

**POLICY AND RESOURCES SCRUTINY COMMITTEE –  
25TH JANUARY 2011**

**SUBJECT: WHOLE AUTHORITY BUDGET MONITORING 2010-2011**

**REPORT BY: DEPUTY CHIEF EXECUTIVE**

**1. PURPOSE OF REPORT**

1.1 This report provides information on the position of the whole authority in respect of budget monitoring for 2010-11. 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 8 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. Members need to take into account that the underspends are in most cases advanced savings as part of the Medium Term Financial Plan and Budget Strategy agreed by Council in February 2010.

In summary the total projected savings/underspends for the Authority for 2010/11 is estimated to be £6.2m.

	<b>2010-11 Original Estimate</b>	<b>2010-11 Revised Estimate</b>	<b>2010-11 Anticipated Outturn (Underspend)</b>	<b>Overspend/ Underspend</b>
Education	123,420	123,289	121,630	(1,659)
Leisure	13,502	13,502	13,166	(336)
Social Services	70,978	70,978	70,207	(771)
Planning	3,242	3,284	3,534	250
Engineering	14,752	15,799	15,924	125
Environment Directors Office	(347)	(274)	(274)	0
Public Protection	3,908	3,948	3,928	(20)
Public Services	18,596	18,696	17,984	(712)
Building Consultancy	21	10	(13)	(23)
Private Sector Housing	604	604	601	(3)

General Fund Housing	714	725	655	(70)
Economic Development & Tourism	2,125	2,125	2,125	0
Performance & Policy	4,096	4,066	4,066	(0)
Corporate Services	15,998	15,998	15,621	(377)
Miscellaneous Finance	45,034	44,231	42,248	(1,983)
DLO/DSO Efficiency Savings	(658)	(658)	(526)	132
Council Tax Surplus	0	0	(750)	(750)
Use of Earmarked Reserves	0	(339)	(339)	0
<b>Total Controllable Budget</b>	<b>315,986</b>	<b>315,986</b>	<b>309,787</b>	<b>(6,199)</b>

### **Education (£1659k savings)**

3.2 The Education & Leisure net planned saving for the year amounts to £1,995k, which is in line with the Directorates Medium Term Financial Plan.

3.3 The details of the significant variances for Education are as follows:

	£'000 under/(over)
Planning & Strategy	
(a) Home to School/College Transport	279
(b) Administration	195
(c) Other	262
Learning, Education & Inclusion	
(d) Looked After Children – Out of County	(113)
(e) Additional Support (Primary & Secondary)	722
(f) WAG Better School Fund (BSF)	134
(g) Other	180
<b>Total Variance</b>	<b><u>1,659</u></b>

(a) In respect of Home to School/College Transport there was some uncertainty in the early part of the year with regards to the 209 contracts which were out to tender for the start of the new Academic Year in September. It is recognised that this budget can be quite volatile with additional transport requests in year, and similarly contracts ending at short notice. Based on actual expenditure to the end of October and current contracts a budget saving of £279k is currently projected.

(b) The Administration saving is predominantly due to two senior vacancies within the division (£92k), a vacant Secretarial post (£25k) and additional income generated of £30k. There are currently no plans to fill these posts, this is in line with the Authority's vacancy management measures to support the Medium Term Financial Plan. In addition there is an estimated saving of £33k against general supplies & services spend.

(d) Last year it was reported that Education had seen an increase in the number and costs for Looked After Children – Out of County. This projected overspend of £113k is based on current numbers plus an estimate of children that could come through in the later part of the year. The projection has reduced in year, with a couple of children having left this provision. The overspend is currently projected to be offset by a £221k saving on SEN Out of County Placements. This variance is the consequence of a number of high cost children leaving the provision this summer, however there remains uncertainty with regards to any potential new placements.

- (e) The additional support budget that centrally funds non-teaching support for specific pupils (in primary & secondary) with exceptional special needs, in mainstream schools, is currently projecting a net saving of £722k. It is important to point out that this variance includes a one off saving of £200k which is not recurring. This projection is based on actual expenditure to date and current support levels in place in the Autumn Term. This projection follows a significant amount of work in recent years through the monthly panel meetings, which monitor both new and existing support and a number of early intervention measures. The variance to budget is a direct consequence of the measures instigated and was evidenced in both 2008-09 and 2009-10. This forms a significant element of the Directorates Medium Term Financial Planning Strategy.
- (f) There is a budget saving of £134k with regards to the WAG Better School Fund (BSF) Grant. This is the consequence of a greater than anticipated reduction in the 2010-11 grant awarded to the Authority. This grant is matched funded (40%) by the Authority and the reduced award has resulted in this reduced budget requirement.

