

Wiltshire Council

Cabinet

12 February 2013

Subject: Budget Monitoring Period 9 December 2012

Cabinet Member: Cllr John Brady – Finance, Performance & Risk

Key Decision: No

Executive Summary

This report advises elected members of the revenue budget monitoring position as at the end of Period 9 (end of December 2012) for the financial year 2012/2013 and highlights new cost pressures or changes since the previous budget monitoring report on 18 December 2012.

The Period 7 budget monitoring report identified potential cost pressures that totalled £1.989 million. This period has identified decreases in these cost pressures that total £0.761 million after transferring £1.700 million from reserves to support the pressure on safeguarding children as agreed in the period 7 budget monitoring report. This gives a revised potential year end cost pressure of £1.228 million. Action to return this to balanced is being taken and this should be the position at year end.

Financial pressures in children's services reflect the national increase in the number of children being taken into care and the impact that this is having in Wiltshire. It also reflects the additional resources (£0.500 million) required following the Ofsted inspection in March this year. The council is delivering a number of actions following the inspection to address the improvements needed in this area. The safeguarding of children is a key priority for Wiltshire Council.

The year-end balance on the general fund reserves is projected to be £12.445 million. This meets the requirement to keep robust reserves as set out in the council's financial plan.

Proposals

Members are asked to note the outcome of the Period 9 (December) budget monitoring.

Reason for Proposal

To inform effective decision making and ensure a sound financial control environment.

Michael Hudson

Service Director Finance

Subject: Budget Monitoring Period 9 December 2012

Cabinet Member: Cllr John Brady – Finance, Performance & Risk

Key Decision: No

PURPOSE OF REPORT

1. To advise members of the revenue budget monitoring position as at the end of period 9 (December 2012) for the financial year 2012/2013 and highlight any additional cost pressures or changes since the previous budget monitoring report on 18 December 2012.

BACKGROUND

2. The report focuses on the gross and net position by service area. Comprehensive appendices showing the individual budget headings are included in Appendix C. More details on the movements in the year are included later in the report.

SUMMARY

3. The projected year end position for the relevant accounts is set out as follows:

	Revised Budget Period 9 £ million	Profiled Budget to date £ million	Actual and committed to date £ million	Projected Position for Year £ million	Projected Over/ (Under)spend £ million	Over/ (under)spend reported at period 7 £ m	Movement since period 7 £ m
General Fund Total	326.655	452.449	330.404	327.883	1.228	1.989	(0.761)
Housing Revenue Account	0.141	0.345	(9.908)	0.141	0.000	0.000	0.000

COST AND INCOME PRESSURES

4. Finance has continued to monitor budgets with a focus on the budgets assessed to be subject to a higher risk of volatility due to factors such as changes in demand or assumptions. This has identified the areas where costs have risen quicker than forecast.

5. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountants regularly, on a risk based approach.
6. The period 9 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C.
7. The period 7 report identified potential cost pressures of £1.989 million. This report identifies a decrease in these cost pressures of £0.761 million resulting in cost pressures of £1.228 million at period 9. This includes the transfer of £1.700 million from reserves to support the pressure on safeguarding children as agreed in the period 7 budget monitoring report. This is summarised in the Period 9 monitoring report in Appendix D.
8. As part of continual improvement all services with exception of Looked After Children, have to find further savings to help deliver a balanced budget by the end of the financial year. This work is in progress and further details will be included in future reports.

BUDGET MOVEMENTS IN YEAR

9. There have been some movements between service areas in the year to date. More details are given in Appendix B.

Detailed monitoring

10. The overall revised projected net position by service area is set out in Appendix C.
11. A more detailed summary of the forecast variances is set out by service area as follows. Budgets are profiled to reflect actual spend within the year. This leads to some variances between the current profiled budget, actual and committed to date. This is due to timing differences and work will continue to refine budget profiling within the year.

Adult Social Care (Including Older People, Learning Disabilities, Mental Health, Other Vulnerable Adults and Resources, Commissioning & Strategy) £0.265 million net overspend projected before action.

