

**Report to:** CABINET

**Date:** 5<sup>th</sup> FEBRUARY 2009

**Subject:** REVENUE BUDGET MONITORING AND TREASURY  
MANAGEMENT REPORT - QUARTER 3

**Report of:** EXECUTIVE DIRECTOR OF BUSINESS SUPPORT  
SERVICES

**Contact officer:** A.TAYLOR EXT 2243

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**Purpose / summary:** To report progress on budgets against spending to the end of December 2008 and also to review the operation and exercise of delegated Treasury Management powers. This report covers the first nine months. In addition the report reviews the credit rating of the organisations with which the Authority can place its surplus funds.

**Alternative options considered and reason for selecting the one recommended:** No alternatives to reporting. This is essential best practice financial management.

**Recommendation / decision:** To note the report and the action being taken to contain spending within the agreed budgets where possible. To endorse the deletion of Newcastle, Chelsea, Skipton and Yorkshire building societies from the approved organisation's lending list. To set a group limit of £20m from the Lloyds Banking Group. To increase the investment limit from £2m to £5m. To note the action taken in regards to the Royal Bank of Scotland.

**Key Decision:** This report does not involve a key decision.

**Risks / Implications:**  
Financial: The adjusted variation to the end of the third quarter is £7.957m the prediction is that this will reduce to £3.945m by the end of the financial year. The key elements contributing towards the overall improvement are: Interest earned on balances and underspends on carry forward items such as Brighter Borough and

the IT Investment account. These reductions have been partly offset by additional service pressures on Adults and Childrens Social Care budgets.

Staffing: None identified within the report  
 Policy: Budget Framework  
 Equal Opportunities - Has a Diversity Impact Assessment been conducted? A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.  
 Wards affected: All

**Property Implications – Does the proposal involve a reduction, addition or change to the Council’s asset base or its occupation?**

No

**Does this proposal have significant implications for the Council and the local population?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

**Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council’s Constitution? **Yes**  
 Has the Service Director - Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council’s budget? **Yes**  
 Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

\* delete which applicable

**For Cabinet reports only :**

|                                     |          |             |          |
|-------------------------------------|----------|-------------|----------|
| Categorisation of the report:       | <b>X</b> |             | <b>X</b> |
|                                     |          |             |          |
| Discussion leading to a decision    |          | Discussion  |          |
| Monitoring                          | <b>X</b> | Decision    |          |
| Sharing for corporate understanding |          | Information |          |

**Tracking/Process:**

|       |                     |                 |          |
|-------|---------------------|-----------------|----------|
|       | Consultation        | Ward Members    | Partners |
|       |                     |                 |          |
| Panel | Overview & Scrutiny | Cabinet         | Council  |
|       |                     | 5 February 2009 |          |

There are no Background Papers to this Report within the meaning of Section 100D of the Local Government Act 1972.

Proper Officer D J SMITH  
 Date 26 January 2009

## **1. Introduction**

This is the third budget monitoring statement for the 2008/09 financial year and provides members with the spending position at the end of December 2008 together with a projected position to the year end. The report also includes the latest review of the Treasury Management arrangements for the authority.

Some of the savings that have been identified are attributable to the Support Service Review and the intention is for these to be ring fenced and to form part of the funding towards the planned redeployment of back office resources to frontline services. It is also best practice, under the Use of Resources framework, to identify Gershon cash releasing efficiencies within the reporting process.

## **2. Background**

In line with the required focus on high risk areas, reports on the Adults Services budget have been considered regularly by Cabinet during the year. A summary position up to December has been included in this aggregate report.

A summary of the overall budget monitoring position is included at Appendix A. This is at the highest possible level and has deliberately been structured around the information held on the Council's corporate budget and accounting ledger database (Agresso) to meet best practice requirements.

It should be noted that as some budgets are profiled to the end of the financial year it may only be at this time that potential under/over spends emerge. Therefore any variations in these items will not be reported until the outturn report.

Additional work has been undertaken during the last quarter to make improvements to the reporting process. Profiles have been amended wherever possible to reflect the correct timing of grant receipts etc and it is hoped that these timing differences will be kept to a minimum for future reports. In addition a subset of performance indicators has been identified and is included at Appendix C. Details of the impact of these performance indicators is included in the main body of the report, with additional emphasis on the linkage between performance and the financial data. Further work is ongoing to refine the subset of indicators included which will provide members with a clear indication of the Council's position in key areas.

Central Support recharges have been actioned and nine months charges are included within the figures now reported. It should be noted that a full year's depreciation has now been charged to the ledger and profiles adjusted accordingly.

The report now explains any changes made to the Original Estimate and analyses the major variations as set out in Appendix A together with details on the projected outturn position at the year end.

## **3. Original Budget 2008/09**

For audit trail purposes the original budget must be reconciled back to the approved estimates in the published budget booklet.

The Original Budget has been adjusted to include carried forward items of £5.699m which were approved by Cabinet on the 21<sup>st</sup> August 2008.

Members are reminded that the provision for pay awards made in the 2008/09 budget is 2% and an employer's offer of 2.45% would put approximately £0.650m on this year's pay bill. Members will be aware that an on account payment of the Employer's offer was made to employees before Christmas. This has been agreed as part of the arbitration process for the national negotiations which is still ongoing.

#### **4. Performance Indicators**

As discussed earlier an exercise has been undertaken to assess the most effective use of the new national set of performance indicators in the context of linking them to financial performance. The intention is to further refine those included in Appendix C, to provide members with timely and relevant financial and performance information, that strengthens the linkage between financial and performance data.

#### **5. Significant Variation(s) and Projection to year end**

##### **5.1) Adults Services Panel (Projected outturn overspend of £1.068m)**

The key variance remains the cost of Transition. Growth has been awarded in successive budget settlements, but there still remains some unfunded pressure. Some alternative services are being set up to try to mitigate some of these costs. The department has also instigated an embargo on non-essential expenditure to try to reduce the overspend further.

The changes to the Continuing Care regulations continue to have an impact. The effect of this is twofold. Firstly, where responsibility transfers to the PCT there is a saving to the Council, and secondly, where this transfer is backdated, the PCT is liable to reimburse the council for any fees incurred during this period. Additionally, where the clients concerned are covered by the dowry money, an adjustment is made to this so that the PCT do not pay twice for the same clients.

