

## **METROPOLITAN BOROUGH OF WIRRAL**

### **FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE**

**6 DECEMBER 2006**

### **EXECUTIVE BOARD**

**11 JANUARY 2007**

### **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 that 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 indicated 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 Overview and Scrutiny Committee is monitoring progress. In respect of the £500,000 linked to the Invest-To-Save capital scheme the Director will now be reporting to Cabinet in December 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 that 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 the compliance of all Wirral secondary schools 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 and 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 drew attention to pressures in a number of areas. Budgets for community care services and client income are currently projecting to overspend but actions are being undertaken to address this during the second half of the year. These include the Fair Access to Care criteria for new clients and reviews of existing clients being rigorously applied. Utility costs, particularly for gas, in Care Services are projected to be overspent by £163,000 before taking account of recent increases in energy costs. Together with the difficulties in achieving the desired level of service re-engineering savings the projections are for an overspend of £269,000. Efforts are being made to avoid, defer or minimise spending in other areas to maintain spending within the approved budget.

### 9.2. Children and Young People

9.2.1 In his report to Committee on 13 November 2006 the Director identified a number of areas that are being closely monitored, namely foster care payments, premature retirement costs and Special Education Needs. These are being partly offset by reduced spending on independent residential care placements and early years.

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 with projections now showing a £0.8 million overspend on a budget of £4.7 million. This is an improvement on the position reported in September and it is hoped that the £0.8 million will be met in part from independent residential care savings. Plans remain in place to reduce the numbers in the most expensive care but the savings to date provide only £0.3 million of the amount required.

9.2.3 In respect of the reductions in spend the Early Needs budget provides for a number of foundation consultants and development workers within Children's Centres. There has been some slippage in the opening of the centres and consequently the appointments of staff, which will result in an underspend for this year. In addition there is a forecast underspend in the payments to private providers for 3 and 4 year old nursery provision.

### 9.3. **Corporate Services**

9.3.1 The Deputy Chief Executive/Director of Corporate Services has reported that the budget for the Coroner's Service is currently projected to overspend by between £50,000 and £100,000 due to an increase in the number of post mortems. The budget is not controlled by the Council and efforts will be made to contain this overspend through compensatory savings from elsewhere in the department.

### 9.4. **Cultural Services**

9.4.1 The Director of Regeneration has now submitted to Overview and Scrutiny Committee a series of reports on each service area with the Cultural Services budget. This has not resulted in any decisions to relieve the pressures.

9.4.2 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 £0.7 million with £0.5 million attributable to sports centres and the balance for the Pacific Road theatre and a forecast deficit on golf income.

9.4.3 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 will rise further in the current year as a result of the latest contract renewal. The Energy Efficiency Invest-To-Save programme is underway and helps to reduce the impact of future price increases but has the effect of partially mitigating the substantial increases rather than actually reducing the levels of spend in this area.

9.4.4. 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. This will not be effective in the current financial year and there is also a loss of income on landscape architects fees due to staff changes.

9.4.5. Whilst savings have been made on employee costs at Birkenhead Park and in the library service the areas identified are presently forecasting a £1.2 Million overspend which, with the likely non-delivery of the service re-engineering savings, increases to £1.8 million.

## 9.5. Technical Services

9.5.1. The Director of Technical Services has recently reported that the car parking budget is likely to overspend by £350,000 as a result of the slippage of the Birkenhead on-street parking scheme and less than anticipated pay and display income. Efforts are being made by the department to find ways of accommodating this shortfall within the overall department budget.

## 10. BALANCES

10.1. The General Fund balances at 1 April 2006 were £1.5 million and in setting the budget for 2006/07 it was anticipated these would increase to £4 million by the 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
<b>Projected General Fund balances at 31 March 2007 when setting the budget for 2006/07</b>		4.0
<b>Cabinet / Executive Board decisions</b>		
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 above		-0.4
<b>Financial pressures identified but not approved</b>		
Adult Social Services (see section 9.1)	+0.3	
Children and Young People (see section 9.2)	+0.9	
Cultural Services (see section 9.4)	+1.8	
Impact upon the level of balances is a reduction of above		-3.0
<b>General Fund balances at 31 March 2007 based upon the latest projections</b>		0.6

## 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/299/06