

FINANCIAL UPDATE - REMEDIAL ACTION PLANS

INTRODUCTION

1. On 16 August, Cabinet received a report on the Council's financial position at the Quarter One stage. The report highlighted that the Council faced emerging budget pressures totalling £13.6m. Cabinet was advised that a further report on remedial action plans would be brought to it in September.
2. This report therefore provides details of remedial actions identified by services with a view to minimising the forecast outturn overspending reported at Quarter One. Whilst this report concentrates on service actions, it should be noted that there is some scope for mitigation within centrally held provisions. For example, the £1.6m non-pay inflation contingency has not been allocated (although Members should note para 31 below which identifies a proposed call of £0.2m on this for Places). In addition an estimated £0.6m saving in interest payable should arise following the rescheduling of the Council's external debt. Other potential areas, for example capital financing and earmarked reserves, are also currently being reviewed.
3. At this early stage of the year figures quoted need to be treated with caution. Forecasts of spending and income, and the impacts of remedial measures may change significantly as the year progresses. For example, care client demand factors, waste volumes, winter conditions can fluctuate. Information is still awaited from Cheshire West and Chester in relation to ICT Shared Services.
4. Remedial action plans are at an early stage of development and may change. However, urgent action is now required if any material impact on the overall outturn position is to be made in 2010-11. Updated positions will be reported at the mid year and three-quarter year stages, but monthly monitoring updates on remedial actions on an exceptions basis will also be provided to Members.

SUMMARY

5. Table 1 shows the projected outturn positions at a service level, taking account of proposed remedial actions. At the Quarter One review, underlying budget pressures of £13.6m were identified. Proposed remedial actions of £6.2m have been identified, which if fully achieved would reduce the overspend to **£7.4m**.

Table 1 - Service Revenue Outturn Forecasts

Service	Net Budget £000	Underlying Budget Pressures £000	Proposed Remedial Measures £000	Net Projected Variance from Budget £000
Children & Families	37,355	5,725	(2,635)	3,175
Adults	69,750	5,795	(1,390)	4,405
Health & Wellbeing	14,691	700	(548)	152
Total People	121,796	12,220	(4,573)	7,732
Environmental	34,841	878	(252)	626
Safer & Stronger	666	24	(170)	(146)
Planning & Policy	3,724	(84)	(180)	(264)
Regeneration	9,569	393	(326)	67
Total Places	48,800	1,211	(928)	283
Treasurer & Assets	24,165	747	(743)	4
HR&OD	3,367	0	0	0
Borough Solicitor	6,361	(452)	0	(452)
Policy & Performance	8,636	(150)	0	(150)
Total Performance & Capacity	42,529	145	(743)	(598)
TOTAL SERVICES	213,125	13,576	(6,244)	7,417

6. Services have drawn up initial remedial action plans which describe the specific measures proposed, the estimated financial benefit, the timescale over which they are to be achieved, and a risk assessment of their likely achievement.
7. It should be noted that some services have included items in their action plans which had already been taken into account at the Quarter One stage.
8. Key issues emanating from these plans, including significant risks, and areas where Member approval to the proposals may be required, are summarised below.

PEOPLE DIRECTORATE

Children and Families

9. Children and Families reported a projected £5.7m overspend at First Quarter Review and have identified remedial action of £2.635m which is being undertaken to bring down the projected overspend to £3.175m. The service is

currently exploring further options for remedial action which will reduce the projected overspend even further.

10. The Children and Families service receives a large proportion of grant funding and where grant conditions allow, these grants have been “topliced” to fund the Business Support function. An amount of £1.3m of grant has been held back and will be used for remedial action. £75k of the Extended Schools Sustainability grant has been retained for remedial action.
11. The 2010-11 budget included a proposal to save £2m in staffing costs through a staffing restructure. The service is now looking to further rationalise the structure which could realise an additional £600k savings in the current year.
12. The Government have cut the Connexions grant by £600k and this potential spending pressure was originally reflected in the projected £5.7m overspend. However the service is passporting the entire reduction over to the Connexions service.
13. The Youth Offending Service will deliver £60k savings in 2010-11 and potentially further savings could be achieved in future years.

Adults

14. Adults reported a forecast £5.8m overspend at the first quarter review. This projection already included remedial action of £2.6m in relation to the utilisation of the Social Care Redesign Grant.
15. A remedial action exercise has identified a further £1.4m of actions that can reduce the forecasted overspend to £4.4m, with further work in hand to identify additional remedial action. It is anticipated that it will be possible to reduce the overspend through this further activity.
16. Some of the remedial action relates to adjustments in the forecast for planned service savings for 2010/11 which are being realised in year with a part year effect (e.g. Cypress House; Voluntary Redundancies in Individual Commissioning, and reviews of the care provided to individuals).
17. Additional savings have been identified in relation to rationalising staff in home care, which arises from the reduction in demand for internal home care services due to personal budgets. The service is currently reviewing the hours that staff are contracted to work and is also considering additional voluntary redundancies.
18. The service is also reviewing car user allowances and mileage rates, printer usage and meetings strategy. These initiatives will need joint support from HR.
19. Suggestions have also been put forward in relation to further building closure, but further work is required to determine the savings available. Any

progression with achieving these savings will be dependent on members approval and support.

20. The service are also proposing implementing a mid year increase in fees and charges and also introducing new charges where applicable. Again, this decision will require member support and approval for the new charging mechanism to be applied.

