

**POLICY AND RESOURCES SCRUTINY COMMITTEE –
2ND MARCH 2010**

SUBJECT: WHOLE AUTHORITY BUDGET MONITORING 2009-10

REPORT BY: DIRECTOR OF CORPORATE SERVICES

1. PURPOSE OF REPORT

- 1.1 This report provides information on the position of the whole authority in respect of budget monitoring for 2009-10. Detailed reports have been presented to Scrutiny Committees throughout the financial year. Consideration has been given to the expenditure and income trends in the first 9 months of the financial year. A projection has then been made of the likely outturn and where significant variations from budget have been identified these are commented upon below.

2. LINKS TO STRATEGY

- 2.1 The Council has a number of corporate strategies and this report deals with the use of resources in the achievement of those strategies.

3. FINANCIAL IMPLICATIONS

- 3.1 The table makes a comparison between the original estimate, a revised estimate (where changes have been made in year) and the anticipated outturn. It is a high-level budget review as budget monitoring reports for Scrutiny Committees will be the subject of detailed reports by the appropriate Director. The figures below are based on the 1% pay award saving (estimated at £1.1m) being transferred to the corporate centre. Members are reminded that a provision of 2% was made in the budget for 2009-10 in respect of the pay award for the same period. The table also assumes that 90% of job evaluation costs will be fully funded.

| | Original Estimate £000 | Revised Budget £000 | Anticipated Outturn £000 | Overspend +/ Underspend - £000 |
|-----------------------------------|------------------------------|---------------------------|--------------------------------|--------------------------------------|
| Education | 121756 | 121756 | 121596 | -160 |
| Leisure | 12914 | 12914 | 12846 | -68 |
| Social Services | 67734 | 67713 | 67636 | -77 |
| Planning | 3031 | 3117 | 3372 | +172 |
| Engineering | 14532 | 14682 | 14901 | +369 |
| Environment Directors Office | (195) | (195) | 11 | +206 |
| Public Protection | 3987 | 4027 | 3975 | -52 |
| Public Services | 18903 | 19027 | 18715 | -312 |
| Building Consultancy | 22 | 22 | (31) | -53 |
| Private Sector Housing | 696 | 696 | 668 | -28 |
| General Fund Housing | 731 | 731 | 625 | -106 |
| Economic Development & Tourism | 1833 | 1833 | 1833 | 0 |
| Performance & Policy | 4134 | 4134 | 4134 | 0 |

| | | | | |
|--|---------------|---------------|-------|--------------|
| Corporate Services & Miscellaneous Finance | 58479 | 58101 | 57863 | -238 |
| DLO/DSO Efficiency Savings | -608 | -608 | -608 | 0 |
| DLO/DSO Losses/surpluses | | | | -4 |
| Pay Award Savings | | | | -1100 |
| Council Tax Surplus | | | | -400 |
| Total | 307949 | 307949 | | -1851 |

Education (£160k underspend)

- 3.2 The projected outturn for Education, which includes the Service Areas of Planning & Strategy and Learning, Education & Inclusion is an underspend of £160k. The significant variances are as follows:

Retirement/Severance (overspend £230k)

- 3.3 As Members are aware this budget was reduced by £500k, during the 2009-10 budget process, based on projected actuals for 2008-09. On current information a projected overspend of £230k has been identified, this includes one-off costs associated with redundancy as well as the on-going pension strain commitments. The projection is based on known additional costs with regards to school based staff and also information from Torfaen Council pension scheme provided in October. We are awaiting details from Rhondda Cynon Taff Council with regards to our on-going pension costs for those staff that retired previous to the current financial year, consequently projections are based on historic costs. The on-going contributions are subject to fluctuation but this projection is based on the most up to date information available.

Home to School/College Transport (underspend £209k)

- 3.4 The projection is an underspend of £209k, following contract negotiations for the start of the new school year in September. The School year is based on 195 days however in a financial year the number of school days can vary depending on when the Easter holidays fall. In 2009-10 financial year there are a 193 school days, consequently approximately £64k of this saving is attributable to these 2 days. This amount will need to be set aside from the underspend to fund additional days in 2010/11. The forecast includes an estimate for additional transport requests to the end of March based on historic information. However requests can be very volatile and include typically requests from home tuition, looked after children, Special Educational Needs Bases, medical, temporary re-housing, womens refuge, moving in GCSE years and bullying. In addition the Authority is also potentially liable for increasing the number of pupils on a contract/vehicle, even if there is free capacity. Historically this has not been an issue but may in the future if contractors understand that they can charge for this.

Planning & Strategy Administration (underspend £160k)

- 3.5 This underspend is predominantly due to a full year vacancy for one Manager's post in the division. There are also one off savings as a consequence of delays in appointments, which have arisen due to staff movements in the first half of the year.

