

## Departmental Commentaries

### Revenue Budget Monitoring

#### **Adult Social Care**

Based on expenditure to the end of August, the Department is projecting a balanced position overall. As reported in previous months there is an under spend on operational in-house mainstream services. The under spending is now forecast as £700,000 but this is matched by a £500,000 overspend in management and support services and a £200,000 community care overspend.

Over recent months the in-house home care service has been delivering less service than planned due to recruitment difficulties. This service provides intensive short term support to clients and is a key element in delivering rehabilitation services following discharge from hospital. The recruitment to these posts will ensure that the agreed 1,400 hours per week per area is delivered. In the meantime pressures on the community care budget continue.

The level of demand for care provided in the community care budget (externally purchased) remains high, particularly delayed transfers of care from hospital. A review of the latest community care budget pressures has recently taken place as part of reconciling policy and resources for 2006/7. This has concluded that new placement commitments from the risk sharing agreement with health cannot be continued after September if the community care budget is to be met in 2005/6 and 2006/7.

The level of delayed transfers of care continues to increase and further pressures can be expected as fines will exceed grant if the current trend continues. Further work is being undertaken to assess the level of risk and extent to which these can be met from available resources.

The overspending on management and support is mainly as a result of investment in IT which will enable the department to improve performance and efficiency in the medium term.

The Adult Social Care budget includes planned savings of £0.7 million plus an internal savings plan of £2.7m; the resources released being directed to Community Care. To date savings of £3.1m have been achieved. The outcome of service reviews may impact on the ability to meet the original target and, should this prove to be the case, alternative savings will be identified to produce a balanced position.

The Adult Social Care budget overspent by £995,000 in 2004/05. This overspend will be recovered over a two year period during 2006/07 and 2007/08.

Support Services budgets were not disaggregated between Children's Services and Adult Social Care at the end of August but will be as soon as the disaggregation process is complete.

#### **Chief Executive**

The department is forecasting an underspend of £150,000 mainly relating to additional income generated by the Registration Service based on analysis against the comparable period last year and previously reported slippage on the payment to the rural regeneration fund.

The change since the previous report is almost entirely due to the identification of an overspend in Library Services, mainly due to energy costs, the reason for which is being investigated with the CRD Energy Management team.

The underspend carried forward from 2004/05 has been allocated, largely to meet those specific items reported during that year. The department has identified two risks not covered by base budgets:-

- HM Coroner – Contractual service arrangements. The renewal of a tendered contract has resulted in a price increase equivalent to £48,000 p.a. This additional cost can be met in 2005/06 only from the underspend brought forward from 04/05.
- The Arts & Museum Service budget includes some inbuilt base budget income assumptions (£40,000) that may not be sustainable from the current year onwards. Plans are being considered on how to deal with this.

### Children's Services

A net overspend of some £0.95m was forecast last month on mainly demand led budgets and a recovery plan was put in place to bring the budget back into balance. Two major new variances have subsequently been identified totalling £560,000. £360,000 is the result of backdated revaluations of school rateable values. This unforeseeable increase will need to be carried forward and met from the 2006/07 Schools Budget, as part of established claw back arrangements, and is shown as a variation in Appendix B. The other major variance is an overspend of £200,000 on schools teachers' redundancy which has arisen due to the need to reduce staffing at a number of schools from September to reflect falling pupil numbers. Personnel and Training and Children's Services management are working together to improve control mechanisms, forecasting and monitoring in this area and examine options for recovering the overspend.

In summary the current forecast overspend position is due to

- (a) growing demand and above inflation fee increases on agency placements for both educational special needs and children with disabilities - overspend of £800,000.
- (b) rising number of court directed mother and baby assessments and court fees for family proceedings – overspend of £140,000
- (c) increasing number of referrals for the Home Tuition Support Service coupled with long term staff sickness – overspend of £70,000
- (d) one-off additional staffing costs for implementing and developing SAP within the department – overspend £60,000
- (e) cost of current policies on student support – overspend of £50,000
- (f) school rates – overspend of £360,000
- (g) school teachers' redundancy – overspend of £200,000
- (h) increased number of pupil free meals – overspend of £75,000
- (i) other net variations £55,000 overspend

offset by:

- (j) lower than plan demand for places for 3 and 4 year olds in non-maintained settings – saving of £300,000.
- (k) carry forward of school rates to 2006/07 budget

The departmental recovery plan involves control over filling staff vacancies, restricting supplies and services expenditure to essential items, reducing the scale of planned service improvements including the use of specific grants to fund core services and reduced support for schools in difficulties was expected to achieve savings of £950,000. 40% of this has already been delivered and achievement of the remainder is being actively monitored. The additional overspend of £200,000 on school teacher redundancies has been added to the savings target, although recovery of this sum will have to be managed between Personnel and Training and Children's Services Department. The ongoing effect of the budget pressures will be identified as a risk in future years through the Reconciling Policy and Resources process.

The department's financial position is very difficult and there are a number of potential risks to achieving a balance budget. Pressures on demand led budgets such as agency placements are

difficult to manage in the short term. The Lansdowne Secure Unit is currently meeting its income targets from other local authorities but is vulnerable to a downturn in demand. The recovery plan depends partly on there being sufficient staff turnover in appropriate areas.

The Children and Families budget transferred from the former Social Services Department overspent by £679,000 in 2004/05. £279,000 of this overspend has to be recovered during 2005/06 which has been taken into account in the above figures. The balance is to be repaid over the following two financial years.

**Corporate Resources**

Currently there is a forecast overspend of £165,000, in the absence of management actions, expected against Corporate Resources Directorate budget of £10.8m. This is mainly due to the following factors:

Areas of overspend:	£000	£000
<ul style="list-style-type: none"> <li>▪ The disposal of surplus properties has meant that there will be less rental income generated by these properties.</li> </ul>	9	
<ul style="list-style-type: none"> <li>▪ The costs associated with the management of travellers sites have increased substantially over the past year and some essential equipment at the Maresfield camp has been replaced.</li> </ul>	66	
<ul style="list-style-type: none"> <li>▪ The expected savings from the delivery service due to a rationalisation of the courier runs are unlikely to be achieved this year.</li> </ul>	25	
<ul style="list-style-type: none"> <li>▪ The disposal programme for surplus property is currently expected to cost an additional £10,000</li> </ul>	10	
<ul style="list-style-type: none"> <li>▪ Costs associated with the early replacement of the data centre</li> </ul>	18	
<ul style="list-style-type: none"> <li>▪ Reduction in net level of income for support services</li> </ul>	16	
<ul style="list-style-type: none"> <li>▪ Higher level of external fee costs associated with the building maintenance programme</li> </ul>	<u>38</u>	182
Offset by the following savings:		
<ul style="list-style-type: none"> <li>▪ Net savings from vacant posts</li> </ul>	(3)	
<ul style="list-style-type: none"> <li>▪ Reduction in compensation pension payments</li> </ul>	<u>(14)</u>	<u>(17)</u>
Net overspend		<u>165</u>

The major changes since the July report have been:

- The additional cost associated with the early replacement of the data centre (£18,000)
- A higher level of fee costs associated with the building maintenance programme (£38,000)
- A reduction in the fall in income to support services

The department will bring expenditure back in line through pro-active budget management, and is therefore forecasting no overall variation from the budget.

## **Transport and Environment**

There are no variances forecast to the end of the financial year. Corrective action has been taken to bring the budget area's that were reporting a small overspend in July 2005 back in line.

An additional budget pressure has arisen as a result of a substantial increase in the energy costs relating to the street lighting contract. This contract was renewed on 1 September and the estimated increase for this financial year amounts to £220,000, a full financial year impact is estimated at £318,000. It should be noted these increases are in line with general market trends at this time particularly following the current emergency situations in America.

The new contract arrangements previously reported with May Gurney (Highways), Colas (Vehicles) and Owen Williams (highway design) were implemented on 1 September. There is no anticipated direct impact on spend profiles although the risks associated with delivery of a works programme amid such significant changes have been recognised and a contingency provided. Any additional changes to the anticipated expenditure profile will be reported as soon as it is identified.

## **Treasury Management, etc.**

A net zero underspend is reported with any actual underspend emerging being set aside for the capital reserve in the usual way.

