

**POLICY & RESOURCES CABINET BOARD**

**16<sup>th</sup> OCTOBER 2008**

**REPORT OF THE CORPORATE DIRECTORS GROUP**

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## **ITEM 1**

### **BUDGET MONITORING REPORT TO 30<sup>th</sup> SEPTEMBER 2008**

#### **1. Purpose of Report**

- 1.1 This report provides information relating to the Council's Budget position for the period April to September 2008.
- 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.

#### **2. Budget Issues to 30<sup>th</sup> September 2008**

- 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 The Council has continued to see pressures arising in relation to energy prices, caused by a range of factors including:
  - Oil prices increasing for a number of reasons including supply and demand and general market pricing;
  - Gas prices are influenced by the oil industry and as many electricity generating power stations are powered by gas, this is having a substantial impact on gas and electricity prices.
  - Oil and gas reserves from the North Seas are diminishing
  - Other matters, encompassing environmental, world affairs and commercial pressures.

Although the Council has not purchased all its energy for the year, it is envisaged that the costs in 2008/09 could increase by as much as £1.5m.

## 2.4 **Social Services, Health and Housing**

- 2.4.1 There is concern that the strategies identified to achieve the savings targets built into the budget are not risk free and these will be subject to rigorous management control and scrutiny throughout 2008/09.
- 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 Social Care, Health and Housing Board

### Continuing Health Care

The budget assumes that £2.033m of care costs currently funded by the Authority will be transferred to Health in accordance with Continuing Health Care criteria and guidance. Additional resources have been made available within the Authority to actively assess existing services users and to systematically refer cases to Health. Representations have also been made to Health regarding the need to expedite the process. However, to date, only six cases have been confirmed for transfer and there is therefore concern that the savings target will not be realised.

The Welsh Assembly Government has also announced that a further £37.5m will be allocated to Local Health Boards across Wales (£1.973m for NPT) to address the pressures that have been identified in respect of continuing health care and it is anticipated that this additional funding will assist in accelerating the process.

### Homecare

A savings target of £400,000 was included in the budget, as a consequence of the proposed reconfiguration of the service and changes to eligibility criteria. The budget will be strictly monitored, as the changes are implemented, to ensure that the anticipated savings can be realised.

### Housing

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 last year. The Company has continued to pick up work from Registered Social Landlords (RSL’s) and private sector companies.

Several posts have been left vacant on a temporary basis to generate savings to counter this loss of revenue.

### Housing Revenue Account

Staff turnover has resulted in projected savings in the Salary budget. This will be absorbed by increasing the Heating Systems budget in the Capital Programme by £40,000. Right to Buy sales continue to stagnate, with seven sales agreed to date and seventeen projected in total.

## 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 2008/09, together with details of the ways in which these variances will be managed.

### 2.5.3 Environment and Highways Board

#### Efficiency Savings

The efficiency savings target of £1,489,000 for the financial year is being achieved. Whilst there have been budget fluctuations and non-material overspends in some areas, these are funded by savings in vacancy management.

#### Local Transport Services Grant

When reported in the previous quarterly report there was some uncertainty about the level of the grant this year.

It has now been confirmed that the grant will be received at the level anticipated. This means that there bus operators will receive funding for bus subsidy payments.

#### Transport Fuel Price Increase and Energy Cost Increases

This is a Council wide issue as the Authority has received indications of large price uplifts for the gas and electricity contracts, on all its buildings, as well as the transport fuel increases. The fuel increase was reported, previously, as being in the region of £150,000 to £175,000 for this service area alone. In addition, there are anticipated to be significant increases in gas and electricity costs.

This service area currently pays £272,000 for electricity and gas for civic buildings, plus £766,000 for public lighting energy.

### The Quays Energy Costs

It is estimated that the annual electricity charge for The Quays will be in the region of £156,000 compared with a budget of £63,000, a shortfall of £93,000.

This has arisen, partially due to the initial budget being understated and partially due to the increased consumption caused by the increased IT server capacity, increased building usage and C.C.T.V Control Centre.

## 2.5.4 Economic and Community Regeneration Board

### Efficiency Savings

The efficiency savings target of £1,489,000 is being achieved.

### Planning Development Control Income

The original budget for income for this section was £1,036,000. At the end of July, income achieved amounted to £262,000, which is £83,000 less than the budget, for the period.

This apparent drop in applications stems from the lack of major building/development work being undertaken in the locality.

