

POLICY AND RESOURCES BOARD

14TH JANUARY 2010

REPORT OF THE CORPORATE DIRECTORS' GROUP

INDEX OF REPORT ITEMS

PART 1 - Doc. Code: PRB-140110-REP-CDG

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ITEM 1

BUDGET MONITORING REPORT TO 31ST DECEMBER 2009

1. Purpose of Report

- 1.1 This report provides information relating to the Council's Budget position for the period April to December 2009.
- 1.2 It provides particulars of major variances from the agreed budget position, together with an explanation of the action to be taken to manage these variances. This information includes details of any potential impact on reserves and identifies any virements required or commitments into future years arising as a result of changes to the budget position.
- 1.3 The report is one element of the monitoring process of the Council's Forward Financial Plan.

2. Budget Issues to 31st December 2009

- 2.1 The Council's resources are limited and it is essential that each Service is delivered within the allocated cash limit; otherwise undue pressure is transferred to other areas of the Authority's finances. Details of the Council's budget position can be found at Appendix 1.
- 2.2 At this stage in the budget monitoring process, some budget pressures have been identified and every effort is being made, through strict management control and scrutiny, to contain expenditure within the cash limit. Some of the issues currently being considered include:
 - 2.3 **Education, Leisure and Lifelong Learning**
 - 2.3.1 At this stage in the budget monitoring process, it is anticipated that the Education, Leisure and Lifelong Learning's expenditure will be within the overall cash limit after planned Reserve Transfers. The following issues will need careful management.

2.3.2 Children, Young People and Education Board

Home to School Transport

Home to School Transport contracts are subject to annual indexation, effective in the September of each financial year. The actual indexation to be applied to contracts from September 2009 has been agreed at 0% compared to the budgeted figure of 5%. As a result of this, costs for this service area are likely to be £138,000 less than the original budget of £5.422m.

Special Educational Needs – Out of County Placements

A potential budget pressure of £60,000 was reported in the Service's second quarter budget monitoring report. Tripartite funding has now been secured for this placement which will reduce this pressure to £20,000. This pressure will be managed within the overall Service cash limit.

2.4 Social Services, Health and Housing

2.4.1 At this stage in the budget monitoring process, there is concern that pressures continue to exist as a result of the increasing demand for services. Continued rigorous management control and scrutiny will therefore be required throughout 2009/10 in order to contain pressures wherever possible.

2.4.2 The following paragraphs provide details of variances from the agreed budget for 2009/10, together with details of the ways in which these variances will be managed.

2.4.3 Children, Young People and Education Board

Placements

Pressures continue to exist within the service as a consequence of an increase in the number and cost of placements for children and young people with complex needs, particularly during the latter part of 2008/09. The total number of Looked after placements (excluding respite) increased from 291 at 31/3/09 to 352 at 31/10/09.

The admission of children to care, in many instances is accompanied by legal care proceedings based on concerns, by professionals, of significant risks to the children concerned.

The variability of the circumstances surrounding placements makes it difficult to accurately quantify the financial effect of any emergency or unexpected new placements. However, based on information available to date regarding the anticipated duration and cost of existing placements,

the budget is projected to overspend by £1,685,000. However, if the demand for new placements continues to the end of the year it is likely that the overspend could increase further.

The increasing number of looked after children also places pressure on other budgets such as taxi costs, legal fees and inter agency adoption fees which are also now projected to overspend by £88,000, £162,000 and £80,000 respectively.

Budget pressures have also been identified in respect of the staff budget, partly as a result of the increasing caseloads experienced as a consequence of the increase in the number of looked after children and the requirement to employ agency staff to cover vacancies and absences. It is anticipated that the staff budget will overspend by £390,000. However it is proposed that £250,000 be transferred from the Hillside reserve to partly offset the pressure identified.

There is also £318,000 available within the Social Care Equalisation reserve which can be utilised to partly off set the pressures and the following measures have also been identified in an attempt to contain or reduce expenditure wherever possible.

- ongoing review of current placements to determine if there is any potential to reduce current or projected costs
- submission of a spend to save bid to WAG to further develop the fostering strategy to increase internal capacity and thereby reduce reliance on more expensive external placements.
- submission of a further spend to save bid to WAG to fund the costs of undertaking a systems review of children and young people social work services, and the necessary cost of backfilling staff assigned to the review.
- review the potential to secure continuing health care funding in respect specific child placements, particularly where health are currently contributing towards the cost of placements
- place an embargo on all non urgent expenditure

Whilst every effort will be made to reduce the overspend wherever possible, a provision of £2,000,000 has been set aside within the General Reserve to fund any overspend arising.