### **Leisure (£336k savings)**

3.4 The details of the most significant variances within Leisure are as follows:

Leisure	£'000 under/(over)
(a) Leisure Centres	248
(b) Vacancies	67
(c) Other	21
<b>Total Variance</b>	<b><u>336</u></b>

- (a) The significant variance relates primarily to energy costs (£200k+) for the Authority's Leisure Centres. In addition there is a £57k saving in relation to NNDR revaluations made on the Joint Use Leisure sites, this is an on-going saving.

Vacancies within the Community Centres (£32k) and Libraries (£35k) budgets have arisen in year, there are no plans to fill these posts and again this forms part of the Directorates budgeted savings moving forward.

### **Social Services (£771k underspend/savings)**

#### **Children's Services (£565k underspend)**

3.5 The most significant area of projected underspend for the Children's Services Division is in Management, Fieldwork & Administration (£363k) and this is due to ongoing vacancies in the Division. There is a projected underspend of £39k on placement budgets, which includes a contingency of £168k for potential additional placement costs based on a review of previous years expenditure patterns. Placement budgets are highly volatile and if this contingency is not required in the coming months then the projected underspend for the Division will increase. The net position on other Children's Services budgets is a projected underspend of £163k, £91k of which is a one-off reduction in contributions to the Youth Offending Service.

#### **Adult Services (£65k underspend)**

3.6 There are a number of variations across Adult Services budgets but the net position is a projected underspend of £65k. Within Management, Fieldwork & Administration there is a projected underspend of £219k, which is due to a number of vacancies across the Division. Own Residential Care is projected to underspend by £382k, much of which is due to part-year savings arising from the closure of Ty Darran Residential Home. External Residential Care is projected to overspend by £557k, which is due to an increase in EMI placements and cost

pressures around Learning Disability placements. Home Assistance and Reablement (HART) is projected to underspend by £385k, which reflects full-year savings arising from a tendering exercise undertaken in Autumn 2009. Other Domiciliary Care budgets are projected to overspend by £399k, the most significant element of which is in Supported Living, which will be subject to a tendering exercise in the near future. The net position for other Adult Services budgets is a projected underspend of £35k.

#### **Resourcing and Performance (£141k underspend)**

- 3.7 The projected position for the Resourcing & Performance Division is an underspend of £141k. Within Management & Administration there is a projected underspend of £153k, which reflects vacancies across a number of Teams in the Division and savings arising from the redeployment of Office Services staff as a consequence of agreed office accommodation moves. The net position on other Resourcing & Performance budgets is a projected overspend of £12k.

#### **Planning (£250k overspend)**

- 3.8 Planning Services' original budget for 2010/11 included an amount of £100k as "unidentified savings". The latest estimate is that the Division will be overspent by £250k at year-end, i.e. the situation has deteriorated by £150k since the start of the financial year.
- 3.9 The main reason for the budget overspend, is a continuing shortfall in Planning Fee and Building Control fee income, which are both dependent on the number of applications received and have both been affected adversely by the economic recession. The budget for Planning Application fees was set at £520k in 2010/11 (reduced from £720k in 2008/09) but at present it is anticipated that the outturn will be £400k, £120k less than budget. Building Control fee income was set at £252.5k (£377.4k in 2008/2009) with an additional budget of £50k for other fee income mainly in relation to energy performance certificates (EPC's). Building control fee income is presently projected to be £200k, £52.5k less than budget and other fee income £35k, £15k less than budget. New Regulations have operated from 1st October 2010 and the level of fee income received under these new regulations will be monitored closely.

