressure of £503,000. Analysis by type of variance is shown in Table 4 (para 3.1), whilst a detailed analysis is given in Appendix B. The report includes a request for a capital virement of £390,000 to cover pressures relating to the costs of realising capital receipts.

1. REVENUE BUDGET VARIANCES

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

Budget Variances 2004/05

Table 1

	Overspends	Planned Under-Spends	Unplanned Under-spends	Net Variances
	£000	£000	£000	£000
Children, Schools & Families	4,635	(2,500)		2,135
Fire & Rescue	17			17
Libraries, Arts, Hals & Trading Standards		(30)		(30)
IT		(200)		(200)
Totals at 30/06/04				1,922

- 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
CSF	Recruitment and Retention of Qualified Social Workers	1.3.1	1,082
	Iris / Oracle	1.3.2	535
	ACL Grant	1.3.3	531
	Local Services and SEN Home to School Transport	1.3.4	320
	Residential Homes	1.3.5	259
	Premature Retirement / Maternity cover	1.3.6	258
	SHARP	1.3.7	213
	Areas Previously Funded Through Grant	1.3.8	165
	Joint Inspection Framework for Children's Services	1.3.9	157
	Herts Outdoors	1.3.10	150
	Intentionally Homeless	1.3.11	140
	Manpower Charges	1.3.12	140
	Client Service Charges and Call Centre	1.3.13	131
	Looked After Children	1.3.14	122
	Postages	1.3.15	120

	Local Services Staffing	1.3.16	119
	Staff Related Pressure	1.3.17	113
	Youth Offending Teams	1.3.18	80
	In Year Savings	1.3.19	(1,293)
	Growth Programmes	1.3.20	(960)
	Use of Grants	1.3.21	(247)
Information Technology	Customer Service Centre	1.4.1	(200)
	Forecast Overspend >75K Variances		1,935
All Services	< 75k Variances		(13)
	Total Forecast Overspend		1,922

1.3 CHILDREN, SCHOOLS & FAMILIES (CSF)

1.3.1 Recruitment and Retention of Qualified Social Workers - £1,082m or 16.9 % overspend

Cabinet agreed a package of measures intended to improve the recruitment and retention of social work staff at their meeting of 10 May 2004. These measures are intended to support the action plan to deal with the areas for development arising from the SSI inspection of the Child Protection Service. Whilst CSF has undertaken significant work to release resource to deal with identified budget pressures, described elsewhere in this report, there is no capacity within the current budget to meet these pressures. Cabinet is asked to consider a contingency allocation to cover these costs.

1.3.2 Iris / Oracle - £535,000 or 153% overspend

There are early indications of one-off pressures in 2004/05 of continued implementation and development of the system, including software, licences and support (internal and external). A number of these developments are required to support the actions arising from the SSI inspection. The Department of Health is specifying a national system that will have specific data requirements and the Children's Bill will also have further requirements around data sharing. We are commissioning a review to test the system's capacity to meet these areas and its sustainability to meet future growth and development. A further report will follow in due course.

1.3.3 Adult and Community Learning (ACL) Grant - £531,000 or 25.6 % overspend

Following a review of the full operations of ACL by the New CSF Director in January 2004, it was concluded that some adult provision did not meet the ACL criteria for grant support set down by the local Learning and Skills Council (LSC). This would potentially lead to a loss of income from the LSC as we identified in the monitoring reports to cabinet during 2003/04. The loss of income in 2004/05 is estimated to be £531,000.

The Adult Learning Inspectorate has informed us of an impending inspection of our ACL in Hertfordshire in Autumn Term 2004. It is important that the eligibility of expenditure for grant support is put on a firmer footing by that time. Cabinet is asked to consider a contingency allocation to meet the potential costs given the budget position within CSF.

1.3.4 Local Services and SEN Home to School Transport - £320,000 or 2.4% overspend

There are continuing increases in the number and unit costs of journeys. A major review is being led by the Director of CSF to establish an integrated transport framework for Hertfordshire. As part of this work a project plan has been drawn up to review home to school transport policy and to promote improved commissioning. The review has a target for efficiency savings in September 2006, and it is expected that the work of the review will have a beneficial impact on transport costs, but in the short term, the pressure remains.

1.3.5 Residential Homes - £259,000 or 3.8% overspend

The continued high costs of employment of agency staff to cover sickness and vacancy absence have caused pressures on this budget. A review of this area is currently being undertaken, the outcome of which will be reported to members.