There is a net pressure of £0.044m in staffing costs, which includes the impact to date of the pay award over and above the 2% included in the budget. Whilst there are significant savings in salary budgets, partially due to delays in recruitment, these are slightly outweighed by overspends in Wages budgets, predominantly in Learning Disability SAS.

The numbers of people receiving a Direct Payment rather than a traditional service continue to rise even faster than anticipated, which is demonstrated by the rising NI130 score in the performance section below. Some of these costs are offset by savings within those traditional services, but is nevertheless a source of increasing budget pressure.

Appendix B shows the position across the service as at the end of December 2008.

In summary, the breakdown of the projected £1.068m overspend is as follows:

|                                  | <b>£m</b>           |
|----------------------------------|---------------------|
| Salaries and Agency staff        | -0.586              |
| Wages                            | 0.630               |
| Transition                       | 1.200               |
| Care costs/Income                |                     |
| ---- Residential/Day/Domiciliary | 0.010               |
| ---- Direct Payments             | 1.200               |
| ---- SAS Contracts               | 0.545               |
| Continuing Care                  | -1.860              |
| Housing Benefits                 | 0.120               |
| Supporting People Grant          | 0.150               |
| Spend Embargo                    | -0.100              |
| Other minor variations           | -0.241              |
| <b>Total Variation</b>           | <b><u>1.068</u></b> |

The department has instigated a freeze on non-essential expenditure to try to minimise this overspend.

### **Performance Information**

Appendix C contains performance information related to Adults Services. As explained above, the number of people receiving a direct payment continues to rise rapidly, in line with Government expectations.

Residential placements overall are showing a downward trend, as more people are supported to live in their own homes, and others are assessed as eligible for Continuing Care. There has been an increase, however, in the third quarter. A rise in numbers at this time of year is usual, and is partly as a result of a large number of hospital admissions following the cold weather in the latter part of the quarter.

Performance has dipped in respect of equipment and minor adaptations, which covers items of less than £1,000, this is partly due to delays with subcontractors.

### **5.2) Children & Young People Panel (Projected outturn overspend of £0.312m)**

#### **Social Care**

Current monitoring against profiled budget shows a variance to date of £0.929m, with the key variances being £1.071m overspend on Looked After Children, partially offset by underspends elsewhere, notably on pay.

The out-turn position for the Social Care element of the CYPS budget is estimated to be an overspend of £1.154m. This is made up as follows:

|                              | <b>£000's</b>       |
|------------------------------|---------------------|
| Looked After Children        | 1,432               |
| Staff Savings                | -323                |
| Non Staff Slippage - General | -182                |
| Public Law Fees              | 227                 |
| <b>Total</b>                 | <b><u>1,154</u></b> |

## Looked After Children

The predicted year end overspend reflected above is made up as follows:

|                                 | <b>£000's</b>      |
|---------------------------------|--------------------|
| Out of Borough Children's Homes | 992                |
| Fostering                       | 229                |
| Aftercare                       | 86                 |
| Direct Payments                 | 143                |
| Homecare / Adoption             | -18                |
| <b>Total</b>                    | <b><u>1432</u></b> |

Costs have increased significantly with regards to the Looked After Childrens Budget. This is as a result of an increase in the number of external placements. However work continues in negotiating discounts for many of our placements.

## Staff Savings

Although staff savings will accrue, the value is very difficult to predict accurately and assumptions have been taken regarding vacancies, based upon the best available information at this point in time.

Although there is an estimated net underspend on staff salaries of £0.323m, this figure includes an overspend on Children's Homes of £0.242m. A member of the Financial Services Team has been visiting each of the Children's Homes to gain an understanding of this problem and is working closely with management to try and resolve this matter.

## Public Law Fees

Due to the changes in the fee structure for care proceedings, increased fees have been incurred during the year. Against a total annual budget of £0.274m legal fees of £0.377m have already been incurred. It is likely therefore that the final year end position will be at least a £0.227m overspend. This issue has been addressed and extra funding has been built into the 2009/10 budget forecast.

## Education – Non School

The current monitoring position against the profiled budget shows an underspend of £0.913m. This reflects the steps taken by the department to maximise the use of grant and external funding to minimise the impact on the departments budget.

The out-turn position for the non school education element of the CYPS budget is estimated to be the following:

|                                    | <b>£000's</b>    |
|------------------------------------|------------------|
| Transport and Passenger Assistants | 356              |
| Redundancy Costs                   | -161             |
| Staff Slippage                     | -182             |
| <b>Total Education Non-School</b>  | <b><u>13</u></b> |

The estimated overspend on transport reflected above is based on the best available information and work undertaken to date on the impact of legislative changes in the area. In the case of redundancy, if further early retirements or redundancies are agreed between now and the end of the year, then this figure will change.

## **Summary**

Although the best estimate as at 31<sup>st</sup> December 2008 is an overall year end overspend of £0.312m, this includes £0.227m relating to Public Law Fees. The level of overspend as reported at quarter 2 has been significantly reduced as a result of steps taken by the department to maximise the use of grant and external funding (£0.855m).

## **Performance**

Appendix C lists progress against the agreed Local Area Agreement indicators for Children and Young People. Many of the high level outcome indicators for children and young people are only available annually, so in some cases quarter 3 data is not available. This includes the indicators on teenage conceptions and on obesity amongst primary age children.

The indicators are deliberately focussed on some of the most challenging areas of improvement for the Borough – and the latest performance shows that, while encouraging progress has been made in some elements, there is much to do if we are to realise the improvements intended. Performance to date suggests that the Borough was right to identify these areas of work in the LAA, and that we should continue to seek ways of directing resource – including funding – as effectively as possible to improve outcomes.

### **5.2.1 Schools Budget**

As the Schools Budget is fully grant funded, it has no impact on the General Fund and hence is excluded from the figures in this report. However, there is still a rigorous monitoring process taking place. Individual schools are required to submit termly statements on which they receive feedback, with particular attention being paid to those schools with high levels of balances. Centrally managed elements of the Schools Budget are also subject to monitoring and are currently expected to break even over the course of the year, with any overspend being a call on next year's allocation of Direct Schools Grant (DSG).