2.4.4 Social Care Health and Housing Board

Independent Living fund (ILF) savings target

The budget strategy for 2009/10 includes a savings target of £200,000.

It was assumed that the target could be achieved by identifying existing and new service users eligible to receive ILF funding which could contribute toward the costs of their care, and thereby reduce the costs borne by the Local Authority.

However, the rules governing ILF eligibility changed with effect from April 2009 and as a consequence it is no longer possible to reduce the contribution the Authority is making toward existing packages of care. Further opportunities to realise savings are being explored, in respect of the adult family placement scheme and it will be necessary to strictly monitor new packages of care in order to maximise savings wherever possible.

Continuing Health Care

The base budget includes a savings target of £2,033,000 which assumes that placement costs currently incurred by the Local Authority will be transferred to Health in accordance with continuing Health Care criteria and guidance.

All outstanding assessments have now been completed and it is anticipated that the savings arising will be insufficient to meet the savings target identified. General Reserves of £440,000 have therefore been set aside to meet the shortfall against the year end provision for 2008/09, and a further £560,000 to meet the shortfall against the 2009/10 target.

Long term residential homes – staff costs

The staff budget is projected to overspend by £240,000. This is in part due to additional costs of covering for sickness and absence and work is ongoing to determine whether there are additional job evaluation costs not accounted for. It is anticipated that this pressure can be partly offset by additional client contributions of £80,000. The net overspend against the service is therefore projected to be £160,000. A rigorous review of sickness and absence is being undertaken in order to reduce the projected overspend, alongside a detailed review of high cost homes to review all costs to reduce expenditure.

Elderly placements

The budget is currently projected to overspend by approximately £485,000 as a consequence of the increasing demand for placements and lower than anticipated turnover of placements. Placement activity is being strictly rationed and managed to reduce the overspend.

The following measures have also been identified in an attempt to contain or reduce expenditure wherever possible.

- additional income arising from the Fairer charging grant (£80,000)
- active management of staff vacancies across the directorate (£90,000)
- embargo placed on all non urgent expenditure across Community Care (£100,000)

Housing Services

The “credit crunch” continues to have an impact on the residential housing market, producing difficult trading conditions for the Limited Company which was set up in 2007. The Company has continued to pick up work from Registered Social Landlords (RSL’s) and private sector companies. It recently won the contract with Merthyr Tydfil Council.

Several posts have been left vacant on a temporary basis to generate savings to offset the loss of revenue. The overall impact is that the budget remains in line with the original budget estimates.

2.5 Environment

2.5.1 At this stage in the budget monitoring process, it is anticipated that Environment’s expenditure will be within the overall cash limit after planned Reserve Transfers.

2.5.2 The following paragraphs provide details of variances from the agreed budget for 2009/10, together with details of the ways in which these variances will be managed.

2.5.3 Environment and Highways Board

Vacancy Management

It is anticipated that vacancy management savings will continue for the rest of the year.

Print & Graphics Unit

It is anticipated that the Unit will reflect a reduction in income of around £60,000 for the year which will only be offset by about £25,000 in expenditure reductions, which will be met from within the Directorate. The Unit is also looking at various opportunities to make sure that the position does not continue into next year.

Network Management

There will be a shortfall of income from SWTRA to Network Management. As a result of funding issues from WAG to SWTRA, the level of work available from them has been reduced to the extent of the reduction and how to mitigate the impact is currently being evaluated.

2.5.4 Economic and Community Regeneration Board

Vacancy Management

It is anticipated that vacancy management savings will continue for the rest of the year.

Planning – Building Control

At current fee levels, there is a possibility of an income reduction for the year of circa £40,000. The situation is being closely monitored.

2.6 Finance and Corporate Services

2.6.1 At this stage in the budget monitoring process, it is anticipated that Finance and Corporate Services expenditure will be within the overall cash limit after planned Reserve Transfers.

2.6.2 The following paragraphs provide details of variances from the agreed budget for 2009/10, together with details of the ways in which these variances will be managed.

