

METROPOLITAN BOROUGH OF WIRRAL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

26 SEPTEMBER 2006

EXECUTIVE BOARD

4 OCTOBER 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 Overview and Scrutiny 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 reports to the relevant Overview and Scrutiny Committee on the departmental budget. This report includes 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 provide a summary report to Finance & Best Value Overview and Scrutiny Committee and Executive Board.

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, transfer of functions and re-allocations 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 were reported in the June cycle of meetings of Committees and are being used for financial monitoring during the year.

- 3.3 Since the June meetings there have been revisions to reflect the re-allocation of services between the Departments of Adult Social Services, Children & Young People and Regeneration. These together with the effect of the Cabinet and Executive Board decisions which affect recharges, will all be amended when the budgets are reviewed in preparing the 2007/08 budgets.

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 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.
- 5.2 In respect of the Invest-To-Save schemes now within Adult Social Services and Children & Young People proposals continue to be developed by the respective Directors. However, the tenders for home to school transport reported to Cabinet on 23 August 2006 indicate an increase in costs meaning that the savings of £60,000 expected from this area will not be achieved.

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 Within Adult Social Services the external funding in day care (£350,000) is to be met from 2007/08 through the re-engineering of day services and supported employment initiatives for which the Social Care, Health and Inclusion Committee is monitoring progress. In respect of the £500,000 linked to the Invest-To-Save capital scheme the Director will report to Cabinet in October on proposals for the reconfiguration of Girtrell Court and additional local capacity for specialist residential care in order to achieve the savings for 2007/08.
- 7.2 £650,000 was allocated for an increase in foster care allowances which was expected to be financed from a reduction in Independent Residential placements and agency costs. The Director of Children & Young People has reported that there is an increase in the fostering capacity and carers are now being identified to bring suitable children out of residential care.

8. CABINET / EXECUTIVE BOARD 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 for the 2007/08 budget.
- 8.2 The appointment of Internal Audit to assess all Wirral secondary schools as to compliance with the Financial Management Standard in Schools was approved by Cabinet on 25 May 2006. Also agreed was the funding of additional resources to be met from recharges to the schools involved.
- 8.3 On 28 June 2006 Cabinet agreed to revisions to printing services. This included additional equipment purchased from the printing reserve, procurement changes to realise service re-engineering savings and additional posts to meet both the current, and expected, increase in demand, the latter being met from projected income to be generated by the service.
- 8.4 Cabinet on 28 June 2006 considered a report on Treasury Management and the Prudential Code and agreed to variations in the Finance Department staffing budget. The costs of £125,000 are to be met from a virement of resources from the Treasury Management budget.
- 8.5 The development of 1 Business and the management of the integrated financial system was reported to Cabinet on 27 July 2006. This set out the work programme for the next 3 years and it was agreed that the costs to the Financial Services Division of £130,000 be provided from the Service re-engineering reinvestment allocation.
- 8.6 Cabinet on 23 August 2006 considered a report on Budget Economies 2007/08 and agreed that the provision of £1.5 million for the local pay review be removed from the 2006/07 budget. This followed the advice of the Head of Human Resources who believes that this sum will not be required this year and that the full £4.5 million would be required in 2007/08. Also agreed was the reduction in Insurance Fund costs in 2006/07 of £500,000 following the further improvements made in insurance and risk management during the last financial year.
- 8.7 On 7 September 2006 the Executive Board agreed to funds being provided for additional posts in respect of the Website and information management, the additional costs of £100,000 being met from the Service Re-engineering reinvestment allocation.

9. VARIATIONS

The areas that are traditionally regarded as being a financial risk continue to be closely monitored and the items either reported, or to be reported, to Overview and Scrutiny Committees during the current cycle are as detailed.

9.1. Adult Social Services

9.1.1 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

9.1.2 The Director of Adult Social Services is projecting that spend will be within budget for 2006/07 although Members attention was drawn to pressures in three areas. Utility costs, particularly for gas, in Care Services are projected to be overspent by £150,000; staff vacancies are at the lowest for a number of years which will impact upon the savings target to be achieved through vacancy control and Community Care spend can vary through even small changes in activity. At present the budgets are projected to be balanced.

