

## **WIRRAL COUNCIL**

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

**21 JANUARY 2009**

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

#### **FINANCIAL MONITORING STATEMENT**

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

1.1 This report provides a summary in tabular format of the current position of the revenue accounts and General Fund balances.

##### **2. MONITORING STATEMENT**

2.1 The monitoring statement is attached to this report and includes the following:

- Composition of the original 2008/09 budget by department including agreed savings and policy options which now includes the Department of Law, Human Resources and Asset Management.
- Monitoring against the 2008/09 budget including the financial implications of any Cabinet decisions.
- Anticipated variances against the original budget.
- Explanation of variances and areas identified as requiring further attention.

2.2 The monitoring statement is based upon the information provided within departmental financial monitoring reports and is updated and submitted to each meeting of this Committee.

##### **3. FINANCIAL AND STAFFING IMPLICATIONS**

3.1 The statement presents an update of the revenue budget and General Fund balances as at 30 November 2008.

3.2 At this stage of the financial year there are reports of financial pressures in:-

- a. Adult Social Services - continue to project a £3.5 million overspend. Cabinet noted this position on 4 September 2008. The Director of Adult Social Services presented a report to this Committee on 22 December 2008 and is due to the present an update to this meeting of the Committee.

- b. Children & Young People – now projecting a £0.8 million overspend essentially because of the implementation of prior year targets, issues in respect of employee savings targets and care costs for children. This has reduced from an earlier £3 million projection primarily through the use of grant funding opportunities.
  - c. Regeneration - experiencing difficulties as options for delivering service re-engineering savings have yet to be agreed and the potential overspend is £0.6 million. As part of the mid-year review of Reserves and Provisions reported to Cabinet on 10 December 2008 the sum of £230,000 was returned to the general balance.
- 3.3 Treasury Management activities continue to be affected by the volatility of the financial market. Close monitoring has resulted in increasing investment income, a reduced need for temporary borrowing and also for borrowing to fund the capital programme. The current projection is a £2.6 million underspend.
- 3.4 Following the completion of the 2007/08 accounts the outturn was reported to Cabinet on 26 June 2008 and the Statement of Accounts to Audit and Risk Management Committee on 30 June 2008. There was a net underspend and an increase in the balance at 31 March 2008 of £2.5 million.
- 3.5 The Insurance Fund Annual Report was presented to Cabinet on 9 July 2008. The outcome of the annual actuarial assessment identified continuing improvements in claims handling and repudiation rates which enabled £3 million be returned to General Fund balances from the Insurance Fund in 2008/09.
- 3.6 The Government issued a Determination on the distribution of the Local Authority Business Growth Incentive (LABGI) grant for previous years in June 2008. The Wirral allocation of £1.3 million was reported to Cabinet on 23 July 2008 and added to the balance.
- 3.7 A report on energy related costs was presented to Cabinet on 9 July 2008. Budget variations of £0.9 million were approved for 2008/09 in respect of Children & Young People and Technical Services. A further update on the energy related contracts due for renewal that could further impact upon the balance is being presented to Cabinet on 15 January 2009.
- 3.8. Cabinet were advised of £1.7 million of highways maintenance expenditure being eligible to be capitalised which represents a £2.2 million reduction on that included within the 2008/09 budget.
- 3.9. On 6 November 2008 Cabinet agreed to fund the improvement teams in respect of Procurement and Creditors, Change, Customer Services Development and Adult Social Services Reform totalling £2.2 million from the Efficiency Investment Budget.

3.10. The impact of the energy pressures, if realised, and the variations, if not contained, would see the balances become £6.2 million. This is detailed in the table:-

Details	£million	£million
<b>Projected General Fund balances at 31 March 2009 when setting the budget for 2008/09</b>		5.0
<b>Cabinet decisions</b>		
Financial out-turn for 2007/08 showed an underspending and contribution to balances (see 3.4)	+2.5	
Release of Insurance Fund reserve to general balance (see 3.5)	+3.0	
Receipt of Local Authority Business Growth Incentive (LABGI) grant to general balance (see 3.6)	+1.3	
Funding for street lighting energy and Children & Young People transport costs (see 3.7)	-0.9	
Reduction in the highways spend eligible for capitalisation (see 3.8)	-2.0	
Funding of improvement teams from the Efficiency Investment Budget (see 3.9)	+2.2	+6.1
<b>Projected variances / potential overspends</b>		
Overspend (see 3.2)		
Adult Social Services	+3.5	
Children & Young People	+0.8	
Regeneration	+0.6	
Underspend		
Treasury Management (see 3.3)	-2.6	
Potential liability In respect of fuel and energy costs in 2008/09 (see 3.7)	+2.6	-4.9
<b>General Fund balances at 31 March 2009 based upon the projections at 30 November</b>		6.2