### **5.3) Community Protection Panel (Projected outturn underspend of - £0.271m)**

#### **5.3.1 Community Protection Panel Significant Variations**

At the end of the third quarter the management of vacant posts has produced savings on salaries of £0.475m in the Neighbourhood and Regeneration and Protection divisions. It is envisaged that this underspend will be reduced to £0.271m by year end given the shortfall in pest control income and a reduction in the recharge to capital projects. The remainder will be offset against an increase in committed expenditure.

**Disability Discrimination Act Expenditure** – after six months activity expenditure is around £0.080m lower than budgeted, this is expected to reduce to around £0.050m by 31<sup>st</sup> March 2009. Members have previously agreed that any underspend remaining on this activity at the year end should be carried forward.

### **Performance Information – Neighbourhoods**

The High Level Performance Indicators relating to Neighbourhoods which are reflected in the Local Area Agreement are :

- **National Indicator 5 - Overall satisfaction with local areas.**

The performance information for this indicator is compiled from the outcome of the Place Survey which takes place every other year. The survey was carried out in quarter 3 of the current financial year and the initial results will be available in February 2009. This can then be linked in with the prioritization of resources.

- **National Indicator 21 - Dealing with local concerns about anti-social behaviour and crime by the local council and police**
- **National Indicator 195 – Improved street and environmental cleanliness (levels of graffiti, litter detritus).**

These two indicators are measured annually and at present it is not possible to comment on overall performance against the primary targets identified or any additional subsets. The approved growth within the budgets for Environmental Initiatives and Neighbourhoods has contributed to the implementation of the Environmental Enforcement strategy which is having a positive impact on our performance against National Indicator 195.

### **5.3.2 Housing Revenue Account**

It is anticipated that the year end surplus on the HRA will increase from the budgeted figure of £4.4 million to £8.8 million. A re-phasing of £4.4 million of capital expenditure into future years has reduced the revenue contribution to capital required in 2008/09. The consequent saving engendered in this financial year will be utilised when required in future years.

In addition it is projected that dwelling rent income will exceed budget by £0.308m due to lower right to buy sales than envisaged and an improved performance in terms of reducing the length of time a property is void for. It is projected that efficiency savings generated by Wigan and Leigh Housing will enable a reduction of £0.100m on the ALMO Management fee payment. However it is also projected that there will be a reduced recharge to the capital programme of £0.190m due to the reduction in the number of properties sold and staff time spent directly on the capital programme. This reduced income will offset some of the savings identified above.

### **5.4) Environment Panel (Projected outturn overspend of £0.999m)**

**Street Lighting** – An overspend of £0.311m has been identified at the end of the third quarter, due to increased energy costs of £0.211m and maintenance expenditure committed earlier than profiled. By the year end the overspend is projected to increase to £0.355m, attributable in full to an increase in energy costs as

a result of a 40% increase in street lighting costs being incurred through the consortia agreement effective from the 1<sup>st</sup> November 2008.

**Parking Services** – At the end of the third quarter an under recovery of fines and fee income of £0.229m has contributed to an adverse variation of £0.096m. Measures have been taken to reduce expenditure by £0.133m to mitigate against this loss of income. However given the continued shortfall in income a net overspend of £0.130m is projected for the year end on this activity.

**Waste Disposal** – The first 9 months of the financial year has produced an underspend of £0.201m, mainly due to a reduction in the amount of Civic Amenity waste disposed of resulting in an underspend against budget of £0.152m. However given the additional resource of £0.209m required by the Waste Project team to complete the outline Business Case by the end of March 2009 and the Health and Safety work required at the Chanters site (Estimated at £0.065m) it is estimated that net expenditure will be in line with the approved budget by financial year end.

**Development Section Planning** –The first three quarters of the financial year has produced an overspend of £0.176m. The main contributory factor to this overspend is an under achievement of income on Planning Application fees (£0.273m) and Building Regulation Fees (£0.089m). This has been offset to some degree by the management of vacant posts producing savings of £0.108m. In addition a phased rent review has generated additional income of £0.101m from shops and industrial units.

Even though expenditure continues to be tightly controlled, given the current economic conditions it is projected that an overspend of £0.127m will remain at year end.

**Winter Maintenance** –The harsher winter conditions has required a higher incidence of gritting than in previous years resulting in an overspend at the end of December of £0.209m against profiled budget. It is anticipated that at year end the overspend will amount to £0.273m. Approval has previously been agreed at Finance Committee that any over spending due to severe weather conditions be charged to General Fund balances. (Finance Committee 12.06.1996 Minute 19)

**Rechargeable Works** – At the end of the third quarter there is an identifiable overspend of £0.113m, this mainly relates to expenditure incurred on repairing the damage to street furniture caused by road traffic accidents which can then not be subsequently recovered from a third party.

Whilst improvements have been made to the recovery process, the recovery of costs is dependent on receiving details of the parties involved as such it is still anticipated that there will be £0.150m of expenditure unrecoverable at the year end.

**Performance Information** – The High Level Performance Indicators relating to the services reported to Environment Panel are as follows

- **National Indicator 157 - Processing of planning applications as measured against targets for major, minor, other application targets.**

We are continuing to perform above the national targets in all three areas but are underperforming against our local targets which are set slightly higher than the national targets. This must be set against the overall reduction in the number of planning applications dealt with as demonstrated by the under recovery of income.

- **National Indicator 168 - Principal Roads where maintenance should be considered**
- **National Indicator 169 - Non-Principal roads where maintenance should be considered**

These are annual performance measures which will be reported at year end. Performance remains good and it is anticipated that we will hit the target of 5% for principal roads (compared with 5.4 in 07/08) and 3.5% for non-principal roads (compared with 4.05 in 07/08)

It is projected that highway maintenance spend will be in line with budget at year end.