Health and Wellbeing

21. The £0.7m overspend reported for Health and Wellbeing is mainly due to the inability to achieve the planned budget savings as reported in the FQR.
22. The remedial action presented by the service supports the original proposed budget savings which were detailed in the Budget and approved by Council, such as, review and rationalise the Libraries Service, review Civic Halls and Community Facilities and review/outsource discretionary Leisure and Culture Services. The ability to achieve these savings is reliant on the decisions of Members. Additional policies have been put forward, but these will require Member support and approval in order to deliver any savings.
23. The service are also proposing implementing a mid year increase in fees and charges and also introducing new charges where applicable. Again, this decision will require member support and approval for the new charging mechanism to be applied.
24. The merger of Adults and Health & Wellbeing should provide the opportunity to make additional cost savings.

PLACES DIRECTORATE

25. At the end of the first quarter the Directorate reported a projected £1.2m overspend, principally surrounding Environmental (£878k) and Regeneration Services (£393k).
26. In Environmental Services, the projected over-spend is being augmented by exceptional inflation in respect of Landfill, Household Waste & Recycling Centre contracts of £100k and in Regeneration Services increased fuel costs for bus contracts totalling £100k. Highways Operations costs in respect of a new contract for street lighting energy costs is projected to increase by 60% having a projected £250k part year effect in 2010/11.
27. The Directorate is addressing the reported first quarter projected overspend (£1.2m). Remedial actions have been identified totalling £0.9m, leaving a revised net variance of £0.3m.
28. There are potential future budget realignments between the Places and P&C Directorates in relation to centralised budgets to be managed by Procurement.

Remedial Actions

29. The directorate has identified key remedial measures amounting to £928k. These are summarised as follows:
30. There are service expenditure savings totalling £395k which comprise highways maintenance operations £100k (one off reduction in expenditure), non pay savings within Directorate Business Support of £149k and other non pay savings amounting to £146k (across Visitor Economy, Economic Development and Development Management). The Directorate has also identified additional income initiatives estimated to realise some £55k.
31. Other remedial measures include the use of earmarked reserves totalling £278k and a request to utilise £200k from the corporate inflation provision.

PERFORMANCE & CAPACITY

Property Services / Facilities Management

32. At first quarter Assets were reporting a £607k overspend. This was attributable to Property Services (£437k) and Facilities Management (£170k). No significant changes from this position have been identified since. Remedial action proposals agreed with the service total £545k but are a combination of low, medium and high risk actions
33. Holding vacancies for the remainder of the year will achieve almost half of the necessary savings (£300k), and this is considered to be low risk. Agreeing with Cheshire West and Chester Council a refund of £100k relating to accommodation charges in 2009/10 will be harder to achieve as they are confident that the charges are relevant and reasonable. Other proposals focus on generating additional school contributions to capital maintenance schemes (£75k), successfully chasing bad debt (£20k), and implementing a successful re-letting strategy to fill vacant industrial units across Cheshire East (£50k).

ICT Strategy

34. At the end of the first quarter ICT Strategy were projecting an overspend of £168k, of which £70k related to historical photocopier leases agreed by ex authorities prior to the creation of Cheshire East which still have a number of years to run. The balance of £98k is made up of a mixture of staffing costs and non staffing expenditure. The remedial action proposed by ICT Strategy is to hold a Staffing Vacancy for the remaining part of the year and to delay where possible the replacement of some PC's. The risks associated with these actions are the possible slowing in Capital Programme Delivery and the Desktop Replacement Programme not being met.

Finance (incl. Insurance / Shared Services)

35. At the end of the first quarter, Finance were projecting an overspend of £100k. This was a combination of a budget shortfall related to audit fees, which have not reduced in line with target; additional cost pressures relating to the use of agency and consultancy staff and in the HR & Finance Shared Service. These have been partially offset by anticipated underspending on Insurances and the use of transitional funding.
36. No significant changes have occurred since Quarter 1 and remedial actions have been identified to offset the projected net overspend of £100k.
37. A combination of controlling training expenditure, holding vacancies and accelerating the removal of agency staff pending the arrival of new appointments will achieve the necessary saving.

CONCLUSION

38. Services have identified substantial remedial measures totalling over £6m to mitigate the projected 2010-11 overspending. Although the majority (around £4m) are temporary measures affecting 2010-11 only, some are of a longer term nature which will only realise part year savings in 2010-11, or not begin to impact until 2011-12 onwards.
39. Measures identified for 2011-12 and beyond need to be incorporated in Business Planning assumptions. Where measures only have a temporary impact in 2010-11, the value of these will need to be added onto the savings targets for next year, and subsequent years.
40. The overall level of net projected service overspending remains significant, even if all the remedial actions identified in this report are achieved. Further measures will therefore be required to bring about a balanced service outturn position at year end.
41. Despite the identification of significant measures in the People Directorate, the scale of the potential net overspend is still such that it may well be necessary for this to be partly alleviated corporately by finding offsetting underspendings in other service areas. Members may wish to consider where these additional measures should be sought.
42. Although some alleviation may be possible from the use of earmarked reserves and other central provisions (and these areas are currently under detailed review), it should be assumed that there can be no recourse to general reserves to fund overspending in 2010-11 given the substantial reduction in the level of balances during 2009-10.
43. It is intended that further exception reports on the progress of Remedial Action Plans be brought to Members on a monthly basis.