

**BUDGET MONITOR TO 31<sup>ST</sup> OCTOBER 2003**

**Report of the Finance Director**

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**1. Purpose of Report**

To enable the Committee to identify if there are any issues arising from the budget monitor that they wish to scrutinise.

**2. Background**

- 2.1 Within each service, each area of the budget is allocated to a named manager who has responsibility for ensuring that services are delivered within the available funds. At the end of each month from May onwards reports are prepared that set out any changes in the budget, predicted variances, virement and carry forward proposals and any other items of budgetary concern.
- 2.2 Services send their reports to group spokesmen and to corporate finance who produce periodic summary reports that are considered by Cabinet.
- 2.3 At their meeting on 12 May the Scrutiny Co-ordination Panel resolved:  
*“That the regular Budget Monitor and 'Traffic Light' Monitor reports be included on the agenda of Scrutiny Committees on the basis that the reports are for noting not for discussion and to enable the Committees to identify issues for scrutiny.”*
- 2.4 A summary of the corporate report to the end of October 2003 is contained in pages 2 to 13 of this report for consideration.

**3. Rural Implications**

There are no direct rural implications arising out of this report.

**4. Conclusions**

Members are asked to decide if there are any items arising out of the budget monitor report that they wish to consider for future scrutiny.

**Briefing Note**  
**Monthly Budget Monitor To 31<sup>st</sup> October 2003**

**1. Revenue Monitor**

The attached report shows the projected revenue outturn position as at 31<sup>st</sup> October 2003 as follows:

Net overspend	£4,026,000
Estimated final outturn	£962,388,000

This is a reduction (before carry forward requests) of £269,000 from the forecast outturn overspend of £4,295,000 reported in the September 2003 monitor.

An overview of the changes since last month is given in Table 1 and a summary of the current position is shown in Appendix A

Opportunities for further savings in the current year have been identified, particularly arising from capital programme management and slippage, which will enable some of the overspend to be accommodated.

£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.

The demand led nature of many of the CSF budgets together with increasing charges mean that there may still be further pressure on the CSF budget during the remainder of the year. CSF will continue to try to contain the pressures on the budget, but at the current level of overspending and depending on the final scale of other claims, the special provision continues to be sufficient meet the additional costs if the cabinet were minded to apply it for this purpose.

**2. Capital monitor**

The projected underspend of £8,780,000 which was reported in the September 2003 monitor has increased by £747,000 to £9,527,000. Details of the variance and other changes can be found in Section 4, and a summary table showing the current position is provided in Appendix B.

Consolidated monthly budget monitor report

Details  
as at 31<sup>st</sup> October 2003

1. Revenue Budget		£'000
Original budget		957,117
Latest Approved Budget		958,362
Forecast outturn at 31 <sup>st</sup> October 2003		962,388
<b>Variance- overspend/(underspend)</b>		<b>4,026</b>
<b>Change from previous monitor</b>		<b>(269)</b>
<i>Previous monitor</i>	<i>30<sup>th</sup> September 2003</i>	
<i>Forecast outturn from previous monitor</i>		962,657
<i>Variance- overspend/(underspend)</i>		<b>4,295</b>
<b>Details of variances (previous monitor variances in italics)</b>		<b>@ 31/10/03 @ 30/09/03</b>
	Adult Care Services	(990) (780)
	Children, Schools & Families	5,141 5,103
	Libraries, Arts, Hals & Trading Standards	(87) (90)
	Information Technology	(302) (302)
	Environment	40 140
	Corporate Services	(6) (6)
	Central Services	230 230
	<b>Net variance</b>	<b>4,026 4,295</b>
<b>Change from previous monitor</b>		
<b>Reasons for change</b>		
<b>ACS</b>	Elderly Residential & Nursing Homes	100
	Day Care for Clients with a Physical Disability	(20)
	EPD Area and Specialist Teams	(80)
	Strategic Centre and Support Services	(150)
	LD Income Budgets Outside JCPB	(110)
	LD Services Commissioned by JCPB	50
<b>CSF</b>	Fostering and Adoption	(80)
	Local Services Staffing	(75)
	Local Services Transport	82
	Looked After Children	40
	Premature Retirements	39
	Hospital and Home Education	30
	Other CSF	2
<b>Libraries, Arts, Hals &amp; Trdg Stds</b>	Schools Library Service	38
	Libraries IT	(75)
	Libraries Income	95
	Libraries Staffing	(95)
	Trading Standards	(50)
	Trading Standards - Cabinet approved virement	90
<b>Environment</b>	Waste Management	(100)
	<b>Total change from previous monitor</b>	<b>(269)</b>