- **National Indicator 191 - Residual Household Waste per head of population.**
- **National Indicator 192 - Household Waste recycled and composted**
- **National Indicator 193 - Municipal Waste land filled**

All of the above are annual indicators reported in arrears. However given the budgetary growth made available to invest in waste minimisation work and to expand the roll out of the kerbside collection of dry recyclables (glass, cans and plastics) it is anticipated that the targets for this year will be met.

#### **5.5) Audit, Governance & Improvement Review Committee (Projected outturn underspend of £4.590m)**

The Council's Corporate & Democratic Services, Chief Executive's Department and Business Support Services Department are reported to the Audit, Governance & Improvement Review Committee. The significant variations to these budgets after nine months activity are set out below:

**Business Support Department Salaries** – staffing vacancies across the Internal Audit, Accountancy, Benefits, Asset Management and IT sections of the Department have resulted in a saving of £1.051m during the first nine months of 2008/09. This situation has arisen due to a conscious decision not to fill many posts as they become vacant whilst the results of the support services review are being implemented. Some of these savings are likely to be off set by restructuring costs and the remainder will go towards the support services savings target. At this stage I anticipate that out of a full year Business Support salaries related budget of £23.7 million, around £1.2m will remain unspent at the year end.

**IT Investment Account** – expenditure is £1.4m lower than the budget after nine months activity. Around £0.7m is expected to remain unspent at the year end and, in accordance with the arrangements previously agreed by Members, will be carried forward.

**Manchester Airport Dividend** – due to its uncertainty the 2008/09 budget prudently contained no provision for a dividend payment from the Manchester Airport Group.

However a dividend has been declared resulting in the Council receiving £1.3m during the current financial year. It is anticipated that this additional income will remain at the year end.

**Central Repairs & Maintenance Fund** – after nine months activity expenditure is £0.657m less than the budget. It is anticipated that by the year end the expenditure incurred will be around £0.150m less than the available budget. This will be carried forward in accordance with the arrangements previously approved by Members.

**Reinvestment of Support Services Savings** – after nine months activity there is an underspend of £0.572m against the provision built into the 2008/09 budget to fund restructuring costs associated with the support services review. This is likely to increase to around £0.700m by the year end. As previously agreed we are looking to use this budget to fund the development of an Apprenticeship programme in line with the plan to move back office resources to the front line. This is anticipated to use the majority of this provision.

**Brighter Borough** – as at 31<sup>st</sup> December 2008 expenditure on this activity was £0.433m less than the budget. Based on the evidence of previous years, I would expect this to increase to around £0.500m by the year end which will be carried forward in accordance with the arrangements previously agreed by Members.

**Land Charges Income** – the sharp slow down in the housing market has resulted in land charge income being £0.240m less than expected after nine months activity. It is considered unlikely that the situation will improve significantly before 31<sup>st</sup> March and a year end shortfall of around £0.300m is therefore anticipated.

**Gershon Efficiencies** – the level of savings outlined above means that the Gershon efficiencies required to be generated by the services contained in the Audit, Governance & Improvement Review Committee budget are on target to be achieved during 2008/09.

Performance Information relating to this panel is contained within Appendix C.

## **5.6) Regeneration (Projected outturn overspend of £0.040m)**

### **5.6.1 Markets**

The first nine months of the financial year have proved to be a period of difficult trading for the markets. During this period income was around £0.072m less than anticipated due to higher than anticipated unit vacancies resulting from the current economic difficulties affecting the retail sector. Having identified this trend, markets management have taken steps to reduce markets expenditure wherever possible. So far this strategy has generated expenditure savings equal to the reduced income. However it is not considered practical to hold down expenditure at its current levels for the remainder of the financial year and at this stage it is anticipated that a net underachievement of income of £0.040m will remain at the year end.

### **5.6.2 Neighbourhood Renewal Fund (NRF) and regeneration funded projects**

Members will recall that owing to the Council's Excellent status we had the flexibility to carry forward any underspend from the previous year. As reported at quarter two part of the underspend reported (£0.182m) represented the residual balance of the sum carried forward from 2007/08. This has now been fully spent.

During 2008/09 funding has been agreed under the Working Neighbourhood Project and a revenue budget of £5.931m has been created.

Work is still ongoing to construct a project plan on the allocation of these resources. Expenditure has only recently begun to be incurred on the above scheme and a significant underspend is shown at the end of quarter three. It is also anticipated that there will be a significant underspend at the end of the financial year. However under the grant terms and conditions this underspend will be carried forward to meet the future planned commitments.

### **5.6.3 Leigh Sports Village (LSV)**

The Stadium was completed and all public facilities handed over to Leigh Sports Village Ltd in December 2008.

The revenue implications for the Council relate to the set up costs for Leigh Sports Village Ltd and the costs necessarily incurred in the preparation of the stadium. In addition running costs have been higher than anticipated including utility costs and a shortfall of income due to the delay in opening. The Council has also incurred revenue costs related to project management and site security of £0.118m

Financially the Company received initial funding from the Council of £0.200m to be paid from 2010/11. In addition a carry forward of an underspend of £0.135m was made available. No further subsidy will be required up to the end of the financial year. Further costs associated with LSV will be considered as part of the Medium Term Forecast, which is reported elsewhere on this agenda.

Clearly, the financial implications on the Council need to be carefully monitored and steps taken where possible to recover costs. A further report will be submitted in due course.

### **Performance Information – Economic Development**

The High Level Performance Indicators relating to Economic Performance which are reflected in the Local Area Agreement are:

- **National Indicator 151 - Overall employment rate**
- **National Indicator - 153 Working age people claiming out of work benefits in the worst performing neighbourhoods**
- **National Indicator: 163 - % of working age population qualified to at least level 2 or higher.**
- **National Indicator : 171 - VAT registration rate**

All of these are annual indicators and at present it is not possible to comment on overall performance against the primary targets identified or any additional subsets.

The main focus of work in this area is to address worklessness within the Borough and specifically activity to getting long term unemployed people into work that will impact on performance. A strategy document “What Makes Wigan Work” has been produced and approved through the Local Strategic Partnership defining the overarching framework for the delivery of the LAA targets relating to economy.

