

REPORT TO CABINET

Title: **SERVICE MONITORING REPORT**

Date: 26 August 2010

Member Reporting: Councillor Kellaway

Contact Officer(s): Andrew Brooker, Head of Finance, x6341

Wards affected: All

1. SUMMARY

- 1.1 This report is designed to update members on any significant service monitoring issues.
- 1.2 There are some additional budget pressures emerging within Adult Services but officers within all Directorates have been charged with bringing proposals to cabinet in September that address both 2010-11 overspends and the challenges outlined in the Medium Term Financial Plan for 2011-12.
- 1.3 The report addresses the latest set of capital grant reductions announced as part of the coalition Governments Emergency Budget announcements and alerts Cabinet to some of the issues raised by the Department for Communities and Local Governments consultation on changes to the methodology used to distribute Formula Grant

2. RECOMMENDATION

- 2.1 **That the Strategic Directors, in consultation with Lead Members, bring proposals to Cabinet in September to address the predicted overspend.**

What will be different for residents as a result of this decision?
The Council is responsible for ensuring that it has put in place the proper arrangements to secure effective use of its resources. If the management of services and their budgets are not regularly reviewed, then support for residents could be adversely affected. This report outlines a change in process which attempts to bring greater focus to that reporting. The report also outlines some of the emerging issues to be addressed over the coming months.

3. SUPPORTING INFORMATION

Background

- 3.1 This report provides officers with the opportunity to highlight any significant changes highlighted from their service monitoring activity from the position reported in the detailed quarterly report to July Cabinet.

- 3.2 The Director of Environmental Services has identified a number of measures, notably freezing a series of vacant posts, designed to reduce expenditure. Discussions are taking place with the major contractors to identify ways of further reducing service costs.
- 3.3 The Director of Adult Services reports an increase in the number of people eligible for Council support who require expensive residential care. To offset this pressure, existing high cost residential placements are being reviewed as to their appropriateness in meeting assessed need, and as to whether alternative funding could be available.
- 3.4 The Director of Children's Services has commissioned two reports designed to understand and manage the significant increases in the costs of looking after vulnerable children. Whilst it is unlikely that these reports will identify measures that have an impact in the current financial year it is anticipated that they will start reducing expenditure in 2011-12. The second of these reports has been commissioned from KPMG who will carry out the work within their current Audit Fee
- 3.5 Officers in all Directorates have been asked to identify and document measures required to bring this level of expenditure back to the approved budget.
- 3.6 It is anticipated that a report will be available for September Cabinet with proposals designed to address 2011/12 savings and, at the same time, this years additional expenditure.

Emergency Budget

- 3.7 Details of the Coalition Governments Emergency Budget measures are still be revealed. The capital grant reductions reported to Cabinet last month will be addressed by:
- The Playbuilder Scheme nationally has been put on hold pending further announcements. Schemes planned for Bisham, Holyport, Datchet and Wraysbury will not proceed at present.
 - Reductions in 14-19/SEN capital funding were considered by Cabinet last month as part of the Review of Capital for Secondary Schools report
 - Reductions in Harnessing Technology have been addressed by reducing the grant already devolved to schools and reprioritising other Children's Services grants to support the service, which delivers secure IT networks to schools and pupils, in the current financial year. A new SLA will be developed with schools for 2011-12 reflecting the removal of this grant.
 - The reduction in Youth Opportunity Fund will be managed by reprioritising projects within the Youth Service
 - The DfE has been seeking information regarding uncommitted sums, in particular those carried forward from previous years, on the Extended Schools and Sure Start programmes. Of the combined £1.5m available from these programmes only £50k has not been committed (contractually). The assumption to date is therefore that these funding streams are secure.

Capital

- 3.8 There are no significant variations to capital spend to be reported this month

Local Government Finance Formula Grant Distribution

- 3.6 On the 29th July the Department for Communities and Local Government published a consultation document which looked at a number of proposals designed to improve the allocation formula used to distribute formula grant. The document looks at:
- Adult Personal Social Services – compensation for low income levels (minimal change for RBWM)
 - Police – updating measures of Police workload and of local interest the way areas with higher densities of bars are resourced (potential for increase in £248.5m TVPA Grant of up to £3.3m depending on options adopted. TVPA currently loses funding under current damping so these additions may not materialise as additional grant)
 - Fire – updating data used to measure workloads based on past expenditure and risk as measured by household occupancy, schools absenteeism, numbers on low income etc. (potential for increase in £13m BFRA Fire Grant of up to £3.8m depending on options adopted, although much of this may be offset by damping as BFRA is below the floor)
 - Highway Maintenance includes the recommendation to remove day visitors from the measure of population which is important for the Borough (potential loss of £200k of Highway Maintenance element of Formula Grant)
 - Environmental Protective and Cultural Services – includes proposals to replace day visitor numbers with foreign visitor nights which again could be significant for the Borough (potential loss of £200k of EPCS element of Formula Grant)
 - Area Cost Adjustment, the measure used to reflect the cost of providing services in a particular geographical area has been reviewed. In particular the proportion of service delivery costs made up of labour costs. (potential loss of £500k of ACA element of Formula Grant)
 - Central Allocation – changes proposed to the scaling factor applied to central allocation to ensure total amount allocated equates to pot available range from a loss of £600k to a benefit £800k depending on option chosen
 - Damping - the paper discusses how rather than whether to apply floor damping, which is important given the level of damping which exists in the current formula distribution and the extent to which the majority of these proposals seem to move funds away from this area. The question posed is how close damping should be to the average level of grant change. Given a 25% reduction over 4 years in CLG funding (subject to CSR) we might expect average reduction to be 6.25%. The gap between average and floor has varied between 2.44% in 2003-4 to 1.45% in 2006-7. We might therefore anticipate something approaching an 8.25% reduction in formula grant in 2011/12 or £1.55m of the £18.8 m currently received. This damping would override changes in any of the individual factors above.