Looked After Children – Out of County (overspend £140k)

- 3.6 As reported previously, Education has seen an increase in the number and costs for Looked After Children – Out of County. This projected overspend of £140k is based on current numbers. The cost of such provision is high and with nothing built in for additional pupil numbers in the second half of the year costs could increase by year end.

Additional Support Budgets – Primary & Secondary (underspend £255k)

- 3.7 The additional support budget that centrally funds support staff for specific pupils (in primary & secondary) with exceptional special needs, in mainstream schools, is currently projecting a significant net underspend of £255k. This projection is based on current support levels, which could obviously change in year and will be closely monitored. This underspend follows a significant amount of work over the last 2 years through the monthly panel meetings which monitor both new and existing support. This was evidenced through an underspend in 2008-09 and represents an efficiency saving following the instigation of these changes.

Life Long Learning & Leisure (LLL) (£68k underspend)

- 3.8 In 2009-10 there are currently no significant individual variances projected within the Life Long Learning & Leisure budget. The total projected underspend of £68k, includes a one off rates rebate for Cefn Forrest Leisure Centre of £23k. This rebate is for 5 financial years.
- 3.9 In 2008-09 the significant budget pressure for LLL related to the Authorities Catering Service and the on-going deficit position was recognised in the 2009-10 budget process with growth of £200k. It is currently predicted that this growth together with internal efficiencies should assist in managing the service to a break-even position by year-end. The Catering Service has seen a significant increase in staffing costs following job evaluation, in the first half of the year the trading loss is at its greatest, due to the school summer holidays and subsequent reduction in income generated. In the second half of the year the meal take up and trading position will need to be closely monitored.

SOCIAL SERVICES (£77K PROJECTED UNDERSPEND)

Children's Services (£81k Projected underspend)

- 3.10 The most significant area of underspend within Children's Services is in Management, Fieldwork & Administration (£200k). This is due to a number of unfilled vacancies. The main financial pressures facing the Division relate to External Residential Care (£122k) and Fostering & Adoption (£77k). These are highly volatile demand led budgets and the Divisional Management Team continues to work closely with Financial Services staff to monitor the situation and manage the Divisional budget appropriately in response to fluctuations in demand. Net underspends on other Children's Services budgets result in the overall projected underspend of £81k for the Division.

Adult Services (£5k Projected underspend)

- 3.11 There are a number of projected overspends within Adult Services, the most significant of which are Supported Living (£253k) and Direct Payments (£144k). Discussions are continuing with Supported Living providers to identify cost efficiencies to support the Division's budget strategy in this area and a number of price reductions have already been successfully negotiated. The uptake in Direct Payments continues to increase and a process has now been established to ensure that the cost of Direct Payment packages will be met through reduced commitments against other Adult Services budgets. The projected overspends are being offset by an underspend of £306k in Management, Fieldwork & Administration and a net underspend of £96k across other Adult Services budgets.

Resourcing and Performance (£9k projected overspend)

- 3.12 The main areas of projected overspend for the Resourcing and Performance Division are mobile phones due to lone working (£57k), increased demands on the Transport budget (£45k) and additional Repairs & Maintenance costs (£30k). These pressures are largely being offset by a projected underspend of £106k in staffing budgets arising from delays in filling posts following agreed restructure proposals for a number of Teams. A net underspend of £17k on other Divisional budgets results in an overall projected overspend of £9k for the

Division.

Planning (£172k overspend)

- 3.13 Planning Services' original budget for 2009/10 included an amount of £340k as "unidentified savings", the latest projection shows an improvement on this position with an overspend of £172k.
- 3.14 The main reason for the overspend is a shortfall in both Planning Fee income and building control fee income due to the ongoing financial downturn in the economy and the housing and building market.
- 3.15 Savings have however been made in relation to salary costs through vacancy management which have helped to reduce the budget deficit, that was originally estimated at the start of the financial year.

Engineering Division (£369k overspend)

- 3.16 A net overspend of £369k is projected for the Engineering Division for 2009/10. The highways infrastructure/ roads maintenance budget is projected to be at least £500k overspent. This is a direct consequence of the severe weather conditions. Final costs of the severe weather period have not yet been finalised but costs of materials (salt etc), NCS staff time, vehicle costs and "bought-in" services from refuse collection and parks services will all contribute to the overspend. The roads maintenance overspend could increase further should the severe weather conditions continue from mid-January 2010 to the end of the financial year. There has been a general deterioration in the condition of roads and an increase in potholes as a direct consequence of the snow, which will result in additional costs to rectify.
- 3.17 Overspend on road maintenance has been offset partly by under spends in relation to Street Lighting and salaries through vacancy management.
- 3.18 Supervision fee income receivable under the Highways Act (Section 38 and other agreements) is also likely to be £120k short of budget provision. This is a consequence of the economic slowdown and the downturn in the construction industry.