12. The current projected overspend across the combined Adult Social Care Service area is £0.265 million. Included within this projection are a number of assumptions, which will continue to be monitored throughout the financial year:
 - Transformational savings attributable to the Help to Live at Home programme will be delivered throughout the financial year to achieve a balanced position across Older People and Mental Health Older Adults at the year end. Action plans and monitoring processes are in place to manage this throughout the year and the achievement of these savings is essential to the delivery of a balanced position at the end of the financial year.

- The Supporting People budget has been disaggregated across service blocks for 2012/2013 and ongoing spending pressures in this area will be monitored and managed.
 - Across the 18-64 age group services, Other Vulnerable Adults is currently reporting an overspend of £0.120 million and Mental Health Adults of Working Age an overspend of £0.030 million. These areas will continue to be reviewed to ensure that spend is robustly managed, using the panel process.
 - Additional cost pressures of £0.115 million have been incurred through the provision of additional short term staff to support front line services to Older People and Other Vulnerable Adults.
13. Within Adult Care Services, spending pressures do continue and are monitored and managed, as appropriate, for example through the panels' process. Within Older People services, residential and nursing placement unit costs are increasing, particularly for complex need cases, although the actual number of placements is remaining relatively steady. Therefore, an action plan has been put in place to address this through negotiation with providers. Within Other Vulnerable Adults, there continues to be demand for high cost care packages to support very complex cases, for example to support people with acquired brain injuries or people who have suffered strokes. In addition, cost pressures continue (as in previous years) from people transferring to packages of social care following reassessment against the Continuing Health Care (CHC) criteria.
14. Adult Social Care services continue to work in partnership with NHS colleagues to achieve improved integration that will benefit both social care and health services. During this year, the service is developing and piloting a STARR bed service, providing "step up" and "step down" bed facilities with direct input from health staff, for example physiotherapy services. The intention is that this will benefit the whole health and social care pathway by reducing hospital admissions, and improving outcomes post hospital admissions.

Libraries, Heritage and Arts services £0.012 million net underspend projected before action

15. These services are projecting a small underspend of £0.012 million against Arts Services.

Communities, Leadership and Governance services £0.065 million net underspend projected before action

16. These services are now reporting an underspend of £0.065 million.

Housing Services £0.068 million net underspend projected before action

17. Strategic Housing Services is currently projecting an underspend of £0.068 million.

Highways and Streetscene £0.727 million net overspend projected before action

18. The service is projecting an overspend of £0.727 million, which is an increase on the previously reported overspend (£0.250 million) of £0.477 million. At period 9, routine maintenance is showing a small underspend of £0.027 million. Winter maintenance (including weather emergency work) is showing an underspend of £0.114 million. However, as a result of recent and forecast flood and snow events and the associated repair & maintenance works following the adverse weather are expected to result in a combined overspend of £0.406 million. The service has taken a view of the volume of works anticipated over the next three months and will be working to manage the overspend down. However, further heavy rainfall or significant snowfall will have an adverse impact on the final outturn. This combined with the general underachievement against income budgets as reported at period 7 has seen an increase in the forecast overspend in period 9.
19. Mitigating actions have already been taken to address previous cost pressures amounting to £0.700 million within the Highways & Streetscene Service and this is being managed further to ensure the impact of increased costs relating to adverse weather are managed within the service as effectively as possible.

Leisure £0.100 million net overspend projected before action

20. The service is reporting an overspend of £0.100 million. This is due to a number of factors including; a shortfall in income at the leisure centres, the impact of free swimming and a shortfall in income at City Hall. Additionally income is down at Melksham House due to reduced bookings as a result of the future campus development. The position has improved by £0.060 million since the previous report due to updated expenditure forecasts for Leisure Centres. The service is unable to achieve the target of 1% in-year savings due to the above demands, however the forecast overspend has reduced.

Car Parking £0.180 million net overspend projected before action

21. Based on occupancy data up to the end of December and modelled to project income for the full financial year, Parking Services are showing a net overspend of £0.180 million. This is showing an improvement of £0.058 million on the previous forecast which is attributable to higher than expected income in December 2012. Overall, the combination of increased income in period 9 and proactive management of the service has seen the overspend reduce.

