

Cabinet – 7 January 2010

Report of the Executive Director for Resources

Part I - Item No. 3 (c)

Electoral Division affected:
All

Directorate Financial Recovery Plans 2009/10

(Appendices 'A' and 'B' refer)

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Executive Summary

At its meeting on 3 December 2009, Cabinet considered the latest budget monitoring position for 2009/10, which set out the financial pressures being experienced by both the Directorate for Children and Young People and the Adult and Community Services Directorate. Given the potential level of overspend in 2009/10, Cabinet asked that the two Directorates report back at the next meeting on the measures being taken to bring the Directorate budgets back into balance.

Recommendations

The Cabinet is recommended to note the actions being taken by the Directorate for Children and Young People and the Adult and Community Services Directorate to reduce their levels of forecast overspend.

Background and Advice

At its meeting on 3 December 2009 the Cabinet received a budget monitoring report covering the period to the end of October 2009. Of particular concern were the forecast overspends of £1.7m by the Adult and Community Services Directorate and £3.5m by the Directorate for Children and Young People. In both cases the latest budget monitoring reports showed that the level of forecast overspend has reduced marginally. Cabinet asked for further information to be provided by Executive Directors on the steps being taken to bring expenditure within budget in the current year and for the Executive Director for Resources to report back on the situation.

Attached to this report are:

- Appendix 'A' – Financial Recovery Plan for the Adult and Community Services Directorate, and

- Appendix 'B' – Financial Recovery Plan for the Directorate for Children and Young People.

The appendices indicate the actions each Directorate is taking to address the specific issues identified. Both Directorates are looking at the underlying causes of the forecast overspend and aiming to put in place effective actions to address issues in the longer term as well as bringing current spending back in line with the budget. Given the overall financial pressures facing the County Council this is a prudent approach to take and will serve to reduce the level of financial risk going forward.

Fundamental to the challenges facing both Directorates are issues concerned with demand led budgets. In the case of Adult and Community Services, increasing demand for the purchase of care, particularly in the areas of domiciliary care and direct payments is causing financial pressures. In the case of Children and Young People, significant increases in demand for the placement of looked after children, caused by increasing number of referrals and court proceedings, with resulting significant pressure on agency placements.

The appendices set out the specific actions that each Directorate is taking to achieve financial balance by the end of the current financial year. As with the pressures leading to the forecast overspend there is a commonality in the approaches being taken. These include:

- Slowing down or stopping lower priority or non-essential expenditure.
- Holding of vacancies where possible and taking steps to reduce the use of agency staff, in part through reducing levels of staff absence.
- Bringing forward the implementation of efficiency and other review activity so that some element of saving is accrued in the current year. This also has the benefit of being able to achieve greater levels of saving in 2010/11.
- Reviewing high cost placements.
- Ensuring that use of in house capacity and block contracts, whether in terms of residential placements or fostering is maximised before resorting to external resources.

All of these actions are being seen to have an effect and the position in Adult and Community Services seems to be on a clearly improving course while that in Children and Young People has stabilised.

The challenge for both Directorates is whether these actions will have sufficient effect by the end of the financial year for financial balance to be achieved. Given the overall scale of the Adult and Community Services budget relative to the forecast overspend it seems likely that it will be possible. For Children and Young People progress has been made, and actions taken, which will reduce the risk of an overspend in 2010/11.

At this stage it is not possible to see what further measures the two Directorates could be taking to reduce expenditure in year and both recovery plans are robust. It is imperative that both Directorates continue to seek to reduce spending and closely monitor the financial position. If as a result of robust management action, the potential overspends are reduced but not eliminated, any remaining overspend will be a first call upon county fund balances at the end of the financial year.

Given the impending shortage of capital resources technical measures such as significant amounts capitalisation would simply serve to prejudice the delivery of the capital programme which fully commits available capital resources.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The two Directorate recovery plans have to strike a balance between risks as they relate to individual vulnerable children and adults and the risk that not addressing overspends poses to the County Council's ongoing financial stability.

Financial

At this stage there are no additional direct financial implications. Both Directorates are taking steps to bring expenditure in line with budget. Any eventual overspend will impact on the level of County Fund Balance at the year end.

Any representations made to the Cabinet prior to the issue being considered in accordance with the Public Notice of Forward Plans

Name:	Organisation:	Comments:
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N/A

Local Government (Access to Information) Act 1985 List of Background Papers

Paper	Date	Contact/Directorate/Tel
Revenue Budget Monitoring Reports to Cabinet	3 December 2009	Phil Maynard, Resources Directorate, (01772) 534747
	3 September 2009	

Reason for inclusion in Part II, if appropriate - N/A