## **Revenue Monitoring: Other Risks**

### **Treasury Management: Provision for Bad Debts**

Until the end of each year it is difficult to predict what the final structure of outstanding debt will be. As small movements in the level of debt can lead to large budget variations in the provision for bad debts, this budget is one at risk of varying significantly from the original budget. However officers are currently reviewing our debt recovery procedures, which will involve the earlier identification and writing off of irrecoverable debt. As debt is written off against the department which raised the account, this will mean that the action being taken on debt recovery may impact on departmental budgets. However any such impact will be offset by reducing the amount of bad debt provision that has to be made at the end of the financial year.

## **Annual Efficiency Statement**

### **Adult Social Care**

Appendix C shows a shortfall on cashable savings of £93,000 on a target of £1.5m. This is a built up of variations on a number of items, however two items, contributing to the net shortfall, totalling £235,000 will be achieved with effect from 1 April 2006. There is also a new non-cashable saving of £704,000, based on the full year effect of work in 2004/05 to increase the number of intensive homecare cases, avoiding more expensive residential care.

### **Chief Executive's**

All the cashable savings that are the responsibility of the department are expected to be achieved. However, Absence Management monitoring for the first three months of the year indicates that the non-cashable target of £209,000 is unlikely to be achieved as 11% more absences have been recorded this year than last year. The increase has occurred in Children's Services and Adult Social Care; other departments have reduced absence. This position will be raised with the Absence Management Project Board in October and departments will be requested to identify specific actions to achieve the annual target. The planned efficiencies of £30,000 in spending on recruitment and advertising costs will be reviewed following the conclusion of a recruitment and selection review (due to report at the end of the calendar year).

### **Children's Services**

All the proposed 2005/06 efficiency gains are expected to be achieved except for forecast £21,000 savings in the Finance Team. The timescale for the expected efficiency savings is proving to be longer than anticipated and therefore the proposed reinvestment of the resources to strengthen financial support to schools has been deferred.

### **Corporate Resources**

Most of the efficiency savings in the annual statement that are the responsibility of CRD will be achieved. However there are two exceptions to this:

- The saving in the audit fee is likely to be only £16,000 this year (£42,000 less than shown in the AES). The saving in 2004/05 was larger than originally expected, leading to a reduction in the likely saving that can be achieved in 2005/06.
- The saving associated with the delivery service (£25,000) is unlikely to be achieved this year. However, the service is likely to be tendered for in the next 6 months and so this saving is likely to be delivered in 2006/07.

Against this, CRD will deliver an additional saving of £60,000 this year as the telephony charges with British Telecom have been renegotiated leading to a reduction in both landline rentals and call charges. The net effect of all of these is a variation of £7,000.

### **Transport & Environment**

Compared to the total efficiency savings target of £581,000, it is expected that all except £50,000 will be achieved this financial year. Of this total £40,000 was dependent on capital investment to re-site a leachate pump at Scullwood Landfill site, avoiding the need for major investment in road maintenance at the access to the existing pump. The capital investment was not secured. The other £10,000 was in respect of a staffing saving which has been delayed to next financial year.

## Capital Programme Monitoring

### Adult Social Care

The Department is forecast to spend £2.2m in this financial year. Of this sum, £0.6m is funded by way of scheme specific resources. This figure is after adjusting for the following slippage identified since the last monitoring report.

Scheme	slippage	Comments
Adult Services	£000	
Summerhayes MH day centre- funded from specific resources	146	The need to provide continuous service dictates that the work at Summerhayes is carried out in the school summer holidays. The service can have free temporary accommodation in a local school during the refurbishment period.
Gilda Crescent OP Residential Home	200	The establishment is now the subject of a service review. Capital investment plan has been put on hold until the outcome of the review is known
Sandbanks Residential Home LD	140	The specialist nature of this scheme has led to design development and client consultation taking longer than anticipated
Total	486	

### Chief Executive

The planned temporary mortuary will not proceed during 2005/06 (£35,000). There is some doubt that the planned scheme will proceed during 2006/07 but the position will be confirmed as part of the October monitoring.

It is expected that expenditure on the PSA Right of Way will slip by £30,000 due to the timing of payment of grants to organisations.