However, an expected 10% increase in fees income in the Autumn together with other efficiencies within the section are expected to fund the shortfall.

## 2.6 **Education, Leisure and Lifelong Learning, Finance and Corporate Services and Chief Executive's**

### 2.6.1 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 is a virement proposed, relating to the transfer of a net budget virement of £1,562,000 to Finance and Corporate Services from Chief Executive's to reflect changes to the organisational structure, as follows:

- The transfer of the Committee and Member Services Section to Finance and Corporate Services, including Members allowances and related expenditure £1,490,000
- The establishment of common accountancy, clerical, administrative and word processing services to be managed under the Finance and Corporate Services structure £89,000
- The transfer of a part time Performance Analyst post from Finance to the Change Management and Innovation Unit. - £19,000

3.3 The value of this transfer means that Council approval will be required.

3.4 Corporate Directors have approved the transfer of £73,000 from Social Services, Health and Housing to Chief Executive's to provide funding for programme management capability and secretarial support within the Change Management and Innovation Unit.

#### 4. Reserves

4.1 There are no changes requested to the budgeted reserve position in this period.

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

	<b>£000</b>
Opening Balance 1 April 2008	30,544
Budgeted Movements	(7,894)
Additional movements already agreed	1,830
Requested Reserve movements	0
<b>Closing Balance</b>	<b>24,480</b>

#### 5. Specific Grants Developments

5.1. The following grant notifications have been received:

5.1.1 Social Services and Health - Short breaks for Disabled children and their families £79,442

This is a one off grant to promote short breaks for disabled children and their families.

5.1.2 Environment - Regional Development Plan

The latest Rural Development Plan runs from June 2008 to February 2011. There are four projects being run by the authority with a total cost of £1,378,000. European funding will amount to £897,000, the authority's match funding will amount to £69,340, funded from the Economic Development Fund over the period with the balance being met by external third parties.

5.1.3 Chief Executive's - Electoral Data Matching - £4,000

This is a grant from the Electoral Commission to finance data matching between the National Gazetteer and the Register of Electors to improve the accuracy of the Register.

5.1.4 Chief Executive's – Youth Offending Team ECOTEC - £17,000

The Council has received an additional one off grant from ECOTEC Research and Consulting to fund the delivery of a Summers Arts College project.

## **6. Recommendations**

6.1. It is recommended that:

- the budget position to September 2008 be noted;
- The proposed virement be forwarded to Council for approval;
- the grant changes be noted and budgets updated to reflect these changes.

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### **Background Papers**

Budget working papers 2008/09

### **Wards Affected**

All

### **Officer Contact**

Mrs Janet North, Financial Services Manager

☎ 01639 763635

e-mail: j.north@npt.gov.uk



## REVENUE BUDGET SUMMARY 2008/09

	<b>2008/09 Original Budget £'000</b>	<b>2008/09 Revised Budget £'000</b>
<b>Directly Controlled Expenditure</b>		
Education, Leisure and Lifelong Learning	103,162	103,162
Social Services and Health	60,603	60,530
Housing	1,548	1,548
Environment	36,241	36,241
Finance & Corporate Services	7,992	9,554
Chief Executive	4,903	3,414
<b>Total Directly Controlled Expenditure</b>	<b>214,449</b>	<b>214,449</b>
<b>Other Expenditure</b>		
<b>Levies</b>		
Swansea Port Health Authority	53	53
South Wales Sea Fisheries	72	72
Fire Authority	6,601	6,601
Margam Crematorium	3	3
<b>Contributions</b>		
Archive Service	141	141
Magistrates Court	21	21
<b>Other Expenditure</b>		
Capital Financing (net of Interest Receipts)	13,088	13,088
Housing Benefits	-202	-202
Contingency-Job Evaluation/Back Pay/Management of Change Transformation	5,562	5,562
	250	250
<b>NET REVENUE BUDGET</b>	<b>240,038</b>	<b>240,038</b>
<b>Use of Grant</b>		
Performance Incentive Grant	-1,494	-1,494
Deprivation Grant	-2,359	-2,359
<b>BUDGET REQUIREMENT</b>	<b>236,185</b>	<b>236,185</b>
<b>INCOME</b>		
Revenue Support Grant	151,611	151,611
National Non Domestic Rates	36,244	36,244
Discretionary Rate Relief	-130	-130
Council Tax - Neath Port Talbot	48,460	48,460
<b>TOTAL INCOME</b>	<b>236,185</b>	<b>236,185</b>