- Concessionary Travel – there are a number of options presented which discuss moving Concessionary Fares from the current specific grant into Formula Grant and shifting the historical funding from lower to upper tier authorities with the inevitable redistribution effect this change will have. These options suggest a potential increase in funding of £100k, which given it is a change of responsibility should come through the floor damping mechanism

Officers are currently considering the consultation document with a view to preparing a response for the Lead Member by the October deadline

Overall

- 3.7 The commentary above is reflected in Appendix A. Whilst budget management is always given a high profile in the Royal Borough current financial uncertainties increase the need for this to be the case. Reserves, including the Economic Contingency Reserve are currently projected to be £5.150m at year end, and whilst this is an acceptable level it is inevitable that unless strong focus on budget management is maintained these reserves will come under further pressure

OPTIONS AVAILABLE AND RISK ASSESSMENT

3.8 Options

This is a monitoring report so no decisions are required. The Budget Report that is due to be presented to Cabinet in September will address the measures being taken to contain expenditure within budget.

CONSULTATIONS CARRIED OUT

No consultation carried out for this monitoring report

4. COMMENTS FROM THE OVERVIEW AND SCRUTINY PANEL

The more detailed report to Cabinet in July was presented to Corporate Overview and Scrutiny on 17th August. Comments from that meeting will be reported verbally at meeting.

5. IMPLICATIONS

The following implications have been addressed where indicated below.

Financial	Legal	Human Rights Act	Planning	Sustainable Development	Diversity & Equality
✓	✓	N/A	N/A	N/A	N/A

Background Papers: Budget Report to Council February 2010

REVENUE BUDGET MONITORING STATEMENT

Appendix A

		2010/11		
SUMMARY		Budget	Approved Estimate	Projected Variance
		£000	£000	£000
Children's Services				
	Individual Schools Budget	69,823	73,106	()
	Central Schools Budget	9,338	6,624	289
	Dedicated Schools Grant	(79,541)	(80,120)	(288)
	Education & Childcare Services	2,369	2,470	60
	Families & Young People	4,402	4,386	5
	Safeguarding & Specialist Services	10,010	9,965	215
	Children's Services Management	959	988	()
	Total Children's Services	17,360	17,420	279
Adult & Community Services				
	Adult Social Care	29,109	29,110	144
	Specific Government Grants	0	0	0
	Housing	2,693	2,724	0
	Leisure Services	1,656	1,656	()
	Libraries, Information, Heritage & Arts	2,778	2,778	()
	Adult Management	208	208	0
	Total Adult & Community Services	36,443	36,475	144
Environmental Services				
	Highways & Engineering	4,777	4,767	(41)
	Streetcare & Operations	4,211	4,211	5
	Public Protection & Sustainability	10,187	10,198	230
	Asset Management	(1,026)	(1,026)	(175)
	Parking Services	(2,834)	(2,834)	200
	Corporate Management	260	260	(10)
	Total Environmental Services	15,575	15,576	209
Resources				
	Strategic Director of Resources	217	217	0
	HR	939	939	0
	Legal	801	801	0
	Finance	905	905	0
	ICT	2,866	2,866	0
	Commercial	651	921	0
	Procurement	194	194	0
	Customer & Business Services Group	4,243	4,243	()
	Resources Services	(909)	(919)	()
	Total Resources	9,907	10,167	0
Policy, Performance & Planning				
	Chief Executive Office	1,061	1,080	()
	Policy and Performance	2,643	2,634	0
	Planning Services	2,219	2,253	(101)
	Total Policy, Performance & Planning	5,923	5,967	(102)
	TOTAL EXPENDITURE	85,207	85,605	531
	Transfer from Earmarked Reserves	(16)	(16)	0
	Contribution from Development Fund	0	(271)	0
	VAT Claim	0	0	(85)
	Levies-			
	Environment Agency	130	130	0
	Capital Financing inc Interest Receipts	5,896	5,896	100
	NET REQUIREMENTS	91,217	91,344	546
	Less - Special Expenses	(1,063)	(1,063)	0
	Transfers (from)/to Area Based Grants		(31)	
	Transfer (from)/ to balances	0	(93)	(546)
	GROSS COUNCIL TAX REQUIREMENT	90,154	90,157	0
Working Balances		4,079	4,600	4,507
Transfers on balances carried forward from 2009-10		0	(120)	0
Other transfers (from)/to balances		0	27	(546)
		4,079	4,507	3,961