

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

Wednesday, 26 November 2008

Present:

Councillor	P Gilchrist (Chair)	
Councillors	J George	D Elderton
	S Moseley	J Hale
	D Knowles	R Wilkins

33 DECLARATIONS OF INTEREST/PARTY WHIP

Members were asked to consider whether they had personal or prejudicial interests in connection with any item(s) on this agenda and, if so, to declare them and state what they were.

Members were reminded that they should also declare, pursuant to paragraph 18 of the Overview and Scrutiny Procedure Rules, whether they were subject to a party whip in connection with any item(s) to be considered and, if so, to declare it and state the nature of the whipping arrangement.

No such declarations were made.

34 MINUTES

The Director of Law, HR and Asset Management presented the minutes of the meetings held on 22 September and 28 October 2008.

Councillor Elderton referred to minute 32 (28 October 2008) (Projected Budget 2009/2011) and requested the Committee's approval to a change of wording to the final paragraph of the pre-amble, as follows –

- After "...reservations in relation to", insert the words "the achievement of these aspirations due to..."

The Chair referred to minute 17(2) (22 September 2008) (Transforming Adult Social Services – Achieving a Stabilised and Sustainable Budget), which requested the attendance at this Committee of the Cabinet Member for Social Care and Inclusion and the Director of Adult Social Services, in order to outline progress and address concerns expressed by the Committee in relation to the budget shortfall. The Chair had sought to secure a date on which both the Director and the Cabinet Member were able to attend and he had received assurance from the Director of Adult Social Services that he was able to field a full team for a special meeting that had been proposed for 22 December. The Chair recognised that the date proposed would cause difficulty for some members, but he had taken the view that the matter could not wait until the next scheduled meeting of the Committee in January 2009.

Councillor George commented that he had not been consulted on the proposed date of the special meeting and registered his protest at the meeting taking place on a date that would effectively preclude members of the Labour Group from attending.

For clarification, in relation to the aims of the meeting, the Chair proposed that it be called to –

- Give continuing consideration to the procedures necessary to ensure that the Department of Adult Social Services remain on target for, or within the projected overspend of £3.5m reported to this Committee.
- To satisfy members that the currently available accounting resources are able to give a clear picture of commitments facing the service and that the profile and pattern of expenditure over a financial year is such to enable the department to budget accordingly.
- To consider further the circumstances in which the original over commitment arose to the extent of £9.5m and to establish whether commissioning and procurement procedures were properly followed, and to seek and receive detailed explanations.

The Chair referred also to minute 27 (22 September 2008) (Local Government Chronicle (LGC) Awards 2008) and was pleased to report that Mark Goulding, a Group Accountant in Treasury Management had been presented with the award 'Investment Officer of the Year'.

Resolved –

(1) That, subject to the following amendment, the minutes of the meetings held on 22 September and 28 October 2008 be approved –

- **Minute 32 (28 October 2008) (Projected Budget 2009/2011)**
In the final paragraph of the pre-amble after "...reservations in relation to", the words "the achievement of these aspirations due to..." be inserted.

(2) That the Director of Adult Social Services and the Cabinet Member for Social Care and Inclusion be requested to attend the meeting of the Committee to be held on 22 December 2008 in order to address concerns expressed by the Committee in relation to the Adult Social Services budget shortfall.

(3) That the congratulations and thanks of the Committee be accorded to Mark Goulding for his achievement in being named Investment Officer of the Year at the Local Government Chronicle Awards 2008, in recognition of work undertaken in Treasury Management on behalf of Wirral.

35 FINANCIAL MONITORING STATEMENT

The Director of Finance presented a summary in tabular format of the current position of the revenue accounts and General Fund balances as at 30 September 2008. He also circulated an update as at 31 October 2008 and commented that the monitoring statement included –

- The composition of the original 2008/2009 budget by department including agreed savings and policy options. It now also included the Department of Law, Human Resources and Asset Management.
- Monitoring against the 2008/2009 budget including the financial implications of any Cabinet decisions.
- Anticipated variances against the original budget.
- An explanation of variances and areas identified as requiring further attention.

The Director commented that the monitoring statement was based upon the information provided within departmental financial monitoring reports and was updated and submitted to each meeting of this Committee. He provided details of the financial pressures in Adult Social Services, Children and Young People and Regeneration. He commented also upon the effect on the Treasury Management budgets of the volatile financial markets. Close monitoring had resulted in increased investment income and a reduced need for temporary borrowing. He commented that projections were for a £1.2m underspend and he indicated that investments were currently being placed in low risk/low return Government funds.

He reported that following the completion of the 2007/2008 accounts, the outturn had shown a net underspend of £2.5m. In addition, the Insurance Fund Annual Report had highlighted the outcome of the annual actuarial assessment, which identified continuing improvements in claims handling and repudiation rates which enabled £3m be returned to Council balances from the Insurance Fund in 2008/2009. There was a further addition to balances as a result of the allocation to Wirral of £1.3m of the Local Authority Business Growth Incentive (LABGI) grant. Consequently, the projected balance at 31 March 2009 increased from £5m to £11.8m and the Cabinet had agreed to budgetary increases of £0.9m for energy and fuel. However, the impact of the energy pressures, and the financial pressures, if not contained, would see the balance reduce to £2.1m at 31 March 2009.

In response to comments from members, the Director proposed to consider a redesign of the Monitoring Statement to show projected variances from the original agreed budget as well as variations from subsequent amendments agreed by the Cabinet. He also proposed to investigate the use of 'traffic light' indicators to enable trends to be tracked. However, it was the wish of members to limit the Statement to a single side of A4 and he commented that a modified version may cause this to be exceeded.