Directors Office (£206k overspend)

- 3.19 An under spend of £6.8k is anticipated on the Director's Office expenditure budget with a corresponding reduction in recharges to Divisions/Services. However there is a £205k efficiency saving presently held at a strategic level and shown under Director's Office, but this will be allocated to service areas by the year end.

Public Protection (£52k underspend)

- 3.20 The Environmental Health Group is projecting an under spend of £11k, primarily due to staff vacancies. Additional expenditure in relation to contaminated land schemes is being financed from Welsh Assembly grant. There is also additional budget of £40k from the Community assets fund for the ongoing employment of two enforcement officers. Community Safety Group is projecting a small under spend of £23k and Trading Standards and Licensing Group an under spend of £15k.

Public Services (£312k underspend)

- 3.21 The Public Services Division is presently projecting an under spend of £312k on a revised budget of £19 million, which includes additional community assets funding for service initiatives in relation to civic amenity site improvements, litter bin replacements and parks enhancements.

- 3.22 There is a £720k under spend in Municipal waste management this is primarily due to a reduction in the volume of waste being sent to landfill, partly offset by increases in costs associated with recycling collection and treatment initiatives. However, there have been some significant changes in waste collection services in the second half of this year and the full impact on the overall budget position may change.
- 3.23 There are also under spends in relation to cemeteries (£59k) due to increased fee income and public conveniences (£69k) due to reduced DSO charges.
- 3.24 Underspend in waste management, cemeteries and public conveniences are partly offset by overspends in relation to street cleansing (£126k) and Trehir maintenance (£240k).

Building Consultancy (£53k underspend)

- 3.25 Building Consultancy is projecting a surplus of £53k at the end of the financial year. The Group is wholly dependent on the generation of fee income from Client Directorates to balance its budget. At the end of November £1.6m fees had been invoiced to clients, with just over £1m paid to date. The £53k reported under spend is after taking account of all other variances, including savings on salaries due to vacancy management, reduction in accommodation costs at Woodfieldside and additional costs of external consultants.

Private Sector Housing (£28k underspend)

- 3.26 Savings have been made where staff are working reduced hours.

General Fund Housing (£106k underspend)

- 3.27 Savings of £85k are estimated from homelessness initiatives, there will also be a reduction in salary recharges from the HRA.

Economic Development and Tourism (Nil after planned use of reserves)

- 3.28 The original budget for Economic Development & Tourism anticipated the use of some £180k from reserves in order to deal with budget constraints facing the service area. The current projection indicates an increase in that requirement of some £111k due to the overspend of £200k at Tourism venues due to staffing, energy, property costs together with anticipated reduction in projected income offset by savings in Business Development from vacancy management (£11k) and increased grant income in respect of the European Section (£78k).

Performance and Policy (Nil after planned use of reserves)

- 3.29 The original budget for Performance & Policy anticipated the use of some £208k from reserves in order to deal with budget constraints facing the service area. The current projection indicates a reduction in that requirement to some £113k after taking account of the transfer of £53k to the Election Reserve (relating to projected unspent base budget provision for election costs). NB The Election Reserve is used to fund costs associated with Council elections.
- 3.30 There is also a saving of some £30k from the non-increase in Members' Allowances. This saving has not been taken into account in any projections.

CORPORATE SERVICES & MISCELLANEOUS FINANCE (£238K UNDERSPEND)

Corporate Services

- 3.31 An anticipated underspend of £27k is projected. This has arisen mainly due to a reduction in Land Charges income; one off costs associated with the early release of members of staff, under the 85 year rule, and the implementation of a new Sundry Debtor system. These costs

have been offset by staff savings arising as a result of vacancy management and delays in making appointments.

Capital Financing

- 3.32 A £212k underspend is projected. This has arisen, in part, from the level of balances being higher than anticipated, due to Equal Pay and Job Evaluation payments being sent out later than anticipated at the start of the financial year. This has resulted in investment income being higher than projected. Other contributory factors include reductions in statutory provisions for principal repayments, following the closure and audit of the 2008/09 accounts.

Housing Revenue Account (£917k underspend)

- 3.33 The majority of the savings are due to salary reductions and associated mileage of some £600k as a result of unfilled vacancy posts, pay award readjustments and long term sickness absences.
- 3.34 Further savings of £160k have also been realised on office costs and relocating Housing administration staff from Hawtin Park to Ty Pontllanfraith and Tiryberth during the year.
- 3.35 Response (including voids) and Planned repairs are currently projecting a £230k underspend which is mostly attributable to the Planned element of the budget where works have been packaged and planned to achieve economies of scale.
- 3.36 Offsetting the above savings are a predicted overspend on voids of £114k.

