

Wiltshire Council

Cabinet

10 September 2012

Subject: Budget Monitoring Period 3 June 2012

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

Key Decision: No

Executive Summary

This report advises Members of the revenue budget monitoring position as at the end of Period 3 (June 2012) for the financial year 2012/2013 and highlights significant new cost pressures or changes since the budget setting report on 15 February 2012.

The Period 3 budget monitoring report identifies significant potential cost pressures that totalled £1.844 million. The principle cause is a £1.762 million overspend in Children's Social Care due to increase in the number in looked after children.

Management are working on actions to address these areas of overspend and initial review suggests that if actions are taken then it is projected that the Council overall will provide a balanced budget by 31 March 2013.

If the budget is balanced by the end of the financial year, the year end balance on the general fund reserves is projected to be £14.145 million. This meets the requirement to keep robust reserves as set out in the Council's financial plan.

The £32.634 million savings identified in the financial plan have been risk assessed as to deliverability.

The majority of the savings have been identified at low risk savings (green and amber/green) 93% (£30.404 million). The main areas in Amber/ Red are realising corporate saving targets. These areas are being reviewed to try to mitigate the risk areas.

No savings are being classed as no longer deliverable (Red).

Proposals

Members are asked to note the outcome of the Period 3 (June) budget monitoring.

Reason for Proposal

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

Michael Hudson
Director of Finance

Wiltshire Council

Cabinet

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PURPOSE OF REPORT

1. To advise Members of the revenue budget monitoring position as at the end of Period 3 (June 2012) for the financial year 2012/2013 and highlight any significant new cost pressures or changes since the budget setting report on 15 February 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 3 £ million	Profiled Budget to date £ million	Actual and committed to date £ million	Projected Position for Year £ million	Projected Over/ (Under)spend £ million
General Fund Total	326.655	81.737	87.417	328.499	1.844
Housing Revenue Account	0.141	0.754	(3.051)	0.141	0

COST AND INCOME PRESSURES

4. Finance have continued to monitor budgets with a focus on those 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 accountancy regularly, on a risk based approach.
6. The Period 3 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C.

BUDGET MOVEMENTS IN YEAR

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

Detailed monitoring

8. The overall revised projected net position by service areas is set out in Appendix C.
9. A more detailed summary of the forecast variances is set out by service areas as follows. Budgets are profiled to reflect actual spend within the year. This leads to some variances between the current profiled budget and 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 (Operations and Commissioning) (including Older People, Physical Impairment, Learning Disability, Mental Health, Supporting People and Resources, Strategy and Commissioning) £0.117 million net overspend projected before action

10. The current projected overspend across the combined Adult Social Care Service areas is £0.117million. Included within this projection are a number of assumptions, which will continue to be monitored through the financial year:
 - Transformational savings attributable to the Help to Live at Home programme will be delivered across 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. The position will be updated, as required, in future reports;
 - Across 18-64 age group services, Other Vulnerable Adults is currently reporting an underspend of £0.533 million and Mental Health Adults of Working Age an overspend of £0.650 million. These areas will continue to be reviewed to ensure that budget and spend have been allocated

appropriately, and that spend continues to be robustly managed, using the panel process.

11. 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. An action plan is being developed to review packages and in particular packages for people who are supported out of county.
12. 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.

Housing Services £0.070 million net overspend projected before action

13. Strategic Housing Services are currently projecting a small overspend of £70k against the Private Sector Leasing budget, as a result of a slower than planned reduction in the number of private sector leases. Management action is being taken to reduce the level of this projected overspend.

Highways and Street Scene £0.300 million net overspend projected before action

14. At this early stage in the financial year the service is forecasting an overspend of circa £0.300 million. The main reason is a forecast shortfall on income from the Sewerage Service of £0.200 million. From September 2012 the customer will be reorganising to a regional contract and it is anticipated they will no longer commission work to Wiltshire Council at previous levels. This is an external in year pressure that has arisen since the budget was set. It will be managed within the portfolio.
15. Further income shortfalls are forecast from Markets and Burials. These external pressures will also be offset from within the portfolio.

Leisure Projected balanced

16. The service is reporting a balanced budget at this stage of the financial year. The implementation issues on new system are continuing to be addressed, all income received is being banked and should be allocated correctly onto SAP in the following few weeks.