Resolved – That, subject to comments made in relation to the information to be included within it, the Financial Monitoring Statement be noted.

36 PROJECTED BUDGETS 2009/2011

The Director of Finance presented the projected budgets for 2009-2011, to coincide with the period of the Comprehensive Spending Review 2007 (CSR). The summary budget for 2008/2009 as agreed by the Council on 3 March 2008 was £302.6m and he reported upon variations that had been identified for 2009/2011. In addition, there were a number of other developments which were likely to impact on the financial position of the Authority over the period 2009 to 2011. He set out some of the potentially most important issues and commented that their impact would be reported to the Cabinet as and when they were resolved. He reported that the grants announced by the DCLG as part of the three year financial settlement were only

indicative and he commented that many of the developments identified could impact on the grants receivable for 2009-2011.

He set out the latest position with regard to balances and commented that in relation to efficiency savings, the gap between projected expenditure and anticipated resources would need to be bridged by a combination of savings and/or increased Council Tax. He set out the efficiencies that had been agreed by the Cabinet and commented that the indicative budgets suggested that efficiencies of £21m were required for 2009/2010 and £10.3m for 2010/2011.

In response to comments from members in relation to the possibility of the economy being in deflation next year, the Director indicated that the provision for pay and prices increases of 2% and for income at 3% had been based on the Governments assumption. In response to further comments, he indicated that a further report would be presented to the Cabinet in January 2009 with regard to the estimated increased cost of fuel and energy.

Resolved – That the projected budgets continue to be reported to the Cabinet and the Finance and Best Value Overview and Scrutiny Committee in line with the agreed financial and performance management timetable.

37 **PROPOSED BUDGET SAVINGS**

At the meeting of the Cabinet on 6 November 2008 (minute 254 refers) a number of budget savings were proposed and referred to the relevant Overview and Scrutiny Committee for urgent consideration before the meeting of the Council to be held on 15 December 2008. The proposal which fell within the remit of this Overview and Scrutiny Committee was:

- Corporate Procurement Efficiencies - £1,500,000

The Director of Finance presented his report on Procurement Efficiencies, which had been considered by the Cabinet (minute 253 (6 November 2008) refers). The report advised members of progress towards achieving the savings target of £2.25m and outlined future plans and targets for efficiencies, within the Procure to Pay (P2P) activity in line with the Procurement Strategy approved by Cabinet on 4 September 2008. For clarification, the Director indicated that his report, and the saving it identified, dealt only with corporate contracts.

Resolved – That the budget saving proposed by the Cabinet be endorsed.

38 **GENERAL FINANCIAL MATTERS**

The Director of Finance provided information on Treasury Management, monitoring of the prudential indicators, the position regarding Council Tax, National Non Domestic Rate, general debt and cash income collection and the payment of Benefits. He commented upon the current economic climate and indicated that the pace of change in the financial markets was both rapid and unpredictable. The UK economy was almost certainly heading for a recession and he set out the likely effect on inflation figures. The scale and depth of the recession would determine how much further the base rate would need to fall before things started to improve.

The Director provided details of the Council's investments, which totalled £96.8m at 30 September 2008. He set out the periods of investment and commented that during the period of financial uncertainty he had suspended investments with Banks and Building Societies with investments made only with either AAA rated money market funds or with the Debt Management Office (DMO), an Executive Agency of HM Treasury. However, in line with other public bodies, all new investments were now made only with the DMO. The Director provided details of rates of return on investments and commented that although the rate of return with the DMO was substantially reduced, the security of the investments always took priority over the returns.

In response to comments from members he indicated that the LGA was in regular contact with HM Treasury and when the financial markets were settled, the authority would again start to invest in them. In response to a further comment, he suggested that if restrictions on investments were put in place by the Government in the light of financial difficulties associated with Icelandic Banks, a decrease in investment returns would inevitably lead to increases in Council Tax.

He provided details of the total borrowing of the Council as at 30 September 2008 and indicated that the Council currently had no temporary borrowing. He reported also on the introduction of the Prudential Code in 2004, which gave local authorities greater freedom in making capital strategy decisions and he provided details of monitoring of prudential code indicators. These demonstrated that the treasury management decisions were in line with the capital strategy, which was prudent and affordable.

Resolved – That the report be noted.

39 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance reported upon recent progress in Corporate Risk and Insurance Management and outlined anticipated developments in the coming months.

Resolved – That the report be noted and a further update be presented to the next meeting of the Committee.

40 **CORPORATE PROCUREMENT STRATEGY 2008 - 2011**

The Director of Finance presented the revised Corporate Procurement Strategy 2008/2011, which had been approved at the meeting of the Cabinet held on 4 September 2008 (minute 176 refers) and would determine the procurement activity of the Council for the next three years. It was designed to address the changing agenda and carry the procurement activity of the Council forward to achieve efficiencies and savings and he commented that the Corporate Procurement Support Unit (CPSU) had been given custodianship of the Strategy and the responsibility for its implementation.

The Director commented upon the changing procurement agenda and reported that the Procure to Pay section would ensure that all procurement activities and processes were fully compliant with EU Directives and Council Procedure Rules, and that implementation would be carried out with a controlled and measured approach.

A member sought clarification in relation to monitoring arrangements to ensure that all contracts were properly managed and monitored with the objective of achieving the planned outcomes and the securing of continuous improvement and best value for service users. In response, the Director indicated that monitoring arrangements were the responsibility of individual Chief Officers, who were required to report increases in costs over 10% to the Cabinet.

Resolved – That the revised Corporate Procurement Strategy be noted.
