

Wiltshire Council

Cabinet

27 July 2010

Subject: Revenue Budget Monitoring: April to May 2010

**Cabinet Member: Councillor Fleur de Rhe-Philippe
Finance, Performance and Risk**

Key Decision: No

Executive Summary

To advise Cabinet of the latest position regarding the revenue budget monitoring for 2010-11.

Proposal

That Members note the report pending on the next monitoring report, highlighting all actions being taken.

Reasons for Proposals

That Members can approve a corporate approach to managing the financial pressures and government reductions.

**Martin Donovan
Chief Finance Officer**

Wiltshire Council

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Subject: Revenue Budget Monitoring: April to May 2010

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Key Decision: No

Purpose of Report

1. To advise Cabinet of the latest position regarding the revenue budget monitoring for 2010-11.

Background

2. This revenue budget monitoring report reflects the first two months of the financial year. As discussed in the main body of the report below, there are assumptions around financial pressures already identified being effectively managed.
3. The financial pressures in this report are in addition to the £24 