

POLICY & RESOURCES CABINET BOARD

16th JULY 2009

REPORT OF THE CORPORATE DIRECTORS GROUP

INDEX OF REPORT ITEMS

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ITEM 1

BUDGET MONITORING REPORT TO 30TH JUNE 2009

1. Purpose of Report

- 1.1 This report provides information relating to the Council's Budget position for the period April to June 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 30th June 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 Social Services, Health and Housing

- 2.3.1 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. Rigorous management control and scrutiny will therefore be required throughout 2009/10 in order to contain expenditure within the cash limit.
- 2.3.2 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.

2.3.3 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 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 £900,000. However it is highly probable that additional new placements will be necessary which will increase further the projected overspend.

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

- ongoing review of current placements to determine the ability to reduce current and 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
- ensure that resource pressures within community care services are managed within the service

- determine the potential for additional savings to be realised through continuing health care assessments within adult services which can be used to offset the pressures identified within children and young people services
- to review all service expenditure in Childrens Services and across the whole of Social Services to identify amounts that can be saved to offset the above mentioned overspend.

2.3.4 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 £2,053,000 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.

To date costs of £246,000 have been transferred and further cases with a full year cost amounting to £1,647,000 are subject to ongoing discussion with health. The achievement of the savings target in 2009/10 will therefore be dependent on successfully transferring all those cases currently in progress, plus the identification of a further £160,000 in respect of new cases.

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.

The Grant section has recently undergone a Systems Review process, the consequences and implications of which will be reported to the Director of Social Services, Health and Housing in early July, and subsequently to Council.

Housing Revenue Account

Right to buy sales continue to stagnate, the last sale was in December 2008. The original estimate for sales in 2009/10 was 15 but is now likely to be 8. It is anticipated that the reduction in interest rates will reduce the interest on revenue reserves by approximately £200,000. The net shortfall will be absorbed from the HRA reserve.

2.4 **Environment**

2.4.1 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.

2.4.2 The following paragraphs provide details of variances from the agreed budget for 2008/09, together with details of the ways in which these variances will be managed.

2.4.3 Environment and Highways Board

Waste Disposal

The service is required to fund pressures of £200,000, in 2009/10 following £500,000 savings in 2008/09. Proposals are currently being reviewed to save costs and increase landfill diversion.

Winter Maintenance

There was considerable pressure on this reserve during 2008/09 because of the prevailing weather conditions. The funding of this Service will be reviewed during 2009/10 to identify methods of managing any ongoing budget pressures.

2.4.4 Economic and Community Regeneration Board

Workways

The Council is still awaiting a decision from WEFO about new proposals and the existing Workways staff has been retained by the Authority pending the result of the decision. The monthly salary bill, previously grant funded, is approximately £25,000 per month. The Directorate has reserve funding available to support the salaries bill for two months, after which it will be funded centrally in June and July, by which time a decision is expected.

Planning

Due to the economic downturn, there has been a fall in fees for both Planning Development Control and Building Control. The Section has already taken steps to alleviate the problem but as income is uncertain due to the current economic climate, any further budget shortfall will be funded by savings elsewhere in the Division.

2.5 Finance and Corporate Services and Chief Executive's

2.5.1 There are no material issues to report within the above mentioned service areas.

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 There are no virements requiring approval in the quarter.

3.3 The Council's Constitution allows for the allocation of a contingency to be actioned without being treated as a virement, providing that:

- the amount is used in accordance with the purposes for which it has been established;
- the executive has approved the basis and the terms, including financial limits, on which it will be allocated

3.4 As part of the budget setting process, it was agreed that a contingency would be included within the Council's Budget for job evaluation. Significant work is being undertaken to confirm the distribution requirements for this contingency, which will be allocated across service areas during the next month.

4. Reserves

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

4.1.1 Education, Leisure and Lifelong Learning

Leisure Equalisation Reserve - £20,000 from reserve

The refurbishment of Margam Orangery has been completed in this financial year. The £20,000 was not utilised in 2008/09 and has been carried forward to 2009/10 to fund the remainder of this work

4.1.2 Social Services, Health and Housing

Social Services Equalisation Reserve - £25,000 from reserve

There is a reserve brought forward to meet costs of £25,000 relating to the Transformation of Older People services, which it was originally anticipated would be used in 2008/09. The budget must be updated to reflect its application in 2009/10.