#### **Engineering Division (£125k overspend)**

- 3.10 The original 2010/2011 highways infrastructure/ roads maintenance budget of £7,157million has been increased by a further £900k following the Cabinet report on 20th July 2010, which identified a need for additional one- off funding to address the deterioration in the Council's road network caused by the severe winter weather. Expenditure is presently projected to be close to this revised budget, although the cost of this year's winter weather will be closely monitored as this will impact on the overall position. Street Lighting expenditure is expected to be £25k below the budget of £2.698million.
- 3.11 The Engineering Division's salaries budget of £3,384million has been reduced by £23k due to allocated vacancy management efficiency savings and is presently on budget.
- 3.12 Supervision fee income receivable under the Highways Act (Section 38 and other agreements) is likely to be £45k short of budget (£165k). This is a consequence of the economic slowdown and the downturn in the construction industry similar to the problems faced by Planning Division.
- 3.13 Car park charges at present are projected to be £80k below the £645.9k budget. Free Christmas car parking and the increase in VAT to 20% from 1st January 2011 will impact on the level of income received.

- 3.14 Public Transport costs are expected to be marginally (£25k) in excess of budget at £1.268m.

**Directors General (Balanced)**

- 3.15 Budget savings were allocated to service divisions at the start of the year, including £206k of savings in relation to vacancy management, equal to a reduction in 8 staffing posts. A further £349k of budget efficiency savings were held at a strategic Directorate level to be allocated to service areas as additional budget saving initiatives were identified. Additional savings of £73k have now been identified, equivalent to a further 2 staff posts.

**Public Protection (£20k underspend)**

- 3.16 Environmental Health Group shows a projected over spend of £4k. There is additional expenditure primarily in relation to external consultancy costs on contaminated land schemes and extra Health Improvement projects, but Welsh Assembly grants of £109k have been secured in relation to contaminated land schemes and additional Health Board funding of £5k has been approved for Health Improvement to fund first aid initiatives.
- 3.17 The budget figures for Environmental Health also include a £40k contribution from the community assets fund for 2010/2011 towards the continued employment of two Enforcement Officers and additional £30k has recently been approved by Cabinet, for the purchase of Air Quality monitoring equipment for Pollution Group. This additional money is to be funded from Directorate under spends. The Environmental Health salary budget shows a projected under spend of £35k due to vacancy management to date, although this may need to be reviewed when the outcome of Health Board funding review of some grants are known, later in the year.
- 3.18 The Community Safety group is anticipating an under spend of £24k at year-end and the Trading Standards/Licensing group are anticipating a balanced budget for 2010/2011. There remains some uncertainty over the expected income from Street Trading Consents, any shortfall however would be offset by savings in other areas of the budget.

**Public Services (£712k underspend)**

- 3.19 The Public Services Division is presently projecting an under spend of £712k on a revised budget of £18.6 million.
- 3.20 The street cleansing service is presently projecting an overspend, of £232k and this is due to increased operating costs including the transfer of staff from other functions such as bulky waste collection and the need to invest in additional vehicles.
- 3.21 Commercial waste collection and disposal is projecting an under spend of £131k due to a combination of increased income and reduced costs.
- 3.22 The collection of residual waste from households and disposal of the waste to landfill is projecting an under spend of £523k, including a £366k under spend in landfill disposal. This is due to a significant reduction in volume of residual waste being collected and sent to landfill. The reduction is a reflection of the significant success the Authority has achieved in increasing recycling, combined with reductions in municipal waste generally, due to the present economic climate. Caerphilly County Borough Council now has the highest recycling rates in Wales. It should be noted that although the residual waste collection and disposal service is currently under spending, longer term (2015 onwards) there will be a need for the existing budget and likely additional budget to finance the Prosiect Gwyrdd treatment facility, which in turn will ensure the Authority meets its EU and WAG landfill diversion targets.
- 3.23 The collection and treatment of recyclable waste, including dry recycled, food and green waste, the collection of bulky waste and the operation of civic amenity sites is projecting an under spend of £281k. The present under spend is primarily due to operating costs being less than anticipated especially in relation to bulky waste, a less than anticipated requirement for

additional/replacement recycling bin's and caddies and marketing exercises. There is an over spend on organics treatment of £65k due to the success of the organics recycling and overspend on civic amenity sites. The recycling collection services are being regularly reviewed however, as there will be a need for further vehicle acquisitions later this year and a need to undertake some household survey/marketing work, which will reduce the level of under spend.

