

METROPOLITAN BOROUGH OF WIRRAL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

21 JUNE 2006

CABINET

28 JUNE 2006

REPORT OF THE DIRECTOR OF FINANCE

FINANCIAL MONITORING SUMMARY 2006/07

1. EXECUTIVE SUMMARY

- 1.1. A financial monitoring report for each Department has been presented to the relevant Select Committee during the current cycle. This report provides a summary of the implications for the General Fund.

2. FINANCIAL MONITORING

- 2.1. The Executive Board on 6 April 2006 agreed that a financial monitoring report would be presented to each cycle of meetings and that the financial monitoring report would compare spend against the approved budget.
- 2.2. Each departmental Chief Officer will report to the relevant Overview and Scrutiny Committee on the departmental budget. This report is to include references to growth items (including the progress on implementing policy options) and savings (including separate comments on service re-engineering and bridging finance) and any other variations from the approved budget.
- 2.3. From the departmental reports presented to Committees I will provide a summary report to both the Finance Overview and Scrutiny Committee and the Cabinet.

3. DEPARTMENTAL BUDGETS

- 3.1. Subsequent to the agreement of the budget at Council on 1 March 2006 there were variations to reflect the final levies and the transfer of functions. Additionally revisions were made to reflect the re-allocation of the Procurement and Archives services in accordance with the Accounting Code of Practice and the 'one-off' savings from Regeneration were to be achieved in 2005/06 rather than 2006/07.

- 3.2 The revised Departmental budgets have been reported to the current cycle of meetings of Committees and are to be used for financial monitoring during the year.

Expenditure	Budget Approved	Current Budget
	£	£
Adult Social Services	77,402,900	77,414,400
Children & Young People	71,018,000	71,203,500
Corporate Services	7,089,800	6,865,700
Cultural Services	24,639,400	24,457,900
Finance	15,344,600	15,272,300
Regeneration	11,322,500	11,422,200
Technical Services	32,007,700	32,097,100
Treasury Management	(14,484,700)	(14,414,700)
Merseytravel	23,332,000	23,332,000
Local Pay Award	1,500,000	1,500,000
Procurement	(1,960,000)	(1,960,000)
One-off specific grants (LPSA and Formula Grant amending report)	(1,880,300)	(1,880,300)
Contribution to/(from) balances	3,922,100	3,943,900
Bridging finance	(1,700,000)	(1,700,000)
Net Expenditure	247,554,000	247,554,000

4. **PROGRESS ON POLICY OPTIONS**

- 4.1 The policy options identified for 2006/07, including those funded from bridging finance, are being implemented. The option for legal support for child protection of £200,000 allocated to Corporate Services is now included within Children & Young People.

5. **PROGRESS ON SAVINGS**

- 5.1 The agreed savings for 2006/07 have either been implemented or integrated within departmental budgets.

6. **PROGRESS ON SAVINGS FROM SERVICE RE-ENGINEERING**

- 6.1 The target savings of £3.7 million to be achieved by 31 March 2007 have been included in the estimates. A separate report on this is included on this agenda identifying the progress made to date and highlighting the challenges to be addressed, particularly within Cultural Services.

7. **PROGRESS ON SAVINGS FUNDED BY BRIDGING FINANCE**

- 7.1 £1,700,000 of bridging finance was allocated in 2006/07. These included items within Adult Social Services for external funding in day care and the Invest-To-Save capital schemes, in Children & Young People for foster care allowances and the implementation of energy efficiency schemes primarily within Cultural Services.

8. CABINET DECISIONS

- 8.1 On 8 May 2006 Cabinet agreed to the awarding of the Environmental Streetscene contract with effect from August 2006. The estimated additional expenditure resulting from this decision is £2.4 million in 2006/07 with a total of £3.6 million for 2007/08. Whilst this will have to be met from balances in the current year both the replenishment of the balances and the additional costs represent an additional requirement of £6m for the 2007/08 budget.

9. VARIATIONS

The areas that are traditionally regarded as being a financial risk continue to be closely monitored:

9.1. Adult Social Services

As part of the budget for 2006/07 additional resources were allocated to this area as follows:-

Details	Older People £	Adults £	Total £
Underlying overspend	700,000	1,363,000	2,063,000
Increase in demand	2,170,000	650,000	2,820,000
Inflation	1,312,000	881,000	2,193,000
Total approved	4,182,000	2,894,000	7,076,000

The Director of Adult Social Services has not, at this stage, identified any issues within the budget and continues to monitor demand.

9.2. Children and Young People

In his report to Committee on 24 May 2006 the Director identified a range of areas that were being closely monitored through the year. Besides the traditional areas of Special Education Needs and Home to School transport this included the potential impact of changes to the teachers pension scheme.

In terms of those functions transferring from the former Social Services Department in respect of Childrens Services independent residential care and foster care payments are highlighted as potentially volatile areas being kept under close monitoring.

9.3. Cultural Services

The Director of Regeneration has previously presented a report on the financial pressures facing the service in 2006/07. These include the areas of:-

Income generation - a central feature of the budget. The target for fees and charges in 2006/07 is £9.4 million (an increase of 16% on the budget for 2005/06). In previous years income has fluctuated and has been subject to changes in demand, legislation, competition and seasonal factors. Many of the factors influencing income are outside the control of the Council. However it continues to be closely monitored to measure progress against planned increases.

Energy - Culture is the largest energy user within the non-schools budget and this is a cost that remains largely outside the control of the Department. At the time of formulating the budget energy costs had increased by £300,000 over the 2005/06 base (a 30% increase). Energy costs are likely to rise further in the current year and at Cabinet on 16 March 2006 a further increase in the electricity purchasing contract was reported which will add an additional, not budgeted, £180,000 to Cultural Services costs in 2006/07.

9.4. Finance

Whilst final settlement has been reached with the Department for Work and Pensions regarding the 1999/2000 subsidy claim for Housing Benefit and Council Tax Benefit subsequent years remain unresolved. As with 1999/2000 any decisions to recover subsidy will be met from the Housing Benefit Reserve.

10. **BALANCES**

10.1 The General Fund balances at 31 March 2006 were forecasted to be £1.5 million and, subject to the completion of the annual accounts are anticipated to be at this level. In setting the budget for 2006/07 it was anticipated that these would increase to £4 million.

10.2 The impact of the recently agreed Environmental Streetscene contract will incur additional costs in 2006/07 of £2.4 million which will have to be met from balances reducing the projected balances at 31 March 2007 to £1.6 million.

11. **FINANCIAL IMPLICATIONS**

11.1 These are identified above.

12. **STAFFING IMPLICATIONS**

12.1 There are none arising directly from this report.

13. EQUAL OPPORTUNITY IMPLICATIONS

13.1 There are none arising directly from this report.

14. COMMUNITY SAFETY IMPLICATIONS

14.1 There are none arising directly from this report.

15. HUMAN RIGHTS IMPLICATIONS

15.1. There are none arising directly from this report.

16. LOCAL AGENDA 21 IMPLICATIONS

16.1. There are none arising directly from this report.

17. PLANNING IMPLICATIONS

17.1. There are none arising directly from this report.

18. MEMBER SUPPORT IMPLICATIONS

18.1. There are none arising directly from this report.

19. BACKGROUND PAPERS

19.1 The Financial Monitoring reports presented to the current cycle of Committee meetings.

20. RECOMMENDATIONS

20.1. That the report be noted.

20.2. That a further report be presented to the next meeting.

IAN COLEMAN
DIRECTOR OF FINANCE

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