1.3.6 Premature Retirement / Maternity Cover - £258,000 or 5.9% Overspend

These pressures relate to the unavoidable costs of funding existing and ongoing pension costs and the increased level of maternity leave.

1.3.7 SHARP - £213,000 or 6.1% overspend

There are a number of costs that have fallen on the department as a consequence of the implementation of the new financial, procurement and HR systems. This includes the largely one-off cost of support and training in the department and schools as well as the increased costs of staff within HR to operate the system following transfer of responsibility for a number of processes from ITNet. The transition has involved a steep learning curve and the need to appoint some additional temporary staff to cope with the peak in workload.

1.3.8 Areas Previously Funded Through Grant - £165,000 or 69.9% overspend

Additional pressures have arisen for a number of areas that were previously funded through grant. This includes Community Teams, previously funded through Childcare grant, and the Substance Misuse budget and support to SEN partnerships, for training venues and materials, which were previously funded through Standards Fund Grants.

1.3.9 Joint Inspection Framework for Children's Services - £157,000 or 100% overspend

It is proposed that the performance assessment of Children's Services will be integrated into the Comprehensive Performance Assessment thus the outcomes will have a direct impact on HCC's star rating. The new framework will operate from September 2005 and conversations with DfES colleagues indicate that HCC is likely to be included in the first round of the new framework.

The recent SSI Inspection of Child Protection Services has show that CSF needs to make significant improvements to self-evaluation. CSF needs to increase its capacity to respond to this challenge. Work has already begun on improving CSF's self evaluation framework but more detailed work is needed to reach likely inspection standards. An action plan has been drawn up detailing the actions that would be required to increase CSF capacity for self-evaluation. This includes training and support for managers as well as providing an external view of our evaluation. The

additional costs to cover this work are estimated to be £157,000 and Cabinet is asked to consider a contingency allocation to meet the costs given the budget position within CSF.

1.3.10 Herts Outdoors - £150,000 or 3.0% overspend

Whilst there are proposals to reduce this overspend on the centres in future years, this relates to current year pressures. This overspend reflects the extent to which the cost of the centres is not met by income from schools despite reductions in cost, price increases and improved marketing.

1.3.11 Intentionally Homeless - £140,000 or 100% overspend

This pressure relates to expected additional costs from changed responsibility in this area.

1.3.12 Manpower Charges - £140,000 or 32.4% overspend

There has been a change in the basis of charge, which now reflects the volume of recruitment, in terms of advertisements and related costs, of agency and temporary staff. This pressure then recognises the recruitment and retention issues currently being experienced by CSF.

1.3.13 Client Service Charges and Call Centre - £131,000 or 15.3% overspend

The higher than anticipated service volume has affected the required staffing levels at the CSF interface for the call centre. There has been an increased volume of calls.

1.3.14 Looked After Children - £122,000 or 9.7% overspend

There is continuing pressure on this budget, which relates to payments to young people living independently, payment to parents under Placement with Parents Regulations and exceptional expenditure. This relates to the continued employment of sessional agency workers in the Quadrants. We have taken action to manage the on-going impact of this pressure through the appointment of Professional Assistants who would undertake an element of this work at a lower cost. However, in the short term, the pressure remains.

1.3.15 Postages - £120,000 or 37.8% overspend

There has been significant and continuing pressure on postage costs.

1.3.16 Local Services Staffing - £119,000 or 0.7% Overspend

Recruitment and retention of staff is a high priority for CSF and a package to improve recruitment and retention of qualified social workers directly engaged in child protection, together with wider career progression opportunities for other social workers has been approved by Cabinet. These measures are expected to significantly reduce turnover levels and vacancies by the Autumn. However, in the first half of the year, demand for agency cover has been significant, resulting in the forecast overspend.

1.3.17 Staff Related Pressure - £113,000 or 1.1% Overspend

There are a number of pressures related to staffing issue. These include the impact of the Corporate agreement on payment of Time Off in Lieu and meeting costs to support the Black and Ethnic Forum. Other pressures include the ongoing costs of ISO for social workers and residential home staff and the graduate trainee scheme.

1.3.18 Youth Offending Teams - £80,000 or 4.8% Overspend

Continued growth of the service to meet legislative expectations and demands for the service exceeds total funding available from other agencies.

1.3.19 In Year Savings - £1,293m or 1.2% Underspend

All Divisions of CSF (excluding School Budgets) have identified savings of 1.2% of their divisional budgets to contribute to the management of the 2004/05 pressures not previously identified as part of the MTFP process (as described above). These savings will not impact on service priorities. Specific budgets on which savings totalling £1.293m will be made have been identified for Directorate, Development, Planning, SSC, Local Services, Operations, Resources and Other Departmental Overheads.