The strategy is being implemented through a partnership approach and has secured significant funding (£21m 2007-2010) from the Working Neighbourhood Fund which is being used to commission a range of services and activities that will deliver outputs that will contribute to improvements against the above Performance Indicators. The full impact of this funding has yet to filter through to the budget monitoring figures reported here.

Overall performance will be affected by the impact of the current downturn in the economic climate and we are now looking to develop the strategy so that more emphasis will be given to supporting those who have recently become unemployed and support for local businesses to help them stay in business.

## 5.7) DSOs

**The Refuse Collection DSO** – A deficit of £0.152m was returned during this period against a budgeted surplus of £0.034m resulting in an adverse variation of £0.186m. The 2008/09 budget was adjusted to reflect the savings of £0.691m identified in the Waste Collection Best Value Review. However delays in implementing the reduced number of collection rounds has meant that the identifiable efficiency saving of £0.216m could not be fully realised.

In addition the projected savings from the removal of the bonus in respect of phased protection has been unable to be fully realised. Given that the reduced number of rounds is now operational it is anticipated that the year end deficit will only marginally increase to £0.159m against a budgeted surplus of £ 0.035m.

**Highways DLO** – A deficit of £0.370m was returned during this period against a budgeted surplus of £0.008m resulting in an adverse variation of £0.378m . The deficit is in the main as a result of the increasing cost burden on materials such as tarmac meaning that in some instances previously agreed contract rates do not cover the cost of the job. An agreement is in place with the highway maintenance client to make available additional funding of £0.394m to address this issue. Given this adjustment it is anticipated that the DLO will be able to achieve a break even position by year end, however this still represents an adverse variation of £0.042m against the budgeted surplus.

**Metrofresh** – Indications are that the numbers of school meals are consistent with the budget and consequently that the school meals service will break even. There are no significant issues arising in MetroFresh's other areas of business so again, a break even position is expected.

## 5.8). Capital Charges and Asset Reversals

This area includes capital and notional asset charges which are budget neutral and have no impact upon the bottom line but there are also externally facing budgets contained within this area that relate to the Authority's cashflow such interest receivable and payable.

When the budget was set for 2008/09 a prudent view of interest rates was taken. The bank base rate has since dropped from 5.25% to 1.5%. However, as previously reported to Members the Authority continues to carry higher than expected cash balances as a result of the receipt of a number of capital grants in advance of spend, particularly on CYPs schemes such as the Abraham Guest Pathfinder Project.

In addition slippage in spending on the revenue budget and capital programme has had the effect of increasing cash balances.

The interest rates have now fallen and interest receipts on cash balances will start to fall. However it is currently expected that receipts from interest on cash balances will amount to £2.700m by the end of the year, which is £1.700m in excess of original budget expectations. Interest payments will also fall and this will also benefit the Council adding to the projected overall underspend of £1.700m in this area.

## 6. Treasury Management

### General Financial Market Conditions

The bank base rate began the year at 5.25% and has reduced on five occasions resulting in a current rate of 1.50%.

### External Investments

|             | <u>Total Transactions</u> | <u>Value</u> | <u>Investments Outstanding</u> |          | <u>Increase In Period</u> |
|-------------|---------------------------|--------------|--------------------------------|----------|---------------------------|
|             |                           |              | 31/3/08                        | 31/12/08 |                           |
|             |                           | £m           | £m                             | £m       | £m                        |
| Investments | 302                       | 989.91       | 44.7                           | 67.9     | 23.2                      |

### Prudential Indicators

The Prudential Indicators for the year remain unchanged.

### Performance of Investments

The average interest rate obtained on temporary investments is 5.35% which exceeds the published comparative 7 day notice bid rate as per the Financial Times by 0.93%.

### B.C.C.I.

A payment was received on 15<sup>th</sup> December 2008 for £70,615. The total of principal repayments received to date is £2,209,555 which results in receipts of £59,555 in excess of the original investment. It is possible that a further distribution will be made at some future date. The reason receipts are higher than the original investment is because of the dollar/pound exchange rate fluctuations.

### Credit Rating

Following the recent audit commission internal review on investment in Icelandic Banks, one of the recommendations was to consider an institutions Long Term Ratings in addition to Short Term Ratings, even though the investment would be for less than 1 year. It is therefore decided to included the comparison of Long Term Ratings for the institutions currently on the authorities lending list.

- (a) Four Building Societies have had their individual rating downgraded from B to B/C. As a result both our treasury advisors Sector and the Authority's own guidelines warrant the removal of these four institutions from the approved lending list. Nationwide has however been upgraded re. the support rating from 2 to 1, whilst the individual rating has deteriorated from A/B to B, but still remains within the criteria for investments.
- (b) The individual ratings for Barclays has been downgraded from A/B to B, Bank of Scotland long term rating downgraded from AA to AA -, individual rating from B to C, and Lloyds TSB long term rating downgraded from AA + to AA -. All three banks are still within the Council's guidelines to remain on the approved lending list.

In addition, the Royal Bank of Scotland individual rating has fallen to E, resulting in the rating not being within the authorities' guidelines for investment. However, as the bank is now 70% government owned, and although it is not now on Sectors list for investment purposes, they are reviewing the situation and will report shortly on whether to reinstate the bank onto their listings. I do not propose to withdraw the bank from the Authority's investment list at this time but will monitor the situation closely. However until the situation is clarified no funds will be placed with the Royal Bank of Scotland.

- (c) From the 19<sup>th</sup> January 2009, Bank of Scotland plc has become part of the enlarged Lloyds Banking Group. Both Bank of Scotland and Lloyds TSB Bank will each continue to operate in their own name. As a result I propose to set a group limit of £20.0m for the enlarged group.

## **Investments**

The investment limit with other local authorities has been reassessed and it is proposed to increase this limit from £2m to £5m for individual investments.

## **7. Gershon Efficiencies**

Members will recall that the forward looking efficiency statement was reported to Cabinet on the 2 October 2008. It was proposed that efficiency savings of £3.764m would be achieved during 2008/09 which meets with the new criteria. It should be noted that some of the information disclosed in this report can be classified as Gershon efficiencies.

## **8. Comparison between quarter 2 and quarter 3**

The net position reported for quarter 2 highlighted a £6,899m favourable variation. The position now reported for quarter 3 and now stands at £7,957m.