3.9 There are no staffing implications arising directly from this report.

#### 4. **EQUAL OPPORTUNITIES IMPLICATIONS**

4.1 There are none arising directly from this report.

#### 5. **HUMAN RIGHTS IMPLICATIONS**

5.1 There are none arising directly from this report.

#### 6. **LOCAL AGENDA 21 IMPLICATIONS**

6.1 There are none arising directly from this report.

#### 7. **COMMUNITY SAFETY IMPLICATIONS**

8.1 There are none arising directly from this report.

9. **PLANNING IMPLICATIONS**

9.1 There are none arising directly from this report.

10. **LOCAL MEMBER SUPPORT IMPLICATIONS**

10.1 There are no particular implications for any Members or wards arising out of this report.

11. **BACKGROUND PAPERS**

11.1 None were used in the preparation of this report.

12. **RECOMMENDATION**

12.1 That the contents of the financial monitoring statement be noted.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/3/09

Department	ORIGINAL BUDGET 2008/09**			MONITORING 2008/09				COMMENTS
	Savings Target	Policy Options	Agreed Budget	Savings Target	Policy Options	Cabinet Decision	Projected Variances	
Expenditure	£000	£000	£000			£000	£000	
Adult Social Services	4,494	20	86,434	X	✓	-	+3,500	Pressures remain on care services from underlying commitments and working of procurement target. The £3.5m overspend was noted by Cabinet on 4 September. Further update to the Finance Committee on 22 December and then to Cabinet.
Children & Young People	3,981	20	70,560	X	✓	+120	+600	Actions have reduced projections from earlier £3m overspend. Due to delivery of prior year savings (£0.5m), staff (£0.4m), child care (£1.2m) and transport (£0.3m) offset by use of grants (£1.8m). Procurement savings to be identified. Cabinet decision was regarding fuel costs.
Corporate Services	289	441	5,112	✓	✓	-	-	No issues identified. Original budget split with Law, HR and Asset Mgt.
Finance	1,696	40	21,048	✓	✓	-2,200	-	Housing Benefit is the largest and most volatile area. Cabinet decision is Efficiency Budget paying for reform/change related teams in Adults and Finance (£2.2m).
Law, HR and Asset Management	249	115	1,105			+148		Cabinet decision is transfer from Treasury Management.
Regeneration	821	225	41,229	X	✓	-	+800	Procurement savings to be identified. Difficulties delivering Service re-engineering (£0.6m) and income targets (£0.2m) leading to potential overspend of £0.8m with pressure on energy costs and income.
Technical Services	1,237	30	35,529	✓	✓	+2,780	-	Building control / land charges income and procurement savings being reviewed. Cabinet decisions on street lighting energy (£0.78m) and reduced capitalisation (£2m).
Treasury Management	0	200	11,755	N/a	✓	-148	-2,600	The financial market volatile and investment returns lower but close management of cash flow has increased investment income, reduced need for temporary borrowing and borrowing to fund capital schemes..
Merseytravel	-	-	25,311	N/a	N/a	-	-	Fixed amount - no change.
Local Pay Review	-	-	4,546	N/a	N/a	-	-	Cabinet report 22 May with Phase 1 payments made in July/August.
Bridging Finance from Balances	-	-	(1,900)	N/a	N/a	-	-	Asset savings and Adults income from fees 2009/10.
Contribution from Balances	-	-	(2,202)	N/a	N/a	-700	-	See Cabinet decisions regarding fuel and energy costs, capitalisation and the reform/change related teams funding.
<b>Budget Requirement</b>	<b>12,767</b>	<b>1,091</b>	<b>298,527</b>				<b>+2,300</b>	
<b>Income</b>								
Revenue Support Grant	-	-	18,016	N/a	N/a	N/a	N/a	Fixed amount— no change
Area Based Grant	-	-	28,390	N/a	N/a	N/a	N/a	Government still to confirm final allocations
National Non Domestic Rate	-	-	129,413	N/a	N/a	N/a	N/a	Fixed amount - no change
Council Tax	-	-	123,217	N/a	N/a	N/a	N/a	Fixed amount - no change
Collection Fund Deficit	-	-	(509)	N/a	N/a	N/a	N/a	Fixed amount - no change
<b>Total Income</b>			<b>298,527</b>					<b>Fixed amount - no change</b>
<b>Statement of Balances</b>								
As at 1 April	-	-	8,593	-	-	-	5,000	Opening balance - forecast 1 April 2009
Contributions from Balances	-	-	(4,102)	-	-	-	-	
Contributions from Reserves	-	-	509	-	-	-	+3,000	Release of Insurance Fund Cabinet 9 July
Cabinet decisions	-	-	-	-	-	-	+3,800	From 2007/08 accounts £2.5m (26 June) & LABGI £1.3m (23 July).
Cabinet decisions	-	-	-	-	-	-	-700	Fuel/energy (23 July) - potential £3.5m of which +£0.9m allocated), reduced capitalisation (+£2m) and use of Efficiency Budget (-£2.2m).
Issues – Projected Variances	-	-	-	-	-	-	-4,900	Based upon present projections for Adults, Children, Regeneration and Treasury and potential energy costs (further report to go to Cabinet).
<b>BALANCES AT 31/03/08 &amp; 31/03/09</b>			<b>5,000</b>				<b>6,200</b>	<b>Projected balance at start / end of year</b>
Key = No concern for item			✓					
Key = Concern for item			X					

\*\* The Original Budget for 2008/09 has been re-allocated per Cabinet on 25 September as a consequence of establishing the Department of Law, HR and Asset Management.