

WIRRAL COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE 6 FEBRUARY 2007

EXECUTIVE BOARD 8 FEBRUARY 2007

REPORT OF THE DIRECTOR OF FINANCE

FINANCIAL MONITORING SUMMARY 2006/07

1. EXECUTIVE SUMMARY

- 1.1. The current cycle of Overview and Scrutiny Committee meetings have been presented with a Current Estimate 2006/07 and Base Estimate 2007/08 report. This financial monitoring summary has been extracted from these estimate reports and details the key variations for this financial year and provides a summary of the overall 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. At this stage of the financial year this is incorporated within the Current Estimate 2006/07 and Base Estimate 2007/08 report.
- 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. Variations since then include 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 Cabinet and Executive Board decisions, including those that affect recharges, have been amended when the budgets were 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, have been 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.
- 5.3. The Director of Children & Young People reported to Cabinet on 23 August 2006 that the tenders for home to school transport indicated an increase in costs meaning that the savings of £60,000 expected would not be achieved. Cabinet on 19 October 2006 were advised by the Director of Technical Services that the Birkenhead on-street car parking scheme would not be completed until February 2007 with a consequential loss in expected receipts.

6. PROGRESS ON SAVINGS FROM SERVICE RE-ENGINEERING

- 6.1. The target savings of £3.7 million to be achieved by 31 March 2007 were included in the estimates. A separate report on this is included on this agenda identifying the progress made to date and highlighting a shortfall for both Children & Young People and Regeneration – Cultural Services. Both have been reported to Cabinet by the relevant Directors.

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 be reporting to Cabinet 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 highlighted 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. In considering a report on Treasury Management and the Prudential Code Cabinet 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.
- 8.4. 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.

- 8.5. 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 but that the full allocation would be required in 2007/08. Also agreed was the reduction in Insurance Fund contributions in 2006/07 of £500,000 following the further improvements made in insurance and risk management during the last financial year.
- 8.6 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.
- 8.7. Cabinet on 15 November 2005 agreed the Insurance Fund budget for 2007/08 including a contribution of £2 million from the Insurance Fund to General Fund Balances.
- 8.8. On 14 December 2006 Cabinet agreed a number of items that impact upon the 2006/07 outturn. These included the funding of the predicted overspend of £1.9 million on Regeneration - Cultural Services from balances, the release of £0.9 million of reserves and provisions to General Fund balances following the mid-year review; the release of £4.2 million from the Housing Benefit Reserve with this being partially offset by reductions in Council Tax subsidy and increased cash flow costs following the settlement of the outstanding Benefit subsidy claims. It was also agreed to fund the £0.6 million shortfall in accommodation budgets and it was noted that the reward grant for delivery of the Local Public Service Agreement targets would result in the receipt of an additional £0.7 million of revenue grant. In agreeing to a savings package for 2007/08, this included the sum of £80,000 in 2006/07 in respect of the ERIC service.

9. VARIATIONS

The areas that are traditionally regarded as being a financial risk continue to be closely monitored and the items 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 has reported that the budgets for community care services and client income are currently projecting to overspend by £2 million. However, departmental managers continue to progress actions that are expected to offset the projected overspend in the latter part of the year. These include a controlled reduction in activity, a re-assessment of quality premiums paid and changes to the way Adult Social Services delivers and procures internal and external home care. The department is also rigorously applying the Fair Access to Care criteria, cash limiting non-essential budget heads and maximising income where possible. The department is committed to maintaining spend within the budget allocated.

9.2. **Children and Young People**

9.2.1 The Director has identified a net overspend of £650,000 which was reported to Cabinet on 24 January 2007 requesting that this be funded from balances.

9.2.2 As previously reported 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 Department for Education and Skills on minimum fostering allowances place further pressures on this service with projections now showing a £0.7 million overspend on a budget of £4.7 million. It was hoped that the £0.7 million would be met in part from independent residential care savings and whilst plans remain in place to reduce the numbers in the most expensive care the savings to date provide only £0.3 million of the amount required. The Department is also facing additional staffing costs at two of its Children's Homes, additional premature retirement costs, and increased transport costs following a retendering of the service.

9.2.3 In respect of the reductions in spend, there are number of areas within Surestart that have absorbed costs incurred by the Department, and the Nuture Group contingency will be utilised to produce a one off saving. Further savings have also been made on Education Psychology and the Social Welfare service due to vacancies, and in the Family Centre budget.

9.3. **Corporate Services**

9.3.1 The Deputy Chief Executive/Director of Corporate Services has reported that the budget for the Coroner Service is currently projected to overspend by up to £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 within the department.

9.4 Finance

9.4.1 I reported to Cabinet on 14 December 2006 that the Department for Work and Pensions had made a decision on the outstanding claims for Housing Benefit and Council Tax Benefit Subsidy. The amounts recovered are being met from the Housing Benefit Reserve and the favourable decision enabled the release of part of the sum set-aside into General Fund balances. However, changes to the treatment of single person discounts for housing benefit subsidy will result in a loss of grant of £0.5million from 2006/07 which is being funded in 2006-07 from the benefits reserve.

9.5. Regeneration

9.5.1. Throughout the current financial year the Director has highlighted the difficulties in Cultural Services in delivering the service re-engineering savings and the increasing costs of energy that exceed the budget allocated. Together with the income being under budget in respect of sports centres, golf courses and from the parks and open spaces contracts this has contributed to the projected overspend of £1.9 million for 2006/07 which is expected to continue into future years.

9.5.2. He reported this to Cabinet on 14 December 2006 when it was agreed, in order to sustain the service, to fund the expected 2006/07 overspend of £1.9 million from General Fund balances.

9.6. Technical Services

9.6.1. The Director reported several variations to the planned budget, a number of which can be contained within the relevant service area, including the cost of the waste and street cleansing contracts and street lighting energy costs. In respect of car parking, income is likely to be under target as a result of the slippage in 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 departmental budget.

10. BALANCES

10.1. The General Fund balances at 31 March 2006 were £1.5 million and in setting the budget for 2006/07 it was anticipated these would increase to £4 million.

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		
8 May 2006 Environmental Streetscene contract incurs additional costs in 2006/07 (see section 8.1)	+2.4	
23 August 2006 removed the provision for the Local Pay Review from 2006/07 budget (see section 8.5)	-1.5	
23 August 2006 agreed savings in respect of the Insurance Fund (see section 8.5)	-0.5	
15 November 2006 agreed transfer from the Insurance Fund (see section 8.7)	-2.0	
14 December 2006 agreed to fund the Regeneration - Cultural Services projected overspend (see section 8.8)	+1.9	
14 December 2006 agreed transfer various reserves and balances to General Fund balances (see section 8.8)	-0.9	
14 December 2006 agreed to the release of the Housing Benefits reserve (see section 8.8)	-4.2	
14 December 2006 reduction in Housing Benefit subsidy , etc as consequence of above (see section 8.8)	+0.5	
14 December 2006 funding of the changes in accommodation budgets (see section 8.8)	+0.6	
14 December 2006 increase in LPSA Grant (see section 8.8)	-0.7	
14 December 2006 saving from the ERIC service (see section 8.8)	-0.1	
Impact of the Cabinet / Executive Board decisions upon the level of balances is an increase of		+4.5
General Fund balances at 31 March 2007 based upon the latest projections		8.5

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 Current Estimate 2006/07 and Base Estimate 2007/08 reports presented to the current cycle of Committee meetings.

20. RECOMMENDATION

20.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/22/07