The high level summary below shows the change between the two reports.

|                                 | <b>Quarter2</b> | <b>Quarter3</b> | <b>Change</b> |
|---------------------------------|-----------------|-----------------|---------------|
|                                 | <b>£000</b>     | <b>£000</b>     | <b>£000</b>   |
| Adults                          | 620             | 630             | 10            |
| CYPS                            | 44              | 16              | -28           |
| Community Protection            | -403            | -498            | -95           |
| Environment                     | 601             | 1,459           | 858           |
| Audit, Governance & Improvement | -4,758          | -5,827          | -1,069        |
| Regeneration                    | -2,756          | -3,313          | -557          |
| DSO                             | 353             | 425             | 72            |
| Capital & Asset Charges         | -600            | -849            | -249          |
| <b>Total</b>                    | <b>-6,899</b>   | <b>-7,957</b>   | <b>-1,058</b> |

The significant items delivering the more favourable position include; savings on salaries across service divisions within Community Protection due to the management of vacancies. Lower than anticipated spend on the IT Investment Account. Savings on salaries and lower than anticipated restructuring costs on the Business Support Services Department. Working Neighbourhood Fund delays in project launch and interest earned on balances. This improved position is offset by increased costs on Streetlighting, Highway Maintenance and the increased costs in Looked After Children as a result of a significant rise in external placements.

### 8.1 Predicted variation to the year end

Members will recall that the first quarter budget monitoring identified a favourable saving to year end of £2.251m compared to the £3,945m now reported. The high level summary in the following table shows the change between the two reports.

|                                 | <b>Quarter2</b> | <b>Quarter3</b> | <b>Change</b> |
|---------------------------------|-----------------|-----------------|---------------|
|                                 | <b>£000</b>     | <b>£000</b>     | <b>£000</b>   |
| Adults                          | 1,120           | 1,068           | -52           |
| CYPS                            | 853             | 312             | -541          |
| Community Protection            | 15              | -271            | -286          |
| Environment                     | 561             | 999             | 438           |
| Audit, Governance & Improvement | -3,934          | -4,590          | -656          |
| Regeneration                    | 440             | 40              | -400          |
| DSO                             | 394             | 197             | -197          |
| Capital and Asset Charges       | -1,700          | -1,700          | 0             |
| <b>Total projected position</b> | <b>-2,251</b>   | <b>-3,945</b>   | <b>-1,594</b> |

The significant items accounting for the more favourable position now reported are as follows:

Savings on salaries within Community Protection and lower than anticipated restructuring costs in the Business Support Services Department. Increased underspend on the IT Investment Account, savings on the Brighter Borough Initiatives and additional predicted interest earned on balances.

Steps taken by the CYPS to maximise the use of grant and external funding to offset increased expenditure.

These are offset by increased costs on Street Lighting, Parking Services, Highways Maintenance and the increased costs in Looked After Children as a result of a significant rise in external placements.

The forecast of the £3.945m savings against budget includes a number of areas such as Brighter Borough and the IT Investment Account where there have been previous Cabinet approvals to automatically carry forward any underspends at the year end. It is currently predicted that these areas will record a £1.200m underspend by the end of the year

## **9. Balances**

As a result of finalising the outturn for 2007/08 the available balances at the 1<sup>st</sup> April 2008 stand at £25.898m. It should be noted that certain items are earmarked to be funded from balances:-

- £5.699m carry forwards into 2008/09,
- balances to support the 2008/09 Budget strategy of £1.247m.

However the capital programme third review has predicted a surplus of £0.250m which would increase balances.

After taking into account the above earmarked items and the surplus on the capital programme plus the predicted underspend as shown in Appendix A of £3.945m balances as at 31<sup>st</sup> March 2009 are forecast to be £23.147m. The overall level of balances will of course be considered as part of the Medium Term Forecast for the next three years.

## **10. Conclusion and Recommendations**

This budget monitoring statement is based on the first 9 months activity for the financial year. Where possible a prediction has been made to identify the position at the year end. Given that this is the third quarter more certainty may be attached to the figures.

### **Recommendation**

The Committee is requested to:

- (i) Note the budget monitoring position for the third quarter.
- (ii) The Committee is requested to agree the removal of Chelsea, Newcastle, Skipton and Yorkshire Building Societies from the approved organisations investment list.
- (iii) In addition, the investment limit for Local Authorities be increased from £2.0m to £5.0m per authority.
- (iv) To set a group limit of £20m for the Lloyds Banking Group which includes both Bank of Scotland and Lloyds TSB Bank.

- (v) Note action taken on Royal Bank of Scotland. The updated position if known will be reported verbally.

Summary Budget Monitoring Statement

APPENDIX A

Budget Monitoring Statement : April - December 2008

| Panel                                  | Restated<br>Original<br>Budget | Profiled<br>Budget<br>Period 1-9 | Spend<br>as per<br>Agresso<br>Period 1-9 | Adjusted for<br>other items | Total<br>adjusted<br>spend<br>Period 1-9 | Variation<br>Period 1-9 | Projected<br>Variation to<br>Year End<br>as at Period 6 | Projected<br>Variation to<br>Year End |
|--|--------------------------------|----------------------------------|--|-----------------------------|--|-------------------------|---|---------------------------------------|
|  | £000s                          | £000s                            | £000s                                    | £000s                       | £000s                                    | £000s                   | £000s   | £000s                                 |
| Adult Services                         | 67,671                         | 40,561                           | 47,754                                   | -6,563                      | 41,191                                   | 630                     | 1,120   | 1,068                                 |
| Children & Young People                | 54,942                         | 48,091                           | 32,017                                   | 16,090                      | 48,107                                   | 16                      | 853   | 312                                   |
| Community Protection                   | 7,621                          | -25,010                          | -26,125                                  | 617                         | -25,508                                  | -498                    | 15  | -271                                  |
| Environment                            | 41,831                         | 31,975                           | 32,653                                   | 781                         | 33,434                                   | 1,459                   | 561   | 999                                   |
| Audit, Governance & Improvement Review | 19,647                         | 22,359                           | 2,136                                    | 14,396                      | 16,532                                   | -5,827                  | -3,934  | -4,590                                |
| Regeneration                           | 21,063                         | 19,819                           | 16,924                                   | -418                        | 16,506                                   | -3,313                  | 440   | 40                                    |
| Passenger Transport Levy               | 18,895                         | 14,171                           | 14,171                                   |                             | 14,171                                   | 0                       | 0   | 0                                     |
| DSO Surpluses                          | -195                           | 258                              | 2,765                                    | -2,082                      | 683                                      | 425                     | 394   | 197                                   |
| Capital Charges & Asset Reversals      | 7,444                          | 21,157                           | -4,966                                   | 25,274                      | 20,308                                   | -849                    | -1,700  | -1,700                                |
| <b>Total</b>                           | <b>238,919</b>                 | <b>173,381</b>                   | <b>117,329</b>                           | <b>48,095</b>               | <b>165,424</b>                           | <b>-7,957</b>           | <b>-2,251</b>   | <b>-3,945</b>                         |
| Original Budget as per Budget Book     | 233,220                        |                                  |  |                             |  |                         |   |                                       |
| Approved Carry Forwards                | 5,699                          |                                  |  |                             |  |                         |   |                                       |
|  | <u>238,919</u>                 |                                  |  |                             |  |                         |   |                                       |