Children's Services (including Safeguarding, Children's Social Care, Integrated Youth, Early Years, School Improvement, Targeted School & Learner Support, Business & Commercial Services, Funding Schools and Commissioning & Performance) £3.131 million net overspend projected before action.

22. The current projected overspend across the combined Children's Services areas is £3.131 million. This comprises an overspend in Children's Social Care offset by underspends within other areas of children's services.
23. All known vacancies within children's social care and the projected impact of interim and temporary staff in front line teams has been updated in the forecast position. At the last Cabinet meeting it was confirmed that £1.700 million would be supported from reserves. This virement has not yet taken place and is therefore not reflected in the projected overspend at this stage.
24. Savings and recovery actions reported to Cabinet in December have been implemented. The projected spend is due to an increase in expenditure on children's placements, an increase in external legal costs and cost of additional temporary staff. Recruitment of permanent staff is under way and will reduce the use of agency staff in the next financial year.
25. Placement budgets for looked after children are projected to overspend by £3.300 million due to increases in the numbers of young people coming in to care. There are currently 440 children and young people looked after in Wiltshire and the projected number of nights care to be delivered in 2012/2013 exceeds the budget by 18,482 nights.
26. Actions continue to be taken to ensure that the right children come into care including:
 - implementation of a new higher level Family Support Service, commissioned as part of the Family and Parenting Support Commissioning Strategy,
 - appointment of additional Adolescent Support Workers within the Integrated Youth Service to carry out direct support to young people on the edge of care,
 - A new process for Gateway Panels which will be the focal point for all decisions in relation to support for children & young people.
27. In conjunction with these actions, within Commissioning & Performance the Troubled Families grant allocated by the government to Wiltshire will be utilised to support the new higher level Family Support Service and Family Group Conferencing services. This will enable £0.454 million base budget funding to be released in 2012/2013 to support the overspend in Children's Social Care. This is a one off recovery action for the current year. An underspend of £0.100 million in the Short Breaks service for disabled children & young people has also been identified.

28. An underspend of £0.708 million is projected against Schools & Learning services arising from savings against vacant posts and against activity budgets within the Early Years service. These are one off recovery actions in the current year.

Policy, Performance & Partnership £0.012 million net overspend projected before action

29. The service is reporting a small overspend of £0.012 million as at period 9.

Finance, Procurement & Internal Audit £0.040 million net underspend projected before action

30. The service overall is forecasting an underspend of £0.040 million. This is £0.060 million less than was reported last time largely due to additional costs relating to the Procurement restructure which is currently being finalised, such as pension strain, that could not have been predicted when the budget was set, although this allows full year savings in 2013/2014. Additional costs have also been incurred in the final calculation of PFI refunds to schools. Overall though the budget is within the tolerance levels set and will continue to be monitored.

Legal & Democratic £0.300 million net underspend projected before action

31. The service is currently forecasting an underspend of £0.300 million, no change since the last report. This achieves more than the required 1% in-year savings target. The variance is mainly due to a shortfall in spend on Members' expenses and training of £0.200 million together with underspends in the Monitoring Officer salaries and other costs offset by overspends in Legal where additional demand for work is required in a wide range of services to support transformation, Child protection, Adult Care and changes to section s106 arrangements.

Communications £0.025 million net underspend projected before action

32. The service is forecasting a net underspend of £0.025 million mainly through savings achieved on the salary budgets, arising from vacancies, which were being used to offset the income targets that are unlikely to be achieved on Park and Rides and from photocopying. This achieves the 1% in-year savings target. No significant change has occurred since the previous report.

Human Resources & Organisational Development £0.130 million net underspend projected before action

33. The service is reporting an underspend of £0.130 million to meet the 1% savings target, an improvement of £0.010 million on the previously reported position. This saving will predominantly be delivered by managing vacancies.