4.1.3 Environment

Economic Development Fund - £215,000 from reserve

There is a reserve brought forward to meet costs of £215,000 relating to the Economic Development Fund, which it was originally anticipated would be used in 2008/09. The budget must be updated to reflect its application in 2009/10.

4.1.4 Finance and Corporate Services

The following Directorate and Corporate reserve movements are proposed.

IT Developments Reserve £19,000 to reserves

This amount was budgeted as a contribution from Reserves in 2009/10 in relation to the remaining balance of the Legal Services computer system developments, but the expenditure was incurred earlier than expected in 2008/09. The budget needs updating to reflect that the contribution is no longer required in 2009/10.

Corporate IT Developments Reserve £19,000 from reserves

This amount, in relation to the reimplementation of the Council's Financial System, relates to a delay in costs arising. The budget needs updating to reflect the fact that the expenditure will now be incurred in 2009/10.

Transformation Reserve £94,000 from reserves

Funding of £53,000 will be used to fund a project manager for the Transforming Older People Services programme, with the remaining £41,000 being used to meet the costs of a project manager for the Family Support Services project. These amounts will be repaid as the projects realise savings.

Accommodation Reserve £25,000 from reserves

It was previously agreed that the additional property costs arising from Environmental Health and Trading Standards service occupying Milland Road would be funded from corporate reserves. The budget currently includes a provision for £39,000 to be met from reserves, but an additional £25,000 cost was identified as part of the 2008/09 closure process. It is therefore anticipated that £64,000 will be required in 2009/10, an increased contribution from the Accommodation Reserve of £25,000.

Risk Management Reserve £55,000 from reserves

It is proposed that the Council's Risk Management reserve continues to make a contribution of £55,000 to the Chief Executive's Occupational Health Unit, to mitigate the risks relating to manual handling.

General Reserve £70,000 from reserves

It is proposed that a contribution of £70,000 be made from the General Reserve to Housing to reflect the development of a third renewal area.

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

| | £'000 |
|-------------------------------------|----------------------|
| Estimate 1 st April 2009 | 27,093 |
| Changes agreed at Outturn | 12,127 |
| Budgeted Movements | (7,655) |
| Reserve movements in quarter | (434) |
| Estimated Closing Balance | <u>31,131</u> |

5. Specific Grants Developments

5.1. The following grant notifications have been received:

5.1.1 Education, Leisure and Lifelong Learning

Learning Pathways 14-19 - £849,000

The Authority has received confirmation from DCELLS that the value of grant funding offered to support the Annual Network Development Plan will be £849,000 as opposed to the £700,000 assumed in the original budget.

Unlocking the Potential of Special Schools Phase 2 - £60,933

Following an evaluation of Phase 1 projects, WAG has announced a Phase 2 of this specific grant. The grant will be used to pilot a learning and behaviour specialist outreach support team.

Performance management development grant - £20,000

Additional funding has been allocated to fund the completion of the Children in Need census.

5.1.2 Finance and Corporate Services

Council Tax Benefit Take-Up Grant £47,500

This grant is from the Welsh Assembly Government for the promotion of take-up of council tax benefit. It will be met by an equivalent amount of increased expenditure on software, publicity, etc.

DWP Housing Benefits Admin Subsidy Grant £80,821

This additional funding has been made available as a result of the economic downturn, as a provision to meet the expected extra workload in local authorities.

5.1.3 Chief Executive's

Communities First Upper Amman Valley £106,929

This additional grant from the Welsh Assembly Government under the Communities First Programme has now been approved.

Communities First Upper Afan Valley £173,880

This additional grant from the Welsh Assembly Government under the Communities First Programme has now been approved.

6. Recommendations

6.1. It is recommended that:

- the budget position to June 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 | 105,492 |
| Social Services and Health | 62,046 | 62,046 |
| Housing | 1,583 | 1,583 |
| Environment | 36,848 | 36,848 |
| Finance & Corporate Services | 9,686 | 9,686 |
| Chief Executive | 3,889 | 3,889 |
| Total Directly Controlled Expenditure | 219,544 | 219,544 |
| 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 | 13,635 |
| Housing Benefits | -210 | -210 |
| Contingency-Job Evaluation/Management of Change | 6,424 | 6,424 |
| Contingency-Pay arbitration | 400 | 400 |
| Contingency- budget saving to be allocated | -152 | -152 |
| Contributions/Reserves | | |
| Contribution from General Reserves | -585 | -585 |
| 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 |