Car Parking £0.140 million net underspend projected before action

17. The Car Parking income is down on expected levels due to car parking charging concessions that were made to allow free parking during the Jubilee and Olympic Torch events in Wiltshire.
18. At this stage in the financial year, with only three months data available, it is too early to forecast with any certainty an accurate position on income for car parking. The next budget monitoring report will have more information model the position to provide a forecast projection on income.
19. There is a forecast underspend of £0.140 million due to remaining vacancies in the Civil Enforcement and Parking Administration Teams, as well as various small underspends across the Parking service. Before any forecast on income projections the service is reporting a net underspend of £0.140 million.

Children's Services (including Safeguarding, Children's Social Care and Integrated Youth) £1.792 million net overspend projected before action

20. Children's Social Care services are currently projected to overspend by £1.762 million. This projection takes in to account the transfer of £0.500 million from reserves and income of £0.100 million from the national Children's Improvement Board to offset the additional staffing costs incurred through the implementation of the Social Care Improvement Plan.
21. Placement budgets for looked after children are projected to overspend by £1.8 million due to increases in the numbers of young people coming in to care. There are currently 430 children and young people in care compared with 403 at for the same period last year.
22. Actions are being taken to manage the numbers of young people coming in to care, including the implementation of a new higher level Family Support Service, commissioned as part of the Family and Parenting Support Commissioning Strategy, the appointment of additional Adolescent Support Workers within the Integrated Youth Service to carry out direct support to young people on the edge of care, and a new process for Gateway Panels which will be the focal point for all decisions in relation to support for children & young people.

Schools and Learning (including Early Years, School Improvement, Business & Commercial Services and Targeted Services & Learner Support) Projected balanced

23. No significant variances are projected at this point in the year.

Commissioning & Performance (including Commissioning & Performance and Funding Schools) £0.030 million net underspend projected before action

24. No significant variances are projected at this point in the year.

Policy, Performance & Partnership £0.055 million net underspend projected before action

25. This service is projected to underspend by £0.055 million due to the Corporate Extended Leadership Team restructure agreed at budget setting. It is recommended that a virement be actioned to remove the proportion of salary budget no longer required.

Finance, Procurement & Internal Audit £0.120 million net overspend projected before action

26. The service is currently forecasting an overspend of £0.120 million. In the Revenues and Benefits service it has been necessary to employ some agency staff following implementation of the new system, currently forecast at £0.110m over budget. There is also a shortfall of £0.050 million on income from Schools for Accountancy support services. These issues have been offset by underspends in Procurement staffing and general team discretionary budgets across the whole service. Action is being taken to review the need and placement of all agency staffing and further holding of all vacancies. It is anticipated that these actions will deliver a balanced budget. Further action such as ability to raise income from schools would need further decisions by Schools Forum, as well as Cabinet and Council. As such they are not being pursued in 2012/2013 but will be reconsidered in setting 2013/2014 charges and will be brought back to future Cabinet meetings

Legal & Democratic £0.460 million net underspend projected before action

27. The service is currently forecasting an underspend of £0.460 million. This is due mainly to underspends on various budgets allocated for Members (allowances, training, ICT, travel etc) for which entitlement hasn't been fully taken up, additional Legal income is also being achieved by the embedding and shift to a permanent workforce. A drop in demand for the Coroner service has also resulted in a forecast underspend.

Communications & Branding £0.030 million net underspend projected before action

28. The service is currently forecasting an underspend of £0.030 million. Savings achieved on the salary budgets, arising from vacancies, are currently being used to offset the income targets that are unlikely to be achieved.

Human Resources & Organisational Development Projected balanced

29. The service is reporting a balanced budget at this stage of the financial year.

Information Services Projected balanced

30. At this stage in the financial year the service is reporting a balanced budget. It should be noted that there are some pressures on the budget as a result of Transformation, mainly costs arising from canon printers and additional lines required for Broadband to support home working.
31. Software Applications have also not generated all the savings for 2012/2013 due to delays in transformation, for example delays in implementing the planning system and turning off the old revenues and benefits system, and then the required ongoing licence of those ex-systems for a period of time after the new system has been implemented. This is being managed within the overall service budget. The Service is still carrying 14 vacancies due to recruitment difficulties, pay not being at a higher enough level to attract the correctly qualified candidates. This is currently being reviewed by HR.

Customer Care & Business Services Finance Projected balanced

32. At this stage in the financial year the service is reporting a balanced budget.

Strategic Property Services Projected balanced

33. At this stage in the financial year the service is reporting a balanced budget.

Transformation Programme Projected balanced

34. The service is reporting a balanced budget at this stage of the financial year. There are known pressures within this service as well as potential savings to offset e.g. new contracts, but further work is required to analyse and add clarity to the various potential scenarios the service could face.

