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FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

Monday, 22 September 2008

Present:

Councillor P Gilchrist (Chair)

Councillors D Elderton S Moseley
D Knowles R Wilkins
J Hale

Deputies

Councillors AR McLachlan (In place of J George)

14 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.

15 MINUTES

Resolved – That the minutes of the meeting held on 4 June 2008, having been received or approved by the Council, be received.

16 FINANCIAL MONITORING STATEMENT

The Director of Finance provided a summary in tabular format of the current position of the Authority revenue accounts and General Fund balances as at 31 July 2008.

The monitoring statement included the composition of the original 2008/2009 budget by department including agreed savings and policy options and at the request of the Committee (minute 6 (4 June 2008) refers), it included as an appendix details of agreed savings and efficiencies. The statement identified monitoring against the 2008/2009 budget including the financial implications of Cabinet decisions; anticipated variance against the original budget; and an explanation of variances and areas identified as requiring further attention. 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.

The Director circulated an updated statement showing the financial position as at 31 August 2008 and he commented that at this stage of the financial year there were reports of financial pressures, viz: –

- Adult Social Services continued to project a £3.5m overspend, with the Director having reported the position to the Cabinet on 4 September 2008 (minute 185 refers). The main concern was in relation to Community Care through the impact from 2007/2008, increasing demand and the inflation rises requested by providers.
- Children & Young People were now projecting a £1.7m overspend – a reduction from the £3m at 31 July, through maximising grant opportunities. Financial pressures were essentially because of the implementation of prior year targets, issues in respect of employee savings targets and care costs for children through increasing demands. However, the Director continued to look at actions to further contain spend.
- Treasury Management activities continued to be affected by the volatility of the financial market and close monitoring had resulted in increasing investment income and a reduced need for temporary borrowing. The projections were for a £1.2m underspend (up £0.3m from 31 July).
- Pressures areas had been identified by Chief Officers as a consequence of challenging targets including care services but also energy costs and the achievement of income targets, particularly Children and Young People and Technical Services. A report on energy related costs was presented to Cabinet on 9 July 2008 (minute 131 refers) whilst the other areas were being monitored and, if necessary, would be the subject of reports to future meetings of the Cabinet.

Under the decisions made by the Cabinet, the Director commented that on the plus side were the Financial Out-turn for 2007/2008, which showed an increase of £2.5m in balances at 31 March 2008; the Insurance Fund review, which released £3m to balances; and the Government announcement on the Local Authority Business Growth Initiative Grant, which saw a £1.2m receipt. As a consequence, the projected balances at 31 March 2009 increased from £5m to £11.8m. The Cabinet had agreed to budgetary increases of £0.9m for energy and fuel – the July report having highlighted that the pressures could total £3.5m this year. Although the impact of the energy pressures, if realized, and the variations, if not contained, would see the balances reduce to £4.3m, this was an improvement on the position at 31 July as a result of the actions by Children and Young People and Treasury Management.

In response to a comment from a member with regard to fuel prices, the Director indicated that they had been calculated in July when oil prices were highest and prices were expected to have reduced when the contract was reviewed in the Autumn. In response to further comments, the Director proposed in future to report on an exception basis and to include in future reports a 'traffic light' indication.

Resolved – That the report be noted.

17 **TRANSFORMING ADULT SOCIAL SERVICES - ACHIEVING A STABILISED AND SUSTAINABLE BUDGET**

The Director of Adult Social Services presented for consideration his report that had been considered by the Cabinet on 4 September 2008 (minute 185 refers). He

commented that across the country, Adult Social Services were struggling to cope financially with the increased level of demand for services and higher personal expectations of what should be available. Wirral was no exception to this trend and in order to deliver preventive care and maintain individuals in their own homes as long as possible, within the restrained budgets available to local authorities, he indicated that a radical change was needed to the way services were provided, with a move to a much more individualised approach. The Transformation of Adult Social Services in Wirral was the focus of a major change programme and the Director referred to the work underway to achieve a stabilised and sustainable budget during the period of transformation. Noting the pressures facing the department, the report provided details of action being taken across all service areas and it requested the Cabinet to note the potential need for bridging finance of £3.4m in year one of the three year budget stabilisation plan in order to allow savings in place time to take full effect.

The Cabinet resolved that – (1) the continuing efforts of officers to manage within resources, recognising the high probability of overspends of £3.483m in 2008-2009 and £0.761m in 2009-2010, which are likely to require funding from balances, be noted; and (2) the Director of Adult Social Services be requested to present a further report to its meeting of 6 November 2008 on options to stabilise the department's medium term budget and deliver further efficiencies towards the corporate target.

In response to comments from members, the Director confirmed that the current projected shortfall was £9.1m, which was 10.5% above the budget. As a result, the Department had identified actions that would reduce the likely overspend in 2008/2009 and 2009/2010, and he provided detail of progress being made against specific projects that were set to deliver cashable efficiencies. He also outlined where there may be options to accelerate progress to further reduce the overspend.