2.6.3 Policy and Resources Board

Joint Childcare Legal Service

The Joint Childcare Legal Team provides services for Neath Port Talbot, City and County of Swansea and Bridgend Councils. The budgeted service cost is estimated to exceed budget by £1m. This is due to increased service demands from the number of childcare cases being managed together with additional legal information/process requirements set down by the Courts. The service costs are shared across the Councils in line with case work with this Council's share being in the region of a third or £306,000.

Housing Benefit Subsidy

Additional subsidy of £202,000 has been received from a one off payment from the DWP due to the economic climate. This is over and above the base subsidy amount of £1.423m. The Housing Benefit Section has controlled its costs within original expenditure limits.

Other

Savings have been achieved in Democratic Services - £40,000 savings in allowances, travel etc. together with ICT staff vacancy management savings of £40,000.

These net cost/savings will result in the Directorate remaining within its overall cash limit.

2.7 Chief Executive's

2.7.1 At this stage in the budget monitoring process, it is anticipated that the Chief Executive's Office will be within the overall cash limit after planned Reserve Transfers.

3. Virements between Budget Guidelines

3.1 The Council's Constitution requires the prior approval of the Council for any virement with a value greater than £500,000 of the net service budget. Other virements that do not involve a significant variation in the level or nature of the delivery of the service agreed by Council in the Revenue Budget can be approved as follows:

- Corporate Directors can approve virements up to a limit of £100,000, Virements to this level that impact on the budget guideline of another Corporate Director may be implemented only after agreement with the relevant Corporate Director and the Director of Finance and Corporate Services.
- Cabinet can approve virements within a budget guideline between £100,000 and £500,000.

3.2 Corporate Directors have approved the following virements:

(a)		£'000
From	Finance and Corporate Services	-63
To	Chief Executive's	63

This transfer reflects a change in the way in which the Wales Audit Office allocates its charges, which overall remain at the same level as a whole.

(b)		£'000
From	Chief Executive's	-52
To	Savings Contingency	+52

It is anticipated that £52,000 savings will arise from the review of the Human Resources Service and the budget has been adjusted accordingly.

3.3 Cabinet were asked to approve the following virement:

(a)	£'000
From Environment	-200
To Capital Financing Charges	200

This transfer reflects the borrowing costs incurred following the purchase of a strategic capital asset. Rental income is being received by Environment to offset this cost.

3.4 It is proposed that the following budget virements be forwarded to Council for approval.

(a)	£'000
From Education, Leisure and Lifelong Learning	-493
From Finance and Corporate Services	-63
To Chief Executive's	556

This transfer is required to reflect the new working arrangements for Human Resources Services within the Council.

(b)	£'000
From Education, Leisure and Lifelong Learning	146
From Social Services and Health	330
From Housing	29
From Environment	160
From Finance and Corporate Services	106
From Chief Executive's	42

£813

The Council's Forward Financial Plan included salary estimates of 2.3% for non teaching staff with effect from 1st April 2009, but the actual increase has now been confirmed at 1%. It is proposed that base budgets are reduced for 2009/10 with the reduction being paid into the Council's General Reserve in this year.

In addition, the allowance of £400,000 included within the General Reserve, for the effect of the late pay award of 0.3% in 2008/09, will no longer be required as the cost of this has been build into the calculated budget reduction.

This means that the General Reserve position will improve by £1.213m in 2009/10.

3.5 The Council's Constitution states that where an approved budget is a lump-sum budget or contingency intended for allocation during the year, its allocation will not be treated as a virement, provided that:

- (a) the amount is used in accordance with the purposes for which it has been established;
- (b) the executive has approved the basis and the terms, including financial limits, on which it will be allocated. Individual allocations in excess of the financial limits should be reported to the executive.