## 2. Capital Budget

Original budget	106,259
Latest Approved Budget at 31/10/03	122,803
Forecast outturn	113,276
<b>Variance- overspend/(underspend)</b>	<b>(9,527)</b>

**Change from previous monitor** **(517)**

*Previous monitor 30th September 2003*

Latest Approved Budget at 30/09/03	122,786
Forecast outturn from previous monitor	114,006
<b>Variance- overspend/(underspend)</b>	<b>(8,780)</b>

<b>Details of variances (previous monitor variances in italics)</b>	<b>@31/10/03</b>	<b>@30/9/03</b>
Children Schools&Families	(7,425)	(7,425)
Adult Care Services	(155)	(155)
Environment	(0)	(0)
Community Services	(1,700)	(1,200)
Information Technology	(247)	(0)
Corp Services	(0)	(0)
Magistrates Courts	(0)	(0)
<b>Net variance</b>	<b>(9,527)</b>	<b>(8,780)</b>

## **1. Material Changes (over £75,000) to Revenue Variances Oct 2003**

### **Adult Care Services**

#### **1.1 Elderly Residential & Nursing Homes - £100,000 decrease in 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.

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 £1.2m for home care.

Based on commitments as at 31 October 2003 and allowing for various adjustments, including an allowance for dependency levels increasing for current clients, this budget is projected to underspend by £2.35m (5.0% 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 the 700 clients placed in the first seven 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 £100,000 since last month when an underspend of £2.45m was reported.

#### **1.2 EPD Area and Specialist Teams - £80,000 decrease in overspend**

As a consequence of concentrating on reducing the waiting lists within the EPD Areas with the objective of halving them by March 2004, the staffing budgets are projected currently to overspend by £270,000. This projection is based on both permanent staff and agency staff. This is an £80,000 reduction on the figure reported in last month's monitor and is a result of the difficulties (in some Areas) of recruiting both permanent and agency staff. This projected overspend equates to 1.9% on a budget of £13.94m.

#### **1.3 Strategic Centre & Support Services - £150,000 increase in 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 some aspects of SAP will be phased in, hence certain costs that were planned to be incurred in 2003/04 will now fall in 2004/05. A carry forward of £450,000 is now being requested. This is an increase of £100,000 on the previous carry forward request.

There is also a projected underspend of £150,000 (£100,000 was reported last month), mainly as a result of staff vacancies within various support services sections and delays in starting some new projects. This equates to an underspend of 1.0% on a budget of £14.339m.

A projected underspend of £450,000 (including the £350,000 carry forward) was reported last month.

#### **1.4 Learning Disability Income Budgets (outside JCPB) - £110,000 decrease in overspend**

The projected overspend (shortfall in income) of £90,000 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 1.1% overspend on a budget of £7.918m. An overspend (a decrease in income) of £200,000 was reported last month, however, this should have been £130,000 since £70,000 relating to continuing care clients was included in error.

#### **Children, Schools & Families (CSF)**

#### **1.5 Fostering and Adoption - £80,000 decrease in overspend**

The decrease reflects a slight reduction in the average level of payments to foster carers (including special payments) compared to that previously assumed. There is a close relationship between this budget and Out County Placements and this budget therefore forms part of the in depth review currently under way.

#### **1.7 Local Services Staffing and Staff Related - £75,000 decrease in 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 and the latest forecast is for a £75,000 decrease in this overspend.

#### **1.8 Local Services Transport - £82,000 increase in overspend**

The budget funds the transport of Looked After Children, Children with a Disability and young people supported under Section 17 of the Children's Act 1989.