Members commented that a statistical analysis of prior need had failed to identify future need and expressed their disappointment that the increased overspend since July had not been anticipated. Assurance was sought that the shortfall would not increase further in the coming months. In response, the Director commented that it had been difficult to predict the ongoing increase in the numbers of people in need and a significant increase in unforeseen admissions to Arrowe Park Hospital had led to an increase in admissions to residential care. He commented also that although there had been difficulties in meeting previous targets on time, he was optimistic that the targets detailed in his report would be achieved within the timescales specified. He referred also to a proposed pilot of 'individual budgets' to be commenced in December which, with the correctly applied funding formula, would assist in the achievement of a balanced budget. He outlined the proposed scheme and stated that a full report would soon be presented to the Cabinet.

The Chair expressed his concern at the increase in the budget shortfall and the impact of this on other budgets. He requested the Director to attend the next meeting of the Committee to report upon progress on the options that had been put in place to stabilise the department's budget and deliver efficiencies towards the corporate target. He commented that the Cabinet member for Social Care and Inclusion had also indicated a willingness to attend the next meeting.

Resolved –

(1) That the report, and options put in place to stabilise the department's budget and deliver efficiencies towards the corporate target, be noted.

(2) That the Cabinet member for Social Care and Inclusion and the Director of Adult Social Services be requested to attend the next meeting of the Committee to outline progress and address the concerns expressed by this Overview and Scrutiny Committee in relation to the budget shortfall.

18 CORPORATE PLAN FINANCIAL AND PERFORMANCE MONITORING SUMMARY

The Chief Executive presented one of a series of reports submitted throughout the year presenting an overview of the performance of the Council in the first quarter of 2008/2009 in delivering the vision for Wirral as set out in the Corporate Plan. The report had been considered by the Cabinet on 4 September 2008 (minute 177 refers) and it provided an overview of the authority's performance. Appendices gave a more detailed break down against performance, capital and revenue budgets and risks, and set out the list of three year targets for the Corporate Plan.

Cabinet Members had commented that there was scope for further integration within the reports and that transparency could be improved to make the report more 'user-friendly'. The Cabinet approved the three year targets for the Corporate Plan and inter alia, noted that the report and appendices contained considerable amounts of technical detail which may not be readily accessible to all members of the Council or members of the public. Accordingly, the Cabinet asked that a brief supplementary report be produced for its next meeting, to detail each priority for improvement with the progress made against that priority set out in lay terms, so improvements made could be easily understood in terms of their overall benefit to Wirral. Areas where improvements were not being achieved were to be spelt out in the same way with the actions being taken to remedy the position. Members endorsed the views expressed by the Cabinet and requested in future that an 'exception' report be produced, with signposting for access to further information should it be required.

The Director of Finance commented upon the information that was required by the Audit Commission to be contained within financial summary reports. He indicated that the Audit Commission may not regard the report as adequate as it did not highlight performance against the Council's priorities, or clearly identify major current issues.

Resolved – That the Chair be requested to bring the concerns expressed by the Committee to the attention of the Council's Head of Policy, including the need for a brief summary document.

19 GENERAL FINANCIAL MATTERS

The Director of Finance provided information on the Council Treasury Management position, 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 that the economic downturn was impacting on the Council and recent financial data continued to paint a gloomy picture for the UK

economy both now and in the near future. House prices continued to fall along with the number of mortgage approvals and economic growth was slowing.

Inflation figures released in July 2008 showed the Consumer Price Index (CPI) increased to 4.2%, its highest level since the Bank of England (BoE) independence in 1997. The Retail Price Index (RPI) also rose, to 4.9%. The rise in inflation rates had increased the pressure on the BoE to increase interest rates from the current base rate of 5%. However, although an increase in rates may help reduce inflation back to the 2% (CPI) target, it would also harm the, already slowing, growth in the economy. Maintaining economic growth was important in ensuring that the UK did not fall into a recession.

He commented that the credit crunch continued to affect the banking system with interbank lending rates remaining significantly higher than the BoE base rate. This meant that although Council investments were able to earn significantly higher returns than was initially expected, the downside was that the rates at which the Council could borrow money had also increased.

In response to a comment from a member in relation to outstanding sundry debtors, the Director indicated that he was not overly concerned at this stage and would be only if the income failed to materialise in the coming months. In response to a further comment the Director indicated that as the economy continued to slow down, he had anticipated an increase in the number of benefit claimants.

Resolved – That the report be noted.

20 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 (CSR) 2007. He set out variations that had been identified for 2009-2011 and referred to other developments that were likely to impact on the financial position of the Authority over the period. He identified some of the potentially most important issues and indicated that their impact would be reported to the Cabinet as and when they were resolved.