Information Services £0.500 million net underspend projected before action

34. Information Services are forecasting no change to the period 7 forecasts and are still planning to deliver savings of £0.500 million in 2012/2013. The capital bid to increase available funding in 2013/2014 and for new budget allocations for 2014/2015 and 2015/2016 have now been included within the capital programme has been approved by CLT and Cabinet and is now awaiting final approval from full Council .

Customer Care & Business Services Finance £0.060 million net underspend projected before action

35. Business Services are forecasting a reduced underspend of £0.060 million against the previously reported £0.097 million in period 7. This has been caused by a worsening position on insurance. It was previously forecast that the insurance fund would be £0.098 million overspent. However, this has now increased to £0.137 million due to a combination of less income from Academies and higher contract and claim costs. The service is managing the budget to the bottom line but are unable to absorb any additional overspend insurance.

Strategic Property Services £0.259 million net underspend projected before action

36. The forecast on this service remains unchanged at an underspend of £0.259 million which exceeds the savings target of 2% against the net budget to contribute to balancing the Councils forecast overspend. This is in part due to additional one off income from the Councils Commercial Estate and partly due to savings on the salaries budget as a result of the increased ability to recharge officer time to Works before Sales. There are also several small variations across other spending areas which contribute to the underspend.

Transformation Programme £0.178 million net overspend projected before action

37. The forecast overspend has remained the same as reported in period 7 at £0.178 million.
38. Officers are continuing in their efforts to reduce this overspend further by only carrying out essential repairs due to Health and Safety considerations and continuation of service.
39. However, the risk that the levels of essential reactive maintenance required will rise further over the winter months leading to a higher than forecast position still remains.

Economy & Enterprise £0.070 million net underspend before action

40. The service is reporting an improved position from period 7 and are now forecasting an underspend of £0.070 million. This equates to 1.5% of the net budget for this service. This position has been achieved by holding vacant posts and has been managed despite significant increase in project work and the work to manage the increasing number of grants received.

Development Services £0.050 million net underspend projected before action

41. The Service has no change to report from period 7 and is still on target for an overall underspend of £0.050 million, meeting the 2% Net budget saving target for 2012/2013 and contributing to balancing the Councils forecast overspend. There is further potential for savings from further fee income growth before year end.

Highways Strategic Services £0.165 million net underspend projected before action

42. The service is reporting a £0.165 million net underspend which is no change on the previous forecast.
43. There has been an increase in the forecast income of £0.031 million from period 7 and this is mainly due to increased development supervision fees.
44. This has been mirrored with a forecast increase in expenditure of £0.031 million. The Street Lighting energy budget is still forecasting an overspend which has increased slightly from £0.264 million in period 7 to £0.290 million in period 9 due to further clarification of energy prices.

Passenger Transport (including Education Transport and Public Transport) £0.041 million overspend projected before action

45. The combined Public and Education Transport budgets are showing an improved position from the last report with a forecast underspend of £0.041 million.
46. The forecasts for Education transport contracts have seen a reduction in costs due to clarification of various contracts since the commencement of the School year, meaning Education Transport budgets are forecasting a £0.045 million underspend. The Public Transport budgets are forecasting a slight overspend of £0.004 million; which is made up of underspend on the concessionary fares budgets and additional income offset against increased costs of the public

transport contracts. Overall, the forecast outturn has improved by £0.090 million.

Waste £0.100 million overspend projected before action

47. The waste management budget is currently forecasting an overspend of £0.100 million, an improvement of £0.080 million against the previously reported position of £0.180 million overspend.
48. The reduction in the forecast spend is largely due to an updated tonnage projection for Landfill Tax. Under-recovery of income and provision for debts to be written off are being partially offset by underspends on Landfill Tax and waste collection and disposal contracts. The 1% in-year savings target is not achievable for the Waste service, however the forecast overspend is being reduced, subject to any seasonal variation in green waste in February and March.

Public Health and Public Protection Projected balanced

49. Overall the service is forecasting on budget.
50. The service is working hard to manage spend on supplies and services in order to achieve a 1% saving on Net Budget. At present the service is not in a position to declare an underspend as it is managing extraordinary budget pressures from legal case costs relating to Equinox and Dale and writing off bad debt relating to 2009 and 2010 where all debt recovery methods have been exhausted.