This guidance covers the distribution of the job evaluation contingency to Directorate's, with the following allocations being made:

	£'000
To Education, Leisure and Lifelong Learning	1,651
To Social Services and Health	3,154
To Housing	36
To Environment	352
To Finance and Corporate Services	83
To Capital Financing Charges	250
From Chief Executive's	-6
From Job Evaluation contingency	-£5,520

3.6 The current cash limits can be seen in Appendix 1.

4. Reserves

4.1 The following movements are required to update the reserve position.

4.1.1 Education, Leisure and Lifelong Learning

Education Equalisation Reserve £86,000 from reserve

- £4,000 from reserves to fund the continued roll out of Electronic Till systems in Schools
- £8,000 carried forward from 2008/09 to fund one off costs within the Children and Young Peoples Partnership
- £74,000 to fund the continuation of the Flexible Learning Project at Llandarcy prior to receipt of ENGAGE project funding

Education Equalisation Reserve £436,000 to reserve

- The Council's Franchise contract with Neath Port Talbot College has generated a financial year surplus of £253,000. This is primarily

due to an increase in the number and uplift of Credit Equivalent Units generated. It is proposed that this amount is set aside into the Directorate's Equalisation Reserve for future reinvestment in this Service Area.

- Savings as a result of indexation changes on Home to School Transport contracts- £138,000.
- Savings generated from the restructuring of the Inclusion Service- £45,000.

Leisure Equalisation Reserve £20,000 to reserve

Included within the first quarter's budget monitoring report was a request to utilise £20,000 of the Leisure Equalisation Reserve to fund adaptations and improvements within Margam Orangery. This work will now be funded from within the budget and therefore the contribution from reserves is no longer required.

4.1.2 Social Services Health and Housing

Hillside Reserve - £250,000 from reserve

A request is made that £250,000 from the Hillside reserve is used to offset some of the pressures identified within Childrens services.

4.1.3 Environment

Environment Equalisation Reserve

As part of the Closing of Accounts audit, it was identified that there was an increased balance of £105,000 to be brought forward in reserves in relation to outstanding orders. The opening balance has been increased to reflect this and it is anticipated that this amount will be applied in full during 2009/10.

Economic Development £249,000 to reserve

The current commitments against the Economic Development Fund have been reviewed and are identified as being £249,000 less than the current budget position, because of the deferral of projects. It is therefore proposed that this change is reflected in the reserve movements.

4.1.4 Finance and Corporate Services

IT Developments and Equalisation £35,000 to reserve

In March 2009, Council approved that £35,000 be made available for Payroll Section to implement the new JE Pay Scales and calculate back pay. The funding of this should be from the Job Evaluation Reserve rather than the IT Development Reserve as set out in that report. The estimated costs have now increased to £40,000.

4.1.5 Chief Executive's

Management Capacity and Development £61,000 from reserve

A contribution of £16,000 is requested from the Management Capacity and Development Reserve in relation to the funding of additional support within the Communications and Marketing Team to support the Change Management and Innovation Team (there will a further contribution of £24,000 from this reserve in 2010/11). An additional contribution of £45,000 is requested to fund recruitment costs.

Youth Offending Team £17,000 from reserve

A contribution of £17,000 is requested from the Youth Offending Team Equalisation Reserve to fund the purchase of a minibus.

4.1.6 Corporate Reserves

Job Evaluation Reserve / General Reserve £15,000 from reserves

A contribution is requested for the transfer of £15,000 from Reserves to fund the temporary secondment of a full time Trade Union officer to the Job Evaluation team from the Directorate of Environment. This transfer is to be funded 25% (i.e. £4,000) from the JE Implementation of the new Pay and Grading Structure Reserve, and 75% (i.e. £11,000) from the General Reserve.

Corporate IT Development £20,000 from reserve

At its November 2009 meeting, Policy and Resources approved the upgrade of the Selima HR/Payroll and Premier Envoy Travel and Subsistence System. The estimated cost to be funded from the Corporate IT Development Reserve is £20,000 in 2009/10, with a further £127,000 in 2010/11.

Accommodation Reserve

A contribution of £140,000 is required to support the 2009/10 Capital Programme with a further £100,000 for revenue costs, £50,000 associated with Cymric House and £50,000 relating to Port Talbot Resource Centre and flexible working.

Management of Change Reserve

This reserve provides funding for the early release of staff throughout the Authority. The following movements are required to update the reserve position.

	£'000
Education, Leisure and Lifelong Learning	644
Social Services and Health	3
Environment	23
Chief Executive's	51
Contingency contribution	-421
 Contribution from Management of Change	 <u>300</u>

Job Evaluation £40,000 from reserve

This funding is required to meet the cost of implementing the new JE Pay Scales and calculate back pay.