- 3.24 Cemeteries is presently reporting £48k under spend mainly due to an increase in cemeteries fees and charges income and a reduction in operating costs. Ground Maintenance and Parks Services at present are projecting a small overspend of £11k. Budgets in relation to highways and housing ground maintenance, play grounds, parks and outdoor facilities are being monitored closely.

#### **Building Consultancy (£23k underspend)**

- 3.25 Building Consultancy Group is wholly dependent on the generation of fee income from Client Directorates to balance its budget. At the beginning of the financial year, Building Consultancy was showing fee income of £1.48m provisionally identified for 2010/2011, with additional fees of £320k needed to balance the budget.
- 3.26 Latest figures for Building Consultancy Group show additional fee income of £240k agreed with clients to date, in particular new schools projects with Education. Projected savings on salaries of £88k, due to vacancy management and a reduction in projected agency/consultancy costs of £15k, means that Building Consultancy are currently projecting an underspend of £23k.

#### **Private Sector Housing (£3k underspend)**

- 3.27 There are no major issues with Private Housing at this time. A small surplus is expected on salaries. Agency income is assumed to be on target at this stage.

#### **General Fund Housing (£71k underspend)**

- 3.28 The majority of this under spend is attributable to salary savings on standby for the Housing Advice Team and a reduction in HRA recharges due to unfilled and vacant posts within the HRA.
- 3.29 Members will be aware of the current situation regarding the intention to ballot tenants to transfer housing stock. The costs associated with the pre and post ballot (e.g. Lead consultant, legal advisor, backfilled posts in the project team, tenant advisor etc) will be met from the Welsh Assembly Government (subject to Grant terms and conditions). General Fund Housing will initially hold the costs until such time as the Welsh Assembly Government can reimburse the Authority. This could take up to 2 years or longer and the costs will therefore remain with the Authority until that time. There are minimal costs at this stage, but it is intended to keep these costs separate from the General Fund Housing function for financial reporting and budgeting purposes.

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

- 3.30 Economic Development currently has produced a balanced budget with no use of reserves which is a significant improvement on 2009/10. The introduction of a net £40k car park income budget at Cwmcarn will need to be monitored, to ensure that it is deliverable. Currently the estimate for Llancaiach Fawr income is £27k below the target.

#### **Performance and Policy (Nil after planned use of reserves)**

- 3.31 The original budget for Performance & Policy anticipated the use of some £49k from reserves in order to deal with budget constraints facing the service area. The current projection

indicates a reduction in that requirement to some £6k after taking account of the transfer to the Election Reserve.

### **Corporate Services (£377k savings)**

- 3.32 An anticipated underspend of £377k is projected. The main variances are:-
- 3.33 Legal Services (£99k overspend) - there is still some uncertainty in respect of Legal Services particularly income levels for land charges and search fees.
- 3.34 Information, Communications, Technology & Property Services currently predict a saving due to £247k of Customer First vacancy savings and £129k energy savings on corporate buildings, £129k vacancy savings on Communications offset by a £22k overspend on Central Services.

### **Miscellaneous Finance (£2072k saving)**

#### **Treasury Management**

- 3.35 Despite the level of balances being higher than anticipated, the fact that the interest rate achieved is lower than that assumed in the budget is likely to result in an interest shortfall of some £94k on short-term deposits. The reduced interest rate has resulted in reducing the interest payable to specific funds resulting in a projected saving of £17k. As a result of the premature repayment of PWLB loans in late February 2010, and the use of internal borrowing to fund this debt of £21m, interest payable on external debt will reduce by some £825k, which, together with the amount of discount achieved and applied to Revenue in 2010/2011 of £124k, will result in an anticipated net saving of some £872k.

#### **Pay Award**

- 3.36 The contingency set aside for the pay award for 2010/11 will not be required. This will generate a saving of £1.1m.