Economy & Enterprise Projected balanced

35. The service is reporting a balanced budget at this stage of the financial year. The service is also in the process of updating SAP to reflect the new Matrix Management following its restructure. The Service is extremely busy at the moment with additional funding projects including Action for Wiltshire, Incubation Environments and being the secretariat for the Wiltshire & Swindon Local Economic Partnership (LEP) and assisting with bids for the £9 million Growing Places Fund.

Development Services Projected balanced

36. The service is reporting a balanced budget at this stage of the financial year. However the income is currently £0.111 million under achieved against profile although Development Control is slightly ahead of profile by £0.018 million, but Building Control and Land Charges are under achieving against profile by £0.075 million and £0.053 million respectively.
37. Central Government have proposed a 15% fee increase for September/October. Forecasting based on profile suggests that this could generate an additional £0.158 million for 2012/2013. Budget managers have raised concerns though that if approved there could be an increase in planning before the fee increase takes effect.

Highways Strategic Services £0.110 million net overspend projected before action

38. The service is forecasting a net overspend of £0.110 million at this stage of the financial year. Within that there is an anticipated £0.400 million overspend on Street lighting energy costs. The 2012/2013 financial plan savings identified £0.325 against the street lighting energy budget for energy costs but these are unlikely to be achieved. The saving has been rated as amber/red in the appendix to this report as consultation on reduced street lighting is still ongoing and the procurement of a central management system for street lighting is now being explored as a potential, with inclusion in the forthcoming Highways & Amenities contract. This coupled with the anticipated increase of energy prices (£0.075 million) in 2012/2013 have led to the forecast overspend.
39. The overspend is offset by a forecast £0.050 million underspend due to the delay in setting up the Speed Camera Safety Partnership with Wiltshire Police and a £0.050 million underspend relating to increased supervision fees which are currently over the profiled budget for the first quarter of the financial year. A previously agreed saving from the current Highways works contractor is also anticipated in 2012/2013 and this is forecast at £0.190 million assuming a level of spend (capital and revenue) of circa £21 million with the contractor in 2012/2013. These combined underspends totalling £0.290 million have been used to offset the savings not being found from streetlighting, and are reported on the RAG appendix to this report.

Passenger Transport (including Education Transport and Public Transport) Projected balanced

40. The Public Transport budget is currently forecasting a £0.100 million underspend due to the fixed pot agreement in place for the concessionary fares scheme element of the budget. This is based on the assumption that income from the recharges payable by Swindon BC are at the 2012/2013 budgeted levels, an assumption which is being monitored as we progress through the financial year.
41. Contract payments for bus services within the Public Transport budget is currently forecast to spend in line with budget. Service reduction and procurement savings of £0.300 million were taken from the budget in 2012/2013 and due to consultation process not all the savings are expected to be achieved in 2012/2013. As a result officers plan to use Transport Section 106 monies to bridge the gap left by savings targets to achieve a balanced budget for the contract element of the budget, this alternative arrangement has been reflected on the RAG appendix to this report.
42. The Education Transport budget is currently forecasting an overspend of £0.100m. The savings target of £0.110 million have been achieved but additional pressure on the Primary, Secondary, 16+ Secondary and 16+ further Education bus contracts has created a forecast overspend. The forecasting of contract costs will become clearer as service contracts are renewed over the summer months, meaning a more precise forecast can be reported in September 2012.
43. There is a forecast overspend of £0.050 million on the 16+ income budget as the early forecast indicates payments will be short of the budgeted income figure.

Waste Projected balanced

44. The service is forecasting an overall balanced budget; however there is an anticipated shortfall on trade waste and other income of £0.380 million. This is balanced out by various forecast underspends on areas such as landfill tax, the Lakeside contract and the FOCSA contract.

Public Health and Public Protection Projected balanced

45. At this stage in the financial year the service is reporting a balanced budget. From April 2013 the responsibility of Public Health will transfer to the local authority. The Public Health shadow estimated budget figure, provided by the Department of Health indicates Wiltshire would have received £11.866 million for financial year 2012/2013 to carry out its Public Health duties. Further work is being completed by the Department of Health to identify the ring fenced public health budget. The final allocation for 2013-14 is expected to be confirmed by December 2012 but will not fall below the shadow estimated budget figure of £11.866 million.

