

## CSF Revenue Monitor April to June 2004

### 1.1 Projected Out-turn Position

#### 1.1.1 SAP Financial Monitoring System

Whilst the most immediate financial requirements have been met by SAP since its launch in April, issues have still to be resolved with comprehensive reporting and ordering. This means that the budget monitoring process followed has been less wide-ranging than usual and confined to the areas of greatest volatility.

1.1.2 Table 1 summarises the forecast out-turn position on this basis.

Table 1 Revenue Budget 2004/05  
Forecast out-turn

| Description                           | Amount<br>£'000 |
|---------------------------------------|-----------------|
| Original budget                       | 723,629         |
| Changes to original budget            | 0               |
| Latest approved budget                | <b>723,629</b>  |
| Forecast net expenditure              | 725,764         |
| Forecast net overspend                | 2,135           |
| As % of latest approved budget        | 0.30%           |
| Carry Forwards Requested into 2003/04 |                 |

1.1.2 Table 2 shows in summary the composition of the net £2.135 million overspend.

Table 2 Composition of net £2.135 million overspend

| Description           | Total<br>£'000 |  |
|-----------------------|----------------|--|
| Overspends            | 4,635          |  |
| Planned underspends   | 0              |  |
| Unplanned underspends | (2,500)        |  |
| <b>Net overspend</b>  | <b>2,135</b>   |  |

### 2.1 Overspending Budgets

2.1.1 The overspending budgets identified relate to areas that were not predicted at the time of completion of the MTF. They arise from two main sources:

- Those relating to organisational issues from 2003/04 which did not come to light until the latter part of the financial year

- Those relating to changes which were not known about at the time of preparation of the MTFF

The Director has undertaken an exercise to review how these pressures could be contained within our existing budget. This exercise has release £2.5m of available resource to meet these pressures and is discussed in further detail in section 3 of this report. Further detail on 2004/05 individual pressures is set out below.

### 2.1.3 Potential pressures relating to the on-going impact of 2003/04 budget issues

- a) Youth Offending Teams – £80k 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.
- b) Herts Outdoors – £150k or 3.0% overspend  
Whilst there are proposals to reduce this overspend on the centres in future years, this relates to the 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.
- c) Local Services and SEN Home to School Transport – £320k 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.
- d) Local Services Staff - £119k 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.
- e) Looked After Children - £122k 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.

- f) Residential Homes – £259k 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 strategy and consultancy review of this area is currently being undertaken.
- g) Client Service Charges and Call Centre – £131k or 15.3% overspend  
The higher than anticipated service volume has affected the required staffing levels at the CSF interface for the call centre. Call volumes have increased by 69,000 between 2002/03 and 2003/04 above that set out in the business plan. This relates to new areas of work, in particular that for school admissions. The volumes of calls were 50,723 in 2000/01 and 182,740 in 2003/04, almost a four fold increase.
- h) Recruitment Centre Costs – £140k or 32.4% overspend  
The volume of recruitment, in terms of advertisements and related costs, of agency and temporary staff increased significantly between 2002/03 and 2003/04, which has impacted on this budget. In particular the volume of short-term vacancies increased by 88% over the period. This pressure then recognises recruitment and retention issues currently being experienced by CSF.
- i) Premature Retirement and Maternity Cover Costs - £258k or 5.9% overspend  
These pressures relate to the unavoidable costs of funding existing and ongoing pension costs and the increased trend of maternity leave.
- j) Postage Costs - £120k or 37.8% overspend  
The increase in the centrally managed postage costs came to light at the end of the financial years 2003/04 and measures are in place to manage this by devolving the budget to Divisions to improve control.

#### 2.1.4 Impact of current year commitments

- a) Intentionally Homeless £140k  
This pressure relates to expected additional costs from changed responsibility in this area. This relates to families who have no legal status, that is no benefit entitlement, as they have failed the habitual residence test. We are required to consider accommodation under the Children's Act if the children would be deemed to be at risk.
- b) Areas previously funded through grant £165k  
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.
- c) Staff related pressure £113k  
There are a number of pressures related to staffing issues. 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.

d) SHARP implementation and training costs - £213k

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 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.

2.1.5 Recruitment and Retention of Qualified Social Workers £1.082m

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, already described 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.

2.1.6 Inspection of Adult and Community Learning £531k

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 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 £513k, a significant proportion of which relates to ACS.

The Adult Learning Inspectorate has informed us of an impending inspection of our ACL in Hertfordshire in Autumn Term 2004. This inspection is likely to find serious weaknesses in the provision which will present a significant risk to the County Council's representation – a risk that will be highlighted if the current difficulties in the use of ACL grant are not resolved by that time. Cabinet has been asked to consider a contingency allocation to meet the potential costs given the budget position within CSF.

2.1.7 Joint Inspection Framework for Children's Services £157k

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 shown 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 drawn up detailing the actions that would be required to increase the 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 £157k and Cabinet has been asked to consider a contingency allocations to meet the costs given the budget position within CSF.

#### 2.1.8 Iris (Oracle) system developments £535k

There are early indications of a pressure 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. As part of this we will need to consider the impact of the DOH Accenture system, given that we are an early adopter, and the changes around the Children Bill particularly concerning 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.

### 3.1 Planned Underspends

#### 3.1.1 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 MTFF process (as described above). These savings will not impact on service priorities. Specific budgets on which savings totalling £1.293 will be made have been identified for Directorate, Development, Planning, SSC, Local Services, Operations, Resources and Other Departmental Overheads.

#### 3.1.2 Growth Programmes £960k or 10.6% underspend

We have reviewed the additional funding already approved, as part of the budget process for 2004/05, to determine where we could legitimately meet some of the identified pressures. As part of this, we have re-prioritised an element of the growth to contribute to the management of 2004/05 pressures. This has provided us with resource totalling £960k. This included the legitimate redirection of a number of growth items to demography where we felt that this would reduce further pressure on the budget. We used an element of demography money to invest in preventative work around family support, care leavers and commissioning.

These areas were subject to additional demand, which was not previously identified until later in the budget process.

#### 3.1.3 Use of Grants - £247k or 0.2% underspend

We have looked to apply, where possible, the cost of administration to applicable grant. This has released £247k of resource to contribute to the management of the 2004/05 described earlier in this report.

#### **4.1 Areas of Concern**

4.1.1 There are a number of areas 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.

##### 4.1.2 Section 17 Preventative

An £800,00 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.

##### 4.1.3 Pay Related Budgets

There has been an 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.

##### 4.1.4 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.

##### 4.1.5 SEN Home to School Transport

The 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.

##### 4.1.6 Family Placement Teams

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