## DEPARTMENT OF ADULT SERVICES

| Adults Services<br>- Expenditure Analysis                   | 2008/09<br>Original<br>Budget | Actual to<br>date per<br>AGRESSO | All items<br>not on<br>AGRESSO | Estimated<br>Actual<br>To..date | Budget<br>To..date | Variance<br>To..date |
|---|-------------------------------|----------------------------------|--------------------------------|---------------------------------|--------------------|----------------------|
|   | £'000's                       | £'000's                          | £'000's                        | £'000's                         | £'000's            | £'000's              |
| Employee Costs  | 30,284                        | 22,753                           | 36                             | 22,789                          | 22,792             | -3                   |
| Premises Related Expenses                                   | 2,998                         | 1,732                            | 230                            | 1,961                           | 1,980              | -19                  |
| Transport Related Costs                                     | 1,334                         | 1,000                            | 0                              | 1,000                           | 952                | 48                   |
| Supplies & Other Expenses                                   | 8,162                         | 5,980                            | -66                            | 5,914                           | 4,916              | 998                  |
| Third Party Payments  | 56,113                        | 40,853                           | 2,083                          | 42,936                          | 42,087             | 849                  |
| <b>TOTAL CONTROLLABLE EXPENDITURE</b>                       | <b>98,891</b>                 | <b>72,318</b>                    | <b>2,283</b>                   | <b>74,600</b>                   | <b>72,727</b>      | <b>1,873</b>         |
| <b>TOTAL INCOME</b>   | <b>-49,307</b>                | <b>-27,461</b>                   | <b>-418</b>                    | <b>-27,875</b>                  | <b>-26,632</b>     | <b>-1,243</b>        |
| <b>TOTAL CONTROLLABLE BUDGET</b>                            | <b>49,584</b>                 | <b>44,857</b>                    | <b>1,865</b>                   | <b>46,725</b>                   | <b>46,095</b>      | <b>630</b>           |
| Support Services Total                                      | 18,128                        | 2,352                            | 10                             | 2,362                           | 2,361              | 1                    |
| Capital Charges Total                                       | 3,141                         | 213                              | 0                              | 213                             | 147                | 66                   |
| <b>TOTAL, NON CONTROLLABLE COSTS</b>                        | <b>21,269</b>                 | <b>2,565</b>                     | <b>10</b>                      | <b>2,575</b>                    | <b>2,508</b>       | <b>67</b>            |
| <b>NET BUDGET</b>   | <b>70,853</b>                 | <b>47,422</b>                    | <b>1,875</b>                   | <b>49,300</b>                   | <b>48,603</b>      | <b>697</b>           |
| Adults Services<br>- Divisional Analysis                    | 2008/09<br>Original<br>Budget | Actual to<br>date per<br>AGRESSO | All items<br>not on<br>AGRESSO | Estimated<br>Actual<br>To..date | Budget<br>To..date | Variance<br>To..date |
|   | £'000's                       | £'000's                          | £'000's                        | £'000's                         | £'000's            | £'000's              |
| <b>COMMISSIONING BUDGETS</b>                                |                               |                                  |                                |                                 |                    |                      |
| ELDERLY - FRAIL   | 14,388                        | 9,121                            | 468                            | 9,589                           | 10,318             | -729                 |
| ELDERLY - E M I   | 9,136                         | 6,623                            | 156                            | 6,779                           | 6,909              | -130                 |
| <b>SUB TOTAL, OVER 65</b>                                   | <b>23,524</b>                 | <b>15,744</b>                    | <b>624</b>                     | <b>16,368</b>                   | <b>17,227</b>      | <b>-859</b>          |
| UNDER 65'S - PHYSICAL DISABILITY                            | 5,737                         | 4,689                            | 435                            | 5,124                           | 4,342              | 782                  |
| UNDER65'S - LEARNING DISABILITY                             | 6,439                         | 4,856                            | 655                            | 5,511                           | 4,367              | 1,144                |
| UNDER 65'S - MENTAL HEALTH NEEDS                            | 4,817                         | 3,166                            | 256                            | 3,422                           | 3,543              | -121                 |
| UNDER 65'S - SUBSTANCE ABUSE                                | 149                           | 89                               | 0                              | 89                              | 111                | -22                  |
| <b>SUB TOTAL, UNDER 65</b>                                  | <b>17,142</b>                 | <b>12,800</b>                    | <b>1,346</b>                   | <b>14,146</b>                   | <b>12,363</b>      | <b>1,783</b>         |
| <b>ADULTS COMMISSIONING</b>                                 | <b>40,666</b>                 | <b>28,544</b>                    | <b>1,970</b>                   | <b>30,514</b>                   | <b>29,590</b>      | <b>924</b>           |
| <b>PROVIDER DIVISION</b>                                    |                               |                                  |                                |                                 |                    |                      |
| ELDERLY   | 968                           | 671                              | 0                              | 671                             | 680                | -9                   |
| PHYSICAL DISABILITY   | 1,028                         | 748                              | 1                              | 749                             | 747                | 2                    |
| LEARNING DISABILITY   | 9,260                         | 6,732                            | -47                            | 6,685                           | 6,736              | -51                  |
| E M I   | 1,015                         | 793                              | 1                              | 794                             | 731                | 63                   |
| MENTAL HEALTH NEEDS   | 214                           | 155                              | -4                             | 152                             | 111                | 41                   |
| HEALTHCARE / MEALS / TRANSPORT / MGMT<br>(Holding Accounts) | 470                           | 2,496                            | -62                            | 2,435                           | 2,677              | -242                 |
| METROLITE   | 157                           | 206                              | -78                            | 129                             | 101                | 28                   |
| <b>PROVIDER DIVISION</b>                                    | <b>13,112</b>                 | <b>11,801</b>                    | <b>-189</b>                    | <b>11,615</b>                   | <b>11,783</b>      | <b>-168</b>          |
| <b>OTHER ADULTS SERVICES IN PROVIDER</b>                    | <b>-424</b>                   | <b>164</b>                       | <b>24</b>                      | <b>189</b>                      | <b>209</b>         | <b>-20</b>           |
| <b>STRATEGY AND HOLDING ACCOUNTS</b>                        | <b>-3,770</b>                 | <b>4,348</b>                     | <b>60</b>                      | <b>4,407</b>                    | <b>4,513</b>       | <b>-106</b>          |
| <b>ADULTS TOTAL BUDGET--- CONTROLLABLE</b>                  | <b>49,584</b>                 | <b>44,857</b>                    | <b>1,865</b>                   | <b>46,725</b>                   | <b>46,095</b>      | <b>630</b>           |