1.3.20 Growth Programmes - £960,000 or 10.6% Underspend

We have reviewed the funding already approved as part of the budget process for 2004/05 to cover demographic pressures, to determine where we could legitimately meet some of the identified pressures. As part of this, we have directed an element of the growth to contribute to the management of 2004/05 pressures. This has provided us with resource totalling £960,000.

1.3.21 Use of Grants - £247,000 or .02% Underspend

We have looked to claim, where possible, the cost of administration from relevant grants. This has released £247,000 of resource to contribute to the management of the 2004/05 described earlier in this report.

Information Technology

1.4.1 Customer Service Centre - £200,000 or 41.6% underspend

The existing contract for the running of the customer services centre was extended for one year to October 2005. As the set-up costs of the Centre were amortised over the life of the original 5-year contract, this means that for a period of one year beginning November 2004 there is a break from paying any set-up costs. Any set-up / technology-refresh costs associated with the new contract will similarly be amortised over the life of the new contract, and payment of these will commence in November 2005. This underspend therefore reflects 5 month's worth, and the other 7 months' saving will fall in 2005/06. This will be flagged up as part of the 2005/06 budget-setting process.

2. AREAS OF CONCERN

- 2.1** There are a number of budgets showing current overspends because of actual spending to date, known commitments or where there are risks and significant uncertainties associated with spending projections. 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.

Adult Care Services

2.2 Elderly residential and nursing care homes

This large and volatile budget amounting to £49.778m is currently projected to be in balance at the year-end, despite 100 more clients projected to be funded at the year-end compared with around 3,200 who were funded at the start of the financial year.

2.3 Home Care (for EPD client group)

As above, this is a large and very volatile budget. The budget amounts to £33.442m. The number of clients receiving home care has increased since 1 April 2004. Also, there are just over 600 people awaiting assessment and this waiting list will be cleared by 31 December 2004, however, the number of clients within this 600 requiring home care will not be known until later in the financial year.

2.4 Physical Disability residential and nursing care homes

Based on the clients that are being funded currently this budget is projected to underspend by £266,000 in this financial year. However, by the year-end and following the placement of more clients (above turnover) this budget is forecast to be in balance. Growth of £386,000 was included in the 2004/05 budget of £8.146m for new clients (net of turnover).

2.5 Learning Disability residential and nursing care homes

Based on the clients that are being funded currently this budget is projected to underspend by £220,000 in this financial year. However, by the year-end and following the placement of more clients (above turnover) this budget is forecast to be in balance. Growth of £459,000 was included in the 2004/05 budget of £25.173m for new clients (net of turnover).

Children, Schools and Families

2.6 Section 17 Preventative

An £80,000 underspend is currently projected based on the expenditure in 2003/04 net of growth already allowed for in 2004/05 and results from more stringent monitoring of high cost packages. However, this budget is demand led and may be subject to further variations in year.

2.7 Pay Related Budgets

There has been increasing pressure on this budget in relation to expenditure related to the appointment of staff, that is leased car costs and mobile phones and a £ 400,000 overspend is currently projected if no action were taken. These costs are reflective of the general pressures on recruitment and retention of staff. We are currently reviewing all of these related budgets to determine how we can accommodate this expenditure within the current budget.

2.8 Out County

Despite significant increases in the budget for out county placements in 2004/05 to reflect both the additional numbers and exceptional costs of placements this budget continues to suffer from significant pressure. The current overspend prediction of £120,000 is based on 324 current active placements and is a consequence of further increases in both the number and unit costs of individual placements. Action is being taken at local level to control this. This includes a review of the higher cost active placements and any new placements.

2.9 SEN Home to School Transport

This projected position reflecting the current Passenger Transport Unit estimates, indicates an overspend of £233,000. The increase is as a result of 20 new contracts and changes to over 30 others. However, this position assumes no savings from the re-tender round in September or any efficiency savings from the Integrated Transport Review.

2.10 Family Placement Teams

This possible underspend of £110,000 results from continuing staff vacancies, and slippage against planned projects.

Fire & Rescue Service

2.11 Integrated Risk Management Plan (IRMP) and Integrated Personal Development System (IPDS)

To develop the service's IRMP and IPDS within timescales desired by stakeholders, the service will need to establish four additional temporary posts to a project team for 12 months at estimated costs of £100,000. Much of the detailed planning and project work for these core elements of the modernisation agenda will be prolonged if this work is not resourced.