46. The grant will be made under Section 31 of the Local Government Act 2003 and will carry conditions about how it may be used. The intention is for the grant to be spent on activities whose main or primary purpose is to impact positively on the health and wellbeing of local populations, with the aim of reducing health inequalities in local communities.
47. Work is continuing under the guidance of the Public Health transition board to oversee the successful transition from the NHS to the Council. In future budget monitoring reports we aim to be able to report the current level of spending and activity being undertaken to keep members briefed ahead of the April 2013 switch over.

Digital Inclusion Projected balanced

48. No significant variances are projected at this point in the year.

Corporate Directors Projected balanced

49. At this stage in the financial year the service is reporting a balanced budget.

Corporate £0.050 million net overspend projected before action

50. Capital financing is showing an underspend of £1.500 million. This is due to the re-programming of capital expenditure since budget setting.
51. 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 attached within the Appendices and discussed below, 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 has 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.
52. 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

53. 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.

SAVINGS REVIEW BACKGROUND

2012/2013 base budget

54. The Council's Annual Budget 2012/2013 identified £32.634 million of savings from across all areas of the Authority. These savings are recurring so any non-delivery will increase the scale of savings required to be found in future years as well as creating an in year cost pressure.
55. The full lists of savings were reported to members as part of the setting of the 2012/2013 budget.
56. As part of the full monitoring process for period 3, the savings have been reviewed and challenged.
57. To help with the focus on priority areas the budget monitoring format to senior officers and members has been revised to use a 'traffic light' risk assessment process, using a RAG (Red Amber Green) rating. Therefore, the reporting against savings is broken down as follows:

Risk assessment	Definition
Green	All of the savings planned have been delivered and signed off as such by Accountancy in removal from base budgets.
Amber/Green	There is still a high likelihood that all or a significant part of the saving being delivered. This could be due to a small slippage in progress, or a restructure being planned to happen later in the year is on target to meet the deadline but as yet it has not happened and posts are yet to be deleted from the system, etc.
Red/Amber	There is a high likelihood that significant levels of the saving will not be delivered in 2012/2013. This could be due to factors such as unforeseen changes in demand or other assumptions, slow progress in implementation, delays due to external factors such as Government policy, etc.
Red	There is a high likelihood that this saving will not be delivered in 2012/2013 at all. This could be caused by changes in such factors as legislation, policy or outcomes of further consultations, etc.

58. The assessment is set out in the following paragraphs and in details by at Appendix D to this report.

Savings per Financial Plan	2011/2012 Target per the Plan £000	Savings risked assessed £000	Green	Amber / Green	Amber / Red	Red
TOTAL SAVINGS	32.634	32.634	21.096	9.308	2.230	0
Total %			65%	28%	7%	0%

59. When the financial plan was set, the original target was £32.634 million. Since then, further management review has identified additional compensating savings in some areas. Therefore in some cases the savings vary slightly from the original plan.
60. The table shows a significant savings are identified in the green and green/amber categories. The levels of savings in these two categories are 93%.
61. Procurement savings of £2 million are shown in amber/ green as overall it is felt savings will be made, but work is ongoing to ensure these savings have not been counted within other saving targets. Corporate Savings of £1.640 million are being reviewed to ensure savings can be made.
62. The main Amber/Red risks are in corporate section. These relate to corporate savings, especially in assuring there is no double counting of savings within service areas. They mainly relate to savings from two projects, administration review and facilities review which have been partially delayed, so the full savings may not be realised in 2012/2013.
63. In all areas marked Amber/ Red, work is ongoing in order to mitigate these risk areas and to look for compensating savings if required.
64. There are a currently no red areas of risk.

RESERVES

65. The tables below provide the forecast as at period 3 on the general fund balance held by the council. The latest forecast on general fund currently stands at £14.145 million at 31 March 2013.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2012		(14.145)
Planned contribution in 2012/2013	0	
Current Forecast Overspend at year end	0	
Total Forecast movement		0
Forecast Balance 31 March 2013		(14.145)

66. At present is assumed that any 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 S.151 Officer to link all the General Fund balances to risk.

Overall conclusions

67. This report has identified an overspend / shortfall on the balanced budget of £1.844 million for period 3 due to cost pressures / shortfalls in income.

68. 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

69. This report informs member's decision making.

Risks assessment

70. 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

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

Financial implications

72. 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

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

Proposals

74. Members are asked to note the outcome of the period 3 (June) budget monitoring.

Reasons for proposals

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

Background Papers and Consultation

2011-15 Business Plan
2012-15 Financial Plan

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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: RAG Rating Period 3