### **Housing Revenue Account (£1,800k underspend)**

- 3.37 The HRA is currently projected to underspend by £1.8 million compared to its Original Budget. This will be monitored closely throughout the year. Any under spend realised will be targeted at WHQS type works. The main in year variances include:
- Salaries & Mileage (£740k under spend): Salaries within the HRA are expected to generate savings of some £740k, which represents almost 12% of the total salary budget. There are a variety of reasons for this given the volume of staff, but the main causes are non-filling of vacant posts (£560k), pay award of 1% built into the budget that is now required (£64k) and other assumed savings such as long term sickness (£115k) based on staffing payments to date.
  - Void Rent Loss (£114k underspend). The loss in dwelling rent due to voids is predicting a £130k under spend at this time due to a reduction in properties becoming void. A decrease in voids is also expected in Ty Croeso Hostel of some £24k due to an increase of families requiring emergency housing compared to last year. Garage voids are however expected to show an increase of £40k due to the 50% rental increase being applied this year. Overall however, the additional income generated from the rent increase outweighs the additional void cost by almost £100k.
  - Building Maintenance (net £815k under spend) The HRA is utilised to fund the maintenance of the public housing stock under a number of categories including Planned Maintenance, where there are no major issues, Planned Repairs where current levels of expenditure project an anticipated under spend of £500k, Void Works with an under spend

of £153k and Response Repairs with a current of £133k under spend. Both Housing and Building Maintenance managers work closely together throughout the year, and this will be monitored closely to try and minimise any adverse impact.

- Office Costs (£122k under spend). Office accommodation savings will be realised this year due to the Rents section relocating from Woodfieldside Business Park to Ty Pontllanfraith in August 2010. This will be in the region of £16k for a part year saving which includes a reduction in stationery and the Securitas cash collections. Tenancy Enforcement Team are also due to relocate from Ty Enterprise to Ty Pontllanfraith shortly with a further saving of around £6k as a part year saving. A full year saving for both relocations will be in the region of £43k. The majority of savings (£100k) are expected on other office costs such as stationery, photocopying, training and advertising, partly due to vacant posts.

### **DLO/DSO Trading Accounts (£(132k)net surplus/(deficit))**

- 3.38 The **Vehicle Maintenance DSO** is showing a trading loss of £67k to October, compared to a £29k loss the same period last year. Last year the DSO reported a year-end trading loss of £23k, which included a £31k contract efficiency saving, but the financial position still showed a significant improvement on the £128k trading loss in 2008/2009. The year-end position will depend greatly on the throughput of work into the workshops for the remainder of the financial year.
- 3.39 The **Ground Maintenance DSO** is reporting a trading loss of £147k to October, this compares to a loss of £243k this time last year. The trading position includes a contract efficiency charge of £130k (£223k full year) allocated as part of the budget efficiency savings approved at the start of the year. Overall income levels are £96k greater than last year. There is still work to be valued and invoiced, so an improvement in financial position is anticipated. The DSO does need to identify further areas of work in the coming months and reduce operational costs where ever possible, to reduce the risk of declaring trading losses.
- 3.40 **Building Cleaning DSO** is reporting a trading profit of £28k this year compared to a loss of £48k last year at the same period. The DSO continues to identify and expand new areas of work to assist in the financing operating and fixed overhead costs, although the DSO has lost contract work this year in relation to some schools.
- 3.41 The **Building Maintenance DLO** is reporting a trading loss of £216k this year to date compared to a loss of £277k for the same period last year. Workload and income of the DLO is expected to increase, and the financial position should therefore improve later in the year. The DLO needs to continue to undertake contract work which is either awarded or tendered, to supplement its core schedule of rate response repair work in order to maintain labour productivity, finance fixed overheads of the DLO and generate a minimum financial break even.
- 3.42 **Network Contracting Services** is reporting a trading profit of £270k for the first half year compared to a trading loss of £320k to the same period last year. The trading position includes a contract efficiency charge of £88k (£177k full year) applied to the DLO as part of the identified budget efficiency savings required by the Directorate. The value of work and income included in the trading account is £3.7million compared to £2.9million last year, which is partly the reason why the financial position has improved compared to this time last year. There have also been savings resulting from reduced sickness absence and reduced operational overheads at the depots.

### **Council Tax (£750k surplus)**

- 3.43 It is estimated that Council Tax recovery rates will be maintained at 2009/10 levels. Therefore a surplus of £750k 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 Members continue to request Directors and Heads of Service to 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, Members are required to review expenditure and income trends included in budget monitoring reports.

#### **8. STATUTORY POWER**

- 8.1 Local Government Act 1972 and 2000.

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Background Papers:

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