The ODPM did provide £536,000 of one-off transitional funding to support the modernisation programme in 2004/05, to contribute to the initial costs of the modernisation programme including the impact of the pay award. This funding was taken into account in setting the 2004/05 budget and assisted in funding the extra costs of the firefighters' pay award.

It appears that the Audit Commission had expectations that some of the transitional grant would be applied to move the modernisation agenda forward more quickly than the service has been able to do so far. The service is already attracting some criticism from the Audit Commission on the detailed preparatory work relating to IRMP and IPDS.

In light of the current position the Cabinet is requested to consider an allocation from contingency to fund this work.

3. CAPITAL BUDGET

3.1 Projected Outturn and Variances

Expenditure for the Capital Budget is estimated to be £503,000 below the 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	87,780	87,780	0
Adult Care Services	7,959	7,959	0
Environment	56,465	56,465	0
Community Services	9,533	9,143	390
Information Technology	1,346	1,346	0
Corporate Services	4,920	5,813	893
Magistrates Courts	227	227	0
Total	168,230	168,733	503

The variance of £503,000 can be analysed as overspends of £893,000 and slippage of £309,000. The variance is analysed by service in table 4 below:

Table 4

Service	Slippage	Over spend	Under-spends	Total Projected Variance
	£000	£000	£000	£000
Children, Schools & Families	(0)	0	0	0
Adult Care Services	(0)	0	0	0
Environment	(0)	0	0	0
Community Services	(390)	0	0	(390)
Information Technology	(0)	0	0	0
Corporate Services	(0)	893	0	893
Total	(390)	893	0	503

Note: - Table 5 shows those projects with material variances from approved budget.

Table 5

Service	Description	Para. Ref.	Forecast variance £000
Community Services	Hertford Library	3.5.1	(390)
Corporate Services	Land Purchase, Feasibility Studies Development Opportunities Fund	3.7.1	893
	Total Forecast Variance		503

3.2 Children, Schools & Families

3.2.1 EXTERNALLY FUNDED SCHEMES (TARGETED CAPITAL GRANT) £1,326m Grant

We have now been notified of a successful bid against the Targeted Capital Fund (2004/05) in respect of the Broxbourne School for Design Technology replacement and additional accommodation. The total allocation is £1.869m. Funding will be made available to HCC as grant of £1.326m in the first year and Supported Capital Expenditure (SCE) (Revenue) for the two subsequent years.

3.2.2 ANNUAL PROVISIONS SAVINGS – Savings £658,000

Savings totalling £658,000 have been found from uncommitted annual provisions schemes for Health and Safety, Furniture and Equipment, Technology Enhancements, School Meals Equipment and Structural Repairs and Maintenance. These were identified as part of the CSF Budget Challenge process undertaken in 2003/04 and relate to the ongoing impact of these savings in 2004/05. These are included in the in-year savings referred to in paragraph 1.3.19.

3.3 Adult Care Services

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

3.4 Environment

There are no variances to report.

3.5 Community Services

Hertford Library - slippage £390,000

The capital programme for 2004/05 includes provision of £390,000 for the replacement of Hertford Library. This figure was based on the assumption of a total scheme cost of £690,000 and a receipt from the sale of the old library of £300,000. Negotiations with the other parties involved in the scheme are continuing, and it is clear that work will not begin until after the end of the financial year. It is also likely that any receipt from sale

of the old library will not be until after the new building is occupied, which may not be in the same financial year as the expenditure. Latest costs and timings of the project will be the subject of a revised capital bid for the 2005/06 capital budget setting process.

3.6. Information Technology

There are no variances to report.

3.7 Corporate Services

3.7.1 Land Purchase, Feasibility Studies & Rationalisation Schemes– possible overspend £893,000

This is the funding for work that establishes the development potential and saleability of surplus and potentially surplus assets, and identifies new surplus assets. The expected overspend on this budget is due to several large projects that are taking place this year. The pressures on this budget are directly related to the high level of capital receipts that the service is expected to generate. The property plan, approved by cabinet in July, sets target capital receipts at an average £30m per annum for three years and also requires that additional asset review work be carried out by consultants. For these aspects of the plan to be delivered the total spend, leading to the estimated overspend, is an imperative.

To manage the funding position in 2004/05 it is suggested that the reported slippage to date of £390,000 be vired to support this expenditure, and that Herts Property continue to make efforts to control this pressure. The impact of this pressure will need to be built in capital as a first call on capital resources for 2005/6 onwards.

