

## **WIRRAL COUNCIL**

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

**4 APRIL 2007**

### **EXECUTIVE BOARD**

**12 APRIL 2007**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **FINANCIAL MONITORING SUMMARY 2006/07**

##### **1. EXECUTIVE SUMMARY**

- 1.1. This financial monitoring summary has been extracted from reports considered by the current cycle of Overview and Scrutiny Committee meetings. This report 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 which 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 were updated as part of the preparation of the Estimates 2007/08. Both the updated 2006/07 and draft 2007/08 budgets were reported to Overview and Scrutiny Committees in January / February before being referred to Cabinet on 19 February 2007 and Council on 1 March 2007.

#### **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 was 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 and identifies the progress made to date. It highlights difficulties being faced by Adult Social Services and Children & Young People in meeting the targets in 2006/07. Cabinet agreed that the shortfall within Regeneration – Cultural Services should be met from Council balances on 14 December 2006.

#### **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 investment 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 believed that this sum would not be required in 2006-07 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 investment allocation.

- 8.7. Cabinet on 15 November 2006 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.
- 8.9. On the 24 January 2007 Cabinet considered a report that requested the funding of a projected overspend by the Children and Young Peoples Department. It agreed, due to the serious budgetary position that the Council is facing in the 2007/08 and future years that the department take every possible action to contain the projected overspend.
- 8.10. It was reported to Cabinet on 15 March 2007 that the Department for Communities and Local Government announced the allocation of the Local Authority Business Growth Initiative (LABGI) grant to authorities on 27 February. Wirral was awarded £1.2 million for 2006/07.

## 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 stated that the budgets for community care services and client income are currently projecting to overspend by £1.5 million. This is a reduction from a projected overspend of £2 million highlighted to the Executive Board on the 8 February 2007. The Department has stated that it is clear about the seriousness of its budgetary position and will continue to take every possible action to contain its overspend by the year end.
- 9.1.3 Previous reports have identified the main cause of the overspend as a reduction in the attrition rate of people already in the system. The numbers entering are more or less in line with forecasts, but the departure rate is far less than it has been in previous years. All other budget areas are reporting a balanced position with some underspending to offset the pressures in demand-led services.
- 9.1.4 An additional area of concern is the income due from the out-of-borough Primary Care Trusts for which invoices have been raised totalling £1.9 million. I have previously reported that if agreement to this liability is not confirmed then a provision for likely bad debts of a similar sum will be required in the accounts for 2006/07.

## **9.2. Children and Young People**

- 9.2.1 The projected overspend of £650,000 reported to Cabinet on the 24 January 2007 has now been reduced to £450,000. At this meeting the Director of Children's Services was requested to contain the projected departmental overspend by the end of the financial year.
- 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 £0.9 million overspend on a budget of £4.7 million. It was hoped that the £0.9 million would be met in part from independent residential care savings and plans remain in place to reduce the numbers in the most expensive care by 17 at the end of the financial year. Savings to date provide only £0.7million of the amount needed. The Department is also facing additional staffing costs at two of its Children's Homes, additional premature retirement costs, a shortfall in service re-engineering savings and increased transport costs following a re-tendering of the service.
- 9.2.3 In respect of the reductions in spend, there are a number of areas within Surestart that have absorbed costs incurred by the Department, and the Nuture Group contingency (£0.2 million) 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.

9.2.4 The central schools budget is forecast to be underspent by £0.2 million. This is ring fenced to schools and will be carried forward to 2007/08.

### **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 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 As reported previously changes to the treatment of the single person discounts for housing benefit subsidy will result in a loss of grant of £0.5 million in 2006/07. This is being funded from the benefits reserve.

9.4.2 The Service Re-engineering report on this agenda makes reference to the agreed budget for 2006/07 including projected savings from procurement. These savings are achieved by departments with support from the Procurement Unit and then form part of the various departmental savings. To give greater clarity to the process the Service Re-engineering targets from 2007/08 now include the procurement target. To resolve the position for 2006/07 the procurement target is being supported through the use of the reinvestment budget.

### **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. It was agreed by Cabinet on 14 December 2006, 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, street cleansing contracts, recycling 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 by implementing one off financial savings relating to the roll out of new bins, delaying filling vacant posts and rescheduling the timing of maintenance programmes.

## 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
<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>		
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	
19 February 2007 Regeneration contract resolution and changes arising from the Wirral and North Wales Purchasing Consortium	-0.3	
15 March 2007 Confirmation of the receipt of the LABGI Grant	-1.2	
Review of budgets as part of the production of the 2007/08 identified various small savings totalling	-0.2	
Impact of Cabinet / Executive Board decisions upon the level of balances is an increase of		+6.2
<b>General Fund balances at 31 March 2007 based upon the latest projections</b>		10.2

11.2 This projected level of balances will be reduced if the departmental overspends within Adult Social Services and Children and Young People that have been highlighted are not contained.

11.3 Council on 1 March 2007 agreed to the use of £5.7 million of the projected balances at 31 March 2007 when setting the Council Tax levels and the Estimates for 2007/08.

**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. Financial monitoring reports presented to the current cycle of Overview and Scrutiny Committees.

**20. RECOMMENDATION**

20.1. That the report be noted.

IAN COLEMAN  
DIRECTOR OF FINANCE