He reported that the gap between projected expenditure and anticipated resources would need to be bridged by a combination of savings and/or increased Council Tax and he indicated that the efficiency targets that had been agreed by the Cabinet on 13 March 2008 (minute 543 refers) were £13.1m for 2009/2010 and £10.7m for 2010/2011. However, the indicative budgets had now been updated and showed a shortfall of £25m in 2009/2010 and £15.6m in 2010/2011, with efficiency requirements of £20.1m and £10.5m respectively.

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

21 USE OF RESOURCES 2009

The Director of Finance provided details of two documents recently published by the Audit Commission that would affect the Use of Resources (UoR). The 'Use of Resources 2009 Response to Consultation' detailed the results of the consultation

process undertaken in early 2008 related to the 2008/2009 assessment; and the 'Use of Resources 2008/2009 Overall Approach and key lines of enquiry' detailed changes to the key lines of enquiry (KLOE) applicable for the 2008/2009 assessment.

In 2009 the Comprehensive Performance Assessment would be replaced by a new regime entitled the Comprehensive Area Assessment (CAA), which was intended to incorporate a wider assessment based more upon outputs and value for money than on processes. The new assessment would be area based and pick up on partnership working across the area and link with the new Performance National Indicator Set and Local Area Agreement. The Use of Resources judgement criteria was being amended to fit in with those changes and further consultation was awaited as to the scoring rules to be applied on how the overall use of resources score would be determined.

Resolved – That the Use of Resources action plan be updated to reflect the changes being made when the detailed guidance is received.

22 **COMPREHENSIVE PERFORMANCE ASSESSMENT (CPA) - USE OF RESOURCES**

The Director of Finance provided details of progress against the 2008 Comprehensive Performance Assessment Use of Resources Action Plan and outlined future activity against the Plan, including activities that would contribute towards the 2009 Use of Resources element of the Comprehensive Area Assessment. He commented that the current overall Use of Resources score was 2 and that under the CPA scoring regime, the Use of Resources was classed as a level 1 assessment. Level 1 areas had the highest weighting in contributing to the overall CPA score. The next UoR assessment was currently being undertaken by the Audit Commission and was largely based upon the position as at 31 March 2008. Authorities would receive initial notification of their score from the Audit Commission in December 2008 and the results would be published by the Audit Commission in February 2009 following an appeal/review process.

The Director set out the new Key Lines of Enquiry and reported upon the significant further progress that had been made since activities against the action plan were last reported to the Cabinet. He outlined a series of activities within the action plan that were scheduled to be undertaken over the next quarter and reported that when guidance was issued by the Audit Commission, the action plan would be re-written and converted to match the new Key Lines of Enquiry.

Resolved –

(1) That the progress against the Use of Resources action plan be noted.

(2) That regular reports be presented to the Cabinet and to this Committee on progress against the action plan, which will be revised in line with forthcoming Audit Commission guidance.

23 **CHANGE PROGRAMME 2008-2009**

The Director of Finance reported that four of the programmes co-ordinated and managed through the Corporate Improvement Group (CIG) had been integrated into a single Change Programme, agreed by the Cabinet on 7 February 2008 (minute 477 refers), which comprised the Change Team Programme; the Integrated Financial System Programme; the Customer Access Programme (CAS); and ICT (Information Communications Technology) Developments.

The programmes had been evaluated so that the resources required, timescales, ICT implications, project ownership and outcomes had been established for each project. A standard approach had been taken that made effective use of fundamental project management techniques in a simple, pragmatic manner, the intention being to extend such a standard approach to any project overseen by the CIG. He indicated that this approach had enabled CIG to deal with the task of co-ordinating the programmes and provided the means to manage the complexities of over 100 individual projects. He commented that this initial assimilation and review of projects had taken some time to accomplish but had not prevented progress on key projects. The updated Change Programme had been presented to the Cabinet on 23 July 2008 (minute 158 refers) and covered Governance; the Change Team Programme; the Integrated Financial System Programme; the Customer Access Programme 2008-2009; and ICT (Information Communications Technology) Developments 2008-2009.

Resolved – That progress on the Change Programme be noted.

24 **MEDIUM TERM FINANCIAL STRATEGY**

The Director of Finance presented the annual update of the Medium Term Financial Strategy, which had been agreed by the Cabinet on 23 July 2008 (minute 154 refers). In order to deliver the objectives of the Corporate Plan, effective service planning and financial planning were essential, requiring strong links between the Corporate Plan and Medium Term Financial Strategy. He commented that the Strategy aimed to provide a longer term strategic overview of the significant financial issues to assist in the allocation of resources to deliver the Council's objectives and priorities.