9.2. Children and Young People

9.2.1 In his report to Committee on 18 September 2006 the Director identified a number of emerging pressures that are being closely monitored. Besides the traditional areas of Special Education Needs and premature retirement costs / teachers pensions scheme there are the areas of independent residential care and foster care payments highlighted as potentially volatile.

9.2.2 As referred to previously the increase in foster care payments was to be financed from reductions in Independent Residential Care placements and agency costs. The increase in foster caring capacity and the guidance issued by the DfES on minimum fostering allowances place further pressures on this service. The projections are for a £1.2 million overspend on a budget of £4.7 million. This was to have been met from Independent Residential Care savings. Plans remain in place to reduce the numbers in the most expensive care although overall the numbers in care continue to rise. Savings to date provide only £0.3 million of the £1.2 million required.

9.2.3 The Authority was awarded additional CAHMS resources to work with children in 2005/06. Part of this work carried over into the current financial year for which the Director has indicated that there is a shortfall in resources of £200,000.

9.3. Cultural Services

- 9.3.1 The Director of Regeneration, after presenting a summary report on the financial pressures, has presented a series of reports on each service area which has not resulted in any decisions on these pressures.
- 9.3.2 As reported previously income generation is a central feature of the budget with the target for fees and charges in 2006/07 being £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. The latest projections highlight a potential shortfall of £0.6 million with £0.5 million attributable to sports centres and £0.1 million to the Pacific Road theatre.
- 9.3.3 Cultural Services are the largest energy user after the schools budget and so are greatly affected by changes that remain largely outside the control of the Council. Energy costs are presently forecast to be £0.3 million overspent and are likely to rise further in the current year given the current market trends and with contracts due for renewal during 2006. The Energy Efficiency Invest-To-Save programme which is underway will help to reduce the impact of future price increases but will not reduce current levels of spend in this area.
- 9.3.4 The parks service was further re-engineered during 2005 to deliver the savings required. The loss of a number of small contracts, particularly individual schools, requires a further review which will not be effective in the current financial year resulting in an overspend of £0.1 million for 2006/07.

9.4. Finance

- 9.4.1 Whilst a final settlement was reached with the Department for Work and Pensions regarding the 1999/2000 subsidy claim for Housing Benefit and Council Tax Benefit those for subsequent years remain unresolved. The Council, and Audit Commission, continue to seek a resolution to this situation. As with 1999/2000 any decisions to recover amounts under section 140c(3) of the Social Security Administration Act 1992 will be met from the Housing Benefit Reserve.

10. BALANCES

- 10.1 The General Fund balances at 1 April 2006 were forecast to be £1.5 million and, subject to the Audit of the annual accounts are anticipated to be at this level. In setting the budget for 2006/07 it was anticipated these would increase to £4 million by year-end.

11. FINANCIAL IMPLICATIONS

- 11.1 From the items highlighted in the report the financial position for 2006/07 can be summarised :-

Details	£million	£million
Projected General Fund balances at 31 March 2007 when setting the budget for 2006/07		4.0
Cabinet / Executive Board decisions		
Environmental Streetscene contract on 8 May 2006 incurs additional costs in 2006/07 (see section 8.1)	+2.4	
23 August 2006 agreed to remove the provision for the Local Pay Review from 2006/07 budget (see section 8.6)	-1.5	
23 August 2006 agreed the savings in respect of the Insurance Fund (see section 8.6)	-0.5	
Impact upon the level of balances is a reduction of		-0.4
Financial pressures		
Cultural Services (section 9.3) identified a potential overspend of £1 million with a further £0.6 million of Service re-engineering savings unlikely to be achieved	+1.6	
Children & Young People (section 9.2) has identified pressures totalling £1.3 million and these areas are being closely monitored	-	
Impact upon the level of balances is a reduction of		-1.6
Projected General Fund balances at 31 March 2007 based upon the latest projections		2.0

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. RECOMMENDATION

20.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/237/06