Adults Services

| Description   | Qtr 1                       | Qtr 2                         | Qtr 3                              |
|---|-----------------------------|-------------------------------|------------------------------------|
| <b>NI 130 - Self Directed Support (Total people received by qtr end)</b>                                      | PI Value = 229 (535 people) | PI Value = 297.4 (699 people) | <b>PI Value = 341 (798 people)</b> |
| <b>Nursing &amp; Residential Placements for over 65's (Supported Residents at qtr end)</b>                    | 977                         | 977                           | <b>1010</b>                        |
| <b>Permanent Admissions to Nursing &amp; Residential Homes Over 65's Projected Value (Previously PAF C72)</b> | 78                          | 86                            | <b>84</b>                          |
| <b>Equipment &amp; Mini Minor Adaptations Delivered within 7 Days</b>   | 90%                         | 85%                           | <b>83%</b>                         |

(Projected from 30/11/08 data not 31/12/08 as considered more reliable)

(As at 30/11/08)

## CYPP/LAA Key Performance Measures for Children and Young People

| Key Performance Measure  | LAA | 2007-08 performance |               |  | 2008-09 Progress |                |   |
|--|-----|---------------------|---------------|--|------------------|----------------|---|
|  |     | Target              | Actual        |  | 2008/09 Target   | 2008-09 Latest | Comment   |
| NI 112 Percentage change in number of conceptions amongst 15 to 17 year olds | X   | 52.2<br>(-26.8%)    | 52.9<br>(-1%) |  | 46.4<br>(-13%)   |                | Data expected in Q4.  |
| NI 56 Obesity among primary school age children in Year 6                    | X   |                     | 16.9%         |  | 16.9%            |                | Data expected in Q4   |
| NI 60 Core Assessments completed within 35 working days                      | X   | 62%                 | 70%           |  | 75.1%            | 84.0%          | Considerable improvement to Q3, exceeding target  |
| NI 101 Children in Care achieving 5 or more GCSEs at A*-C                    | X   |                     | 0%            |  | 24%              | 14%            | Not yet meeting targets, but a significant improvement on recent performance.                             |
| NI 63 Children in Care Stability of Placements: length of placement          | X   | 73%                 | 73.5%         |  | 75%              | 67.9%          | After strong performance in Q1, Q2 dipped below target and Q3 declined further. Investigation in progress |
| NI 102a Achievement gap FSM KS2 (English and Maths)                          | X   |                     | 22%           |  | 18%              | 20.3%          | Continued improvement – was 28% in 2004 – but not yet meeting CYPP target.                                |
| NI 102b Achievement gap FSM KS4  | X   |                     | 26.1%         |  | 24%              | 32.6%          | Unexpected increase in 2008 gap. Urgent work in progress to identify causes/actions needed.               |

APPENDIX C

PERFORMANCE INFORMATION

| Key Performance Measure                                    | LAA | 2007-08 performance |         |    | 2008-09 Progress |                  |   |
|--|-----|---------------------|---------|----|------------------|------------------|---|
|  |     | Target              | Actual  |    | 2008/09 Target   | 2008-09 Latest   | Comment   |
| NI 111 First time entrants to youth justice system         | X   | -5%                 | - 12.9% | ★↓ | -15%             | - 5% (Quarter 1) | - 5% reduction when compared to Q1 2007/08. (There were 114 new entrants this quarter)                          |
| NI 110 Young people's participation in positive activities | X   |                     |         |    |                  | 64.8%            | Data from the Ofsted Tellus3 survey of Year 10 pupils. Wigan below national and North West averages.            |
| NI 117 NEET  | X   | 8.8%                | 8.16%   | ★↓ | 7.8%             | 10.1% at Q2      | Improved performance on Q2 2007-08. Target relates to Q4. Economic downturn likely to affect future performance |

**Audit Performance & Improvement Review Committee**

| Description  | 2008/09   | 2009/10<br>Target | Comments  |
|--|-----------|-------------------|---|
| <b>180. Changes in Housing Benefit / Council House Benefit – New Claims and Change Events</b>        | 18,781    | 20,418            | <b>Actual Performance well ahead of target as a result of resources being diverted to this area of activity</b> |
| <b>181. Time taken to process Housing Benefit / Council Tax Benefit New Claims and Change Events</b> | 22.0 days | 22.4 days         | <b>Actual Performance slightly behind target due to increased claims due to the economic downturn</b>           |