The Strategy drew together the financial requirements emerging from the various Council strategies including the Customer Access Strategy, the resource-based strategies covering Capital, Human Resources and Information Technology and the service strategies. He indicated that it sought to maximise the opportunities for delivering services from within the finite resources available and he commented that Wirral continued to improve performance management and service planning and to re-direct resources towards meeting identified objectives. In terms of Council Tax and value for money, the Wirral Band D Tax, which was the fourth highest amongst the 354 Metropolitan, London, Unitary and District Authorities in 2000/2001, was now rated 242nd.

He commented also that wherever a financial estimate could be made of likely events, this had been included. Given the level of assumptions for any projection of this type, only significant items had been included and he stressed that the aim of the Strategy was not to give provisional budget figures, but rather to provide Members with a framework with which to support planning considerations for the medium term.

Resolved –

(1) That the Medium Term Financial Strategy be noted.

(2) That regular updates of the financial projections for the period of the Strategy be reported to Cabinet and to Finance and Best Value Overview and Scrutiny Committee.

25 **CORPORATE RISK AND INSURANCE MANAGEMENT**

The Director of Finance reported upon progress made against the objectives for Corporate Risk and Insurance Management and the anticipated developments in the coming months. He commented that officers had held several meetings with the insurers' loss adjusters in connection with the fire at Rock Ferry High School on 16 September 2003 and confirmation was awaited as to whether the insurers were satisfied with the proposals.

Resolved –

(1) That the report be noted.

(2) That a further report be presented to the next meeting of the Committee.

26 **INFORMATION AND COMMUNICATION TECHNOLOGIES (ICT) STRATEGY 2008-2011**

The Director of Finance presented an updated draft of the rolling three year Information and Communication Technologies (ICT) Strategy, which was continuously reviewed and had been approved by the Cabinet on 23 July 2008 (minute 155 refers). He reported that the Council was a large user of ICT and as such required a policy to manage and control its investment, and to ensure that its use and any further investment was aligned with, and supported the Council's various objectives and strategies.

The Director identified the changes to the Strategy and indicated that the gross budget of IT Services was £12.5m, which excluded the cost of departmental PC purchases met from departmental budgets, estimated at a further £1m per year. He reported that whilst the cost of desktop equipment was falling due to competition, manufacturing improvements and better procurement, there was a trend away from desktop PC's towards laptop and tablet type devices, for use in mobile working. Although these were more expensive, he commented that IT Services would investigate further achievable economies through elimination of overlap and duplication, and through adoption of Council wide best practice.

In response to comments from a member, the Director indicated that work to eliminate duplication was ongoing, and he assured members that all computer drives were wiped prior to the disposal of any IT equipment. He commented also that to improve disaster tolerance, alternative sites for central server and storage were being investigated.

Resolved – That the Information and Communication Technologies Strategy 2008-2011 be noted.

27 **LOCAL GOVERNMENT CHRONICLE (LGC) FINANCE AWARDS 2008**

The Director of Finance reported upon a proposal to submit an entry for the Local Government Chronicle (LGC) Finance Awards 2008. He commented that the awards had been held for a number of years and were intended to celebrate the highest levels of achievement in the world of local government. In 2007, having previously been shortlisted without ever winning, the Council was successful in being declared the winner of the Procurement Initiative Award. He indicated that the awards ceremony for shortlisted entries was to take place on 3 November 2008 at the Dorchester Hotel in London and if the Authority was shortlisted attendance would be referred to the Cabinet for approval of duty.

Resolved – That the attendance of members at the LGC Awards ceremony on 3 November 2008 be referred to the Cabinet for approval of duty, should Wirral be shortlisted.

28 **OVERSEAS TRAVEL**

In accordance with the agreed Code of Practice, the Deputy Chief Executive/Director of Corporate Services provided details of overseas travel undertaken by members and officers during the period 1 January to 31 December 2007. There had been 9 visits in total at a total cost of £8514.61 and the programme of visits supported the objective of putting Wirral on the map, whilst increasing the understanding of different cultures and traditions, and learning best practice in a variety of areas.

Resolved – That the report be noted.

29 **EXEMPT INFORMATION - EXCLUSION OF MEMBERS OF THE PUBLIC**

Resolved – That in accordance with section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting during consideration of the following items of business, on the grounds that they involve the likely disclosure of exempt information as defined by the relevant paragraphs of Part 1 of Schedule 12A to that Act.

30 **CASH COLLECTION SERVICES**

The Director of Finance reported upon the acceptance of a tender for the provision of Cash Collection services and the distribution of Incentive Payments for Department of Adult Social Services establishments. He identified the sites served by the provision and set out the tender process and evaluation model that had been used.

Resolved –

(1) That the decision to accept the tender submitted by G4S Cash Services (UK) under delegated authority, this being the most economically advantageous tender based on an assessment of price and quality, be noted.

(2) That the estimated saving of £35,000 be noted.

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