The main reasons for overspending are that the budget reflects the increase in numbers of Looked After Children. In addition, there is evidence of increases in the anticipated number of journeys per child, greater use of taxi firms being necessary and the increased unit costs of taxi contractors as a result of new licensing laws.

Management action to address the overspend problem 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.

It is expected that this management action will reduce the pressure on this budget, but in the short term a further increase of £82,000 in the overspend is forecast.

## Libraries, Arts, Halls & Trading Standards

### **1.9 Schools Library Service - £38,000 overspend**

As previously reported, following poorer take-up of services by schools than last year, management action has been taken to restructure the Schools Library Service and reduce the on-going pressure this may put on the budget. The outturn now projected on this budget reflects the consequent redundancy costs.

### **1.10 Libraries IT - £75,000 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.

### **1.11 Libraries Income - £95,000 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.

### **1.12 Libraries Staffing - £95,000 underspend**

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.

### **1.13 Trading Standards – Staffing £90,000 virement**

At its December meeting, Cabinet approved a request to transfer £90,000 from Trading Standards staffing savings to purchase an off road vehicle to support animal health work, to commission two MORI and to purchase equipment.

## Environment

### **1.14 Waste Management - £100,000 decrease in overspend (to zero)**

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 a net nil variance, despite incurring increased costs for the disposal of abandoned cars. This now means that the £200,000 set aside in this year's general contingency for the potential funding of this growing pressure is no longer required.

## **2 AREAS OF CONCERN**

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.

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

#### **2.1 SEN Additional Welfare and Tuition - £475,000 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. Management action is under way to review levels of provision.

#### **2.2 Homecare P & V Agency**

This budget provides for private and voluntary homecare for clients other than Children with Disability. The potential overspend of £64,000 relates to high-cost packages for two clients. Management action to ensure alternative provision and thereby substantially reduce the overspend is in hand.

#### **2.3 Residential Homes**

The cost of agency staff to cover staff sickness and vacancies could lead to a variation of £188,000 should it continue at current levels. The staff rota system is under review to reduce the need to spend in this area.

#### **2.4 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 under spends. £106,000 is the 2002/03 under spend which the Pooled organisation is entitled to claim from CSF.

### **Environment**

#### **2.5 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.

## **2.6 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.

## **2.7 Managing Staff Vacancies**

The department continues to experience difficulties in recruiting staff which means that agency staff have had to be deployed in a number of key areas. These cost significantly more than directly employed staff causing substantial budgetary pressures.

## **3. Additional Proposed Carry Forwards**

### **Adult Care Services**

#### **3.1 Strategic Centre and Support Services - request further £100,000**

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 some aspects of SAP will be phased in, 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 be requested in due course. This is an increase of £100,000 on the previous carry forward request.

### **Libraries, Arts, Hals & Trading Standards**

#### **3.2 Libraries Repairs and Maintenance**

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 all underspend at the year-end will be carried forward, in order to eliminate the associated backlog in essential works.

### **3.3 Libraries Single Staffing - intended carry forward £87,000**

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 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.

### **Information Technology**

### **3.4 Infrastructure Investment Fund**

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.

#### **4. Material changes (over £75,000) to Capital Monitor October 2003**

##### **Community Services**

##### **4.1 Fire & Rescue**

##### **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.

##### **4.2 Information Technology**

##### **4.2.1 Call Centre and 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. 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.