COUNTY SUMMARY REVENUE BUDGET MONITOR AS 30th JUNE 2004

SERVICE	Original Budget	Carry Forward from 2003/04	(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	185,683	1,182	(58)	186,807	186,807	(0)		
Children, Schools & Families	723,629	243	174	724,046	726,181	2,135		
<u>Community Services</u>								
Fire	34,097	0	(96)	34,001	34,019	17		
Libraries, HALS, Arts & Trading Stds	22,042	50	(139)	21,953	21,923	(30)	30	
Crime Reduction Unit	2,354	36	0	2,390	2,390	0		
Coroners	813	0	0	813	813	0		
Registration	734	65	0	799	799	0		
Emergency Planning	296	62	0	358	358	0		
Total Community Services	60,336	213	(235)	60,314	60,302	(13)		
Corporate Services	10,784	398	130	11,312	11,312	0		
Environment	100,510	20	(52)	100,478	100,478	0		
Information Technology	317	228	(10)	535	335	(200)		
Magistrates Courts (net)	2,088	26	16	2,130	2,130	0		
Contingency	3,192	0	34	3,226	3,226	0		
Special Provision	5,300		0	5,300	5,300	0		
Precepts	1,877			1,877	1,877	0		
Central Services	19,436		0	19,436	19,436	0		
Capital Charges non operational assets	5,568		0	5,568	5,568	0		
Asset Management Revenue Account	(107,536)		0	(107,536)	(107,536)	0		
Pensions Int Cost & Expected RoA	22,154			22,154	22,154	0		
Pension Reserve Appropriation	(14,158)			(14,158)	(14,158)	0		
NET REVENUE BUDGET	1,019,180	2,310	(0)	1,021,490	1,023,412	1,922	30	
Funded from Capital Resources	(2,500)			(2,500)	(2,500)	0		
COUNTY FUND TOTAL	1,016,680	2,310	(0)	1,018,990	1,020,912	1,922	30	

CAPITAL BUDGET MONITOR AS AT 30 JUNE 2004

SERVICE	Original Budget	Adjustments & Virements (approved & requested)	Previous Year Slippage	Latest Budget	Projected Spend at Year End	Projected Year End Variance *
	2004/05	2004/05	2004/05	2004/05	2004/05	2004/05
	£000	£000	£000	£000	£000	£000
CHILDREN, SCHOOLS & FAMILIES						
General Funded	5,085	0	2,347	7,432	7,432	0
Externally Funded	51,342	1,326	8,856	61,524	61,524	0
Self Financing	11,442	0	0	11,442	11,442	0
Annual Provisions	8,085	(658)	(45)	7,382	7,382	0
Total Children, Schools & Families	75,954	668	11,158	87,780	87,780	0
ADULT CARE SERVICES						
General Funded	1,741	0	1,565	3,306	3,306	0
Externally Funded	938	0	272	1,210	1,210	0
Self Financing	2,366	0	0	2,366	2,366	0
Annual Provisions	786	0	291	1,077	1,077	0
Total Adult Care Services	5,831	0	2,128	7,959	7,959	0
Environment						
General Funded	9102	0	360	9,462	9,462	0
Externally Funded	42,312	1,900	668	44,880	44,880	0
Self Financing	0	660	0	660	660	0
Annual Provisions	1,463	0	0	1,463	1,463	0
Total Environment	52,877	2,560	1,028	56,465	56,465	0
Community Services						
General Funded	2,063	(76)	1,059	3,046	2,565	(390)
Externally Funded	0	0	0	0	0	0
Self Financing	5,200	0	0	5,200	5,200	(0)
Annual Provisions	860	35	392	1,287	1,286	(0)
Total Community Services	8,123	41	1,451	9,533	9,143	(390)
Information Technology						
General Funded	0	0	119	119	119	0
Externally Funded	0	350	347	697	697	0
Annual Provisions	368	0	162	530	530	0
Total Information Technology	368	350	628	1,346	1,346	0
Corporate Services						
County Funded	2,624	62	1,235	3,921	3,921	0
Self Financing	0	0	0	0	0	0
Annual Provisions	770	0	229	999	1,892	893
Total Corporate Services	3,394	62	1,464	4,920	5,813	893
Magistrates Courts						
Externally Funded	0	227	0	227	227	0
Total	146,547	3,826	17,857	168,230	168,733	503

* underspends shown in brackets