Transformation Reserve £291,000

- (a) A contribution of £211,000 is to be made from the capital financing charges budget to reflect the fact that the planned prudential borrowing for transformational items has not been used. This will further support the implementation of revenue funded transformational changes funded from the Reserve.
- (b) This reserve is being utilised as an Invest to Save fund, lending money to service areas to enable them to transform their service areas which is then subsequently repaid in future years.
- (c) The following transfers in and lending from the reserve are proposed in 2009/10:

Funding Available	£000
Opening Balance 01/04/09	493
Transfer from Capital Financing Budget	211
Repayment from Waste Transfer Station Capital Investment	19
	<u>723</u>
Sums Lent	
Family Support Service Review	(53)
TOPS Project	(41)
Systems Review Childcare Service	(334)
Fostering Spend to Save	(93)
Estimated Balance 31 March 2010	<u>202</u>

New movement in year is a reduction of £291,000 of which £94,000 has previously been approved.

The Council received notification on the 5th January that they will be receiving funding from the Welsh Assembly Government for the Fostering spend-to-save strategy and Lean Systems Review of children and young peoples' assessment and case management services.

This means that the funding required from the Invest to Save fund will change, but confirmation of the value of funding to be received is still outstanding. Once this information is available, the commitments within the Invest to Save fund will be updated.

General Reserve re Flexible Working £21,000 to reserve

A contribution of £60,000 was included in the original budget. The requirement is now for a contribution of £39,000 from General Reserves to fund the remaining costs relating to this project.

General Reserve re updated pay award £1,213,000 to reserve

This reflects the contribution to the General Reserve outlined earlier in this report.

General Reserve re Social Services pressures

A provision is included in the General Reserve to meet potential pressures highlighted within Social Services.

4.2 In summary, the specific reserve position for the Council is as follows:

	£'000
Estimate 1 st April 2009	39,420
Budgeted Movements	(7,655)
Changes already agreed	(1,053)
Reserve movements in quarter	2,410
Estimated Closing Balance	<u>33,122</u>

5. Specific Grants Developments

5.1. The following grant notifications have been received:

5.1.1 Social Services Health and Housing

Implementation of Mental Health Act 2007 £13,353

Funding is provided to fund any additional costs arising from the implementation of changes made in the above Act.

5.1.2 Finance and Corporate Services

Council Tax Help for Pensioners £5,000

This is a one-off grant from WAG this year to assist with the administration of payments to be made to pensioners to help them pay their council tax.

6. Recommendations

6.1. It is recommended that:

- the budget position to December 2009 is noted, along with the measures highlighted by the Director of Social Services, Health and Housing that seek to contain the pressures within the cash limit;
- the reserve proposals be supported and budgets updated to reflect these changes;
- the grant changes be noted and budgets updated to reflect these changes.

Background Papers


Budget working papers 2009/10

Wards Affected

All

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REVENUE BUDGET SUMMARY 2009/10

	2009/10 Original Budget £000	2009/10 Revised Budget £000
Directly Controlled Expenditure		
Education, Leisure and Lifelong Learning	105,492	104,505
Social Services and Health	62,046	64,870
Housing	1,583	1,590
Environment	36,848	36,359
Finance & Corporate Services	9,686	11,982
Chief Executive	3,889	4,443
Total Directly Controlled Expenditure	219,544	223,749
Levies		
Swansea Port Health Authority	54	54
South Wales Sea Fisheries	74	74
Fire Authority	6,871	6,871
Margam Crematorium	3	3
Contributions		
Archive Service	144	144
Magistrates Court	22	22
Other Expenditure		
Capital Financing (net of Interest Receipts)	13,635	14,085
Housing Benefits	-210	-210
Contingency-Job Evaluation/Management of Change	6,424	904
Contingency-Pay arbitration	400	0
Contingency- budget saving to be allocated	-152	-100
Contributions/Reserves		
Contribution from/to General Reserves	-585	628
Contribution-from Fire Authority Reserve	-107	-107
NET REVENUE EXPENDITURE	246,117	246,117
Performance Incentive Grant	-1,484	-1,484
Deprivation Grant	-2,359	-2,359
BUDGET REQUIREMENT	242,274	242,274
INCOME		
Revenue Support Grant	154,588	154,588
National Non Domestic Rates	37,232	37,232
Discretionary Rate Relief	-133	-133
Council Tax - Neath Port Talbot	50,587	50,587
TOTAL INCOME	242,274	242,274