##### **4.2.2 Annual Provisions underspend (£130,000)**

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

**APPENDIX A**

<b>COUNTY SUMMARY REVENUE BUDGET MONITOR AS AT 31<sup>st</sup> OCTOBER 2003</b>							
			<b>(all figures in £'000)</b>				
<b>SERVICE</b>	<b>Original Budget</b>	<b>Carry Forward from 2002/03</b>	<b>Approved Virements &amp; Tech Adj</b>	<b>Latest Approved Budget</b>	<b>Projected Spend at Year End</b>	<b>Projected Variance</b>	<b>Carry Forwards 2003/04 Requested</b>
Adult Care Services	176,278	0	(2,159)	174,119	173,129	(990)	450
Children, Schools & Families	674,637	0	228	674,865	680,006	5,141	
<b>Community Services</b>							
Libraries, HALS, Arts & Trading Stds	21,150	90	349	21,589	21,502	(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	
<b>Total Community Services</b>	<b>56,201</b>	<b>189</b>	<b>585</b>	<b>56,975</b>	<b>56,888</b>	<b>(87)</b>	
Information Technology	593	466	36	1,095	793	(302)	252
Corporate Services	11,917	346	(717)	11,546	11,540	(6)	
Environment	95,816	220	1,301	97,337	97,377	40	
Magistrates Courts (net)	2,051	24	(10)	2,065	2,065	0	
Contingency	2,372	0	(536)	1,836	1,836	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	8,788		0	8,788	8,788	0	
Unapportioned Central Overheads	(102,021)			(102,021)	(102,021)	0	
Asset Management Revenue Account			0	0		0	
<b>NET REVENUE BUDGET</b>	<b>957,117</b>	<b>1,245</b>	<b>(0)</b>	<b>958,362</b>	<b>962,388</b>	<b>4,026</b>	<b>789</b>
Funded from Capital Resources				0		0	
<b>COUNTY FUND TOTAL</b>	<b>957,117</b>	<b>1,245</b>	<b>(0)</b>	<b>958,362</b>	<b>962,388</b>	<b>4,026</b>	<b>789</b>

## APPENDIX B

<b>CAPITAL BUDGET MONITOR AS AT 31 OCTOBER 2003</b>						
<b>SERVICE</b>	<b>Original Budget 2003/04</b>	<b>Adjustments &amp; Virements (approved &amp; requested)</b>	<b>Previous Year Slippage</b>	<b>Latest Budget 2003/04</b>	<b>Projected Spend at Year End</b>	<b>Projected Year End Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>CHILDREN, SCHOOLS &amp; FAMILIES (CSF)</b>						
General Funded	5,900	0	1,788	7,688	7,271	(417)
Externally Funded	36,590	3,965	1,253	41,808	35,648	(6,160)
Self Financing	10,886	0	0	10,886	10,886	0
Annual Provisions	8,036	100	47	8,183	7,335	(848)
<b>Total CSF</b>	<b>61,412</b>	<b>4,065</b>	<b>3,088</b>	<b>68,565</b>	<b>61,140</b>	<b>(7,425)</b>
<b>ADULT CARE SERVICES</b>						
General Funded	1,178	(112)	1,788	2,854	2,699	(155)
Externally Funded	718	82	8	808	808	0
Self Financing	2,480	968	0	3,448	3,448	0
Annual Provisions	659	0	225	884	884	0
<b>Total Adult Care Services</b>	<b>5,035</b>	<b>938</b>	<b>2,021</b>	<b>7,994</b>	<b>7,839</b>	<b>(155)</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>						
County Funded	1,832	0	644	2,476	1,976	(500)
Externally Funded	0	43	0	43	43	0
Self Financing	2,200	0	0	2,200	1,000	(1,200)
Annual Provisions	659	0	296	955	955	0
<b>Total Community Information</b>	<b>4,691</b>	<b>43</b>	<b>940</b>	<b>5,674</b>	<b>3,974</b>	<b>(1,700)</b>
<b>Information Technology</b>						
County Funded	0	164	0	164	47	(117)
Externally Funded	0	562	0	562	562	0
Annual Provisions	0	381	0	381	251	(130)
<b>Total Information Technology</b>	<b>0</b>	<b>1,107</b>	<b>0</b>	<b>1,107</b>	<b>860</b>	<b>(247)</b>
<b>Corporate Services</b>						
County Funded	2,454	(164)	968	3,258	3,258	0
Annual Provisions	1,104	(381)	168	891	891	0
<b>Total Corporate Services</b>	<b>3,558</b>	<b>(545)</b>	<b>1,136</b>	<b>4,149</b>	<b>4,149</b>	<b>0</b>
<b>Magistrates Courts</b>						
Externally Funded	0	342	0	342	342	0
<b>Total</b>	<b>106,259</b>	<b>7,905</b>	<b>8,639</b>	<b>122,803</b>	<b>113,276</b>	<b>(9,527)</b>

\* underspends shown in brackets