DLO/DSO Trading Accounts

- 3.37 The Refuse and Cleaning DSO is presently reporting a healthy trading surplus of £488k, this however is likely to reduce due to the need to invest in new vehicles and also costs associated with enhanced street cleansing and delivery of food caddies, but the surplus could still be £330k by financial year end.
- 3.38 The Vehicle Maintenance DSO is showing a trading loss of £48k to November, compared to a £38k loss the same period last year, however this years loss does include a £31k contract efficiency saving to meet budget efficiency savings. The year -end position will depend greatly on the throughput of work into the workshops and on the levels of sickness absence. The financial position will be monitored closely.
- 3.39 The Ground Maintenance DSO is reporting a trading loss of £195k to November, this compares to a surplus of £48k this time last year, however, the trading position this year includes an additional contract efficiency saving of £136k (£204k full year) allocated as part of the budget efficiency savings approved at the start of the year. The DSO is actively seeking to identify additional areas of work to generate income. Additional work has been identified in relation to gateways to the County Borough, back lanes, knotweed control, rural boundaries, landscaping works at Trehir Tip and other landscaping schemes. These will assist in improving the financial position by the year end, when an estimated loss of £45k is projected.
- 3.40 The Building Cleaning DSO is reporting a small trading loss of £48k this year compared to a profit of £36k last year at the same period. However, the Building Cleaning DSO has experienced a significant increase in staffing costs this year as a result of job evaluation and this accounts for the trading loss reported to date. The DSO will receive additional funding to finance most of the job evaluation costs and therefore it is still anticipated that the DSO will be able to generate a trading surplus by the year- end, estimated at £12k.
- 3.41 The Building Maintenance DLO is reporting a small trading surplus of £43k to October compared to a profit of £216k for the same period last year. The deterioration in the financial position is mainly due to a reduction in work and income to date. Workload and income of the

DLO is expected to increase, as there are a number of contracts being finalised and there will be an increase in school- based work. The financial position should therefore improve later in the year, where a small surplus of £43k is expected.

- 3.42 Network Contracting Services is reporting a trading loss of £288k to November, compared to a trading surplus of £167k to the same period last year. However, the trading position this year does include a contract efficiency charge of £115k applied to the DLO as part of the identified budget efficiency savings and also a charge or “claw back” from NCS trading account (£200k full year) to reflect the anticipated reduction in pay costs for NCS staff resulting from job evaluation. For the financial position to improve there is a need for increases in workload and income generation and an improvement in workforce productivity. Work in relation to the severe weather conditions in December and January will generate additional income, but a large proportion of this, will have simply replaced general road maintenance work that could not be undertaken in the conditions. Salary levels for NCS staff under job evaluation have reduced fairly significantly compared to total wage payments under the previous priced work scheme, but this has had a negative impact on workforce productivity. In addition, the new job evaluated basic salary for NCS staff is greater than the previous basic wage, basic pay is earned irrespective of productivity, so this is also impacting on productivity. At this stage it is estimated that the loss is likely to continue at current levels to financial year end.

Council Tax (£400k surplus)

- 3.43 It is estimated that Council Tax recovery rates will be higher than anticipated in 2009/10. A surplus of £400k is estimated.

4. PERSONNEL IMPLICATIONS

- 4.1 There are none at this time although it is recognised actions will need to be taken to ensure that the Authority delivers a balanced budget.

5. CONSULTATIONS

- 5.1 There are no consultation responses which have not been reflected in this report.

6. RECOMMENDATIONS

- 6.1 It is recommended that Directors review expenditure and income trends in order to ensure annual budgets are achieved.

7. REASONS FOR THE RECOMMENDATIONS

- 7.1 The Council budget is based upon the achievement of both expenditure targets and income targets. In order to ensure these are met and the Council’s financial integrity maintained Directors are required to review expenditure and income trends.

8. STATUTORY POWER

- 8.1 Local Government Act 1972 and 2000.

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Consultees:

- S. Rosser, Chief Executive
- Cllr C. Mann, Deputy Leader/Policy & Resources
- Councillor J. Taylor, Chair – Policy & Resources Scrutiny Committee
- Councillor M.E. Sargent, Vice-Chair – Policy & Resources Scrutiny Committee
- N. Barnett, Director of Corporate Services
- S. Aspinall, Director of Education & Leisure
- A. Heaney, Director of Social Services
- A. O’Sullivan, Director of the Environment
- S. Grant, Finance Manager, Corporate Services
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Background Papers:

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