### Children's Services

The department has a gross capital programme allocation totalling £33m including slippage from last year, approved variations and Children's and Families schemes transferred from the former Social Services programme (£1.7m). Included within this figure is £7.2m for schools devolved formula capital. The programme has been reduced this month by £4.4m, in respect of both income and expenditure, to reflect the children's centres programme that is being carried out by the County Council in the current year. Previous figures included expenditure, offset by the related income, relating to earlier years or that had been carried out by other bodies. This change will aid presentation.

Slippage of some £6.2m has been identified on the following schemes:

- The fire at Tideway School has meant that the planned project needs to be redefined to include the reinstatement work and has led to slippage of £1.4m
- The Children's Centres schemes have slipped by £1.3m in total. This is because initial estimates for some of the schemes indicated that they would cost more than the funding available. The need to ensure that they are within budget, combined with delays in DfES approval, has meant that some of the schemes are still to be finalised. . A

condition of the Sure Start element of the funding for the children's centres schemes is that it is spent by 31 March 2006. This condition may not be met for the projects at Shinewater and Willingdon Trees leaving a shortfall of £0.1m. Discussions are taking place with Sure Start to gain an extension for the funding.

- Whilst the estimated cost of the new primary school at Wivelsfield is within budget and completion is likely to be on time, the budget profile does not reflect the likely progress of the scheme. This means there could be slippage of £0.8m.
- St Michael's, Withyham has slipped by £0.6m. New consultants have been appointed to this scheme because the original consultants could not make the scheme come within budget. There have also been delays in planning permission.
- Issues over the scheme at tender cost at Peacehaven Community School have led to a reconsideration of the project. Consequently scheme slippage of £0.2m is now expected.
- The schemes at Grove Park and Peasmarsh are both slipping by £0.2m.
- Schools have up to three years to spend their annual devolved formula capital allocations but they have to planned to fully utilise the 2005/06 grant in this financial year. However based on experience of previous years there is likely to be slippage in schools' proposed spending plans and this could be in the order of £1.0m.
- The Children's Residential Accommodation Strategy scheme is expected to slip by £0.4m. The acquisition of alternative suitable accommodation on the open market has proven difficult and led to the Old Roar Reprovison project slipping by £0.2m. Two sites are now in the process of being purchased. The specialist nature of the project at Dorset Road has led to the design development and client consultation taking longer than anticipated and this scheme has slipped by £0.2m. There have also been some delays in the planning and tendering process associated with the projects at Rose Cottage and Homefield Cottages however this work is still scheduled for completion in this financial year.

Small amounts of slippage have also been identified on five other schemes, and a few are spending earlier than expected.

Some projects are estimated to overspend. The largest overspends are on the following schemes:

- The scheme at The Lindfield has been completed and is showing an overspend of £0.3m which is being investigated.
- Temporary accommodation is expected to overspend by £0.6m, £0.4m of which is due to the temporary classrooms at the Peacehaven Community School.

Other relatively small over and underspends are expected on a number of projects, the overall net effect being an overspend of £0.2m. In addition there is the possibility of a further overspend of £0.1m because of a claim from a contractor on the sports hall at Hailsham. The overspends are being met temporarily from the slippage on the Tideway School scheme which will be reinstated from the 2006/07 modernisation funding.

Overall the variance for childrens and schools delegated capital shown in Appendix D (£4.8m) is the net effect of 2005/06 over and underspends, slippage and some projects progressing more quickly than planned.

Corporate Resources

Corporate Resources Department has a gross budget of £5.8 million, of which £0.3m is funded from scheme specific resources. The key revision within the CRD programme relates to the CBOSS (£1,099,000) and represents the revised implementation programme for schools and the clearance of some outstanding snags in 2006/07.

Transport and Environment

The department has a capital programme of some £19.5m after allowing for adjustments relating to 2004/05. The estimated outturn is currently forecast to be some £17.0m; slippage of £2.5 million. The most significant variations are in respect of timing of land compensation payments (£1.1m); investments to support improved delivery of highway services (depot facilities and associated ICT) £0.8m; and rephasing of early design and studies in respect of Bexhill Hastings link road £0.6m. In the last case, as requested, the Director will be reviewing the whole scheme costing and phasing for the mid-term review, particularly in the light of any certainty on further external financial support.