Digital Inclusion £0.030 million net underspend projected before action

51. An underspend of £0.030 million is projected as a result of savings on staffing.

Corporate Directors Projected balanced

52. The service line is unchanged from the last reports and is forecasting a balanced budget with spend to date in line with the profiled budget.

Corporate £1.650 million net underspend projected before action

53. Movement to/from reserves is showing an underspend of £1.700 million. This is due to drawing £1.700 million from reserves to support safeguarding children as agreed in the period 7 budget monitoring report.
54. Capital financing is showing an underspend of £1.500 million in line with period 5 budget reporting. This is due to the re-programming of capital expenditure since budget setting. This area will be reviewed as part of the budget setting process to reflect current spend trends in future periods.

55. Restructure and contingency is showing an overspend of £1.550 million. This line represents the delivery of corporate saving targets set in February relating to administration and facilities management review. As is highlighted in the RAG rating in period 3, they have delivered some savings, although not the whole amount, due to some delays in the reviews. The first part of the review of administration is completed but it is now expected that the next stage will not be completed until later in 2013. Work on identifying the general efficiencies is ongoing.
56. Further work on the corporate savings has commenced and will review current underspends, customer demand and vacancies. A further update will be included in the next monitoring update, but if concerted management action is taken to focus resource as planned it is expected this target will be delivered by the end of the financial year.

Housing Revenue Account Projected balanced

57. Budget figures on the Housing Revenue Account have been reviewed as part of the regular monitoring process. At present there is no reported change in forecast.

RESERVES

58. The tables below provide the forecast as at period 9 on the general fund balance held by the council. The latest forecast on general fund currently stands at £12.445 million at 31 March 2013.
59. A draw from reserves of £1.700 million has been actioned to cover the additional spending on Looked After Children. The position will be reviewed in following months and updated to members in future reports.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2012		(14.145)
Planned contribution in 2012/2013	0	
Draw from reserves for Looked After Children	1.700	
Total Forecast movement		0
Forecast Balance 31 March 2013		(12.445)

60. At present is assumed that all other areas currently overspending will be on line by the year end following management action. A review of the assessment of need has been undertaken by the section 151 Officer to link all the General Fund balances to risk.

Overall Conclusions

61. This report has identified an overspend / shortfall on the balanced general fund budget of £1.228 million for period 9 due to cost pressures / shortfalls in income. This is a decrease of £0.761 million on the balance reported at period 7.
62. The early identification of potential issues is part of sound and prudent financial management. Action to address this year's forecast should be taken where officers have the delegated powers to do so and this is underway.

Implications

63. This report informs member's decision making.

Risks assessment

64. If the council fails to take actions to address forecast shortfalls, overspends or increases in its costs it will need to draw on its reserves. The level of reserves is limited and a one off resource that cannot thus be used as a long term sustainable strategy for financial stability. Budget monitoring and management, of which this report forms part of the control environment, is a mitigating process to ensure early identification and action is taken.

Equalities and diversity impact of the proposals

65. None have been identified as arising directly from this report.

Financial implications

66. This is a report from the chief finance officer and the financial implications are discussed in the detail of this report. It is forecast that a balanced budget will be achieved by 31 March 2013.

Legal Implications

67. None have been identified as arising directly from this report.

Proposals

68. Members are asked to note the outcome of the period 9 (end of December) budget monitoring.

Reasons for proposals

69. To inform effective decision making and ensure a sound financial control environment.

Background Papers and Consultation

2011-15 Business Plan

2012-15 Financial Plan

Budget Monitoring Cabinet Period 3 10 September 2012

Budget Monitoring Cabinet Period 5 23 October 2012

Budget Monitoring Cabinet Period 7 18 December 2012

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Appendices:

Appendix A: Revenue Budget Movements 2012/2013

Appendix B: Service Area Movements 2012/2013

Appendix C: Detailed Service Area Budget Statements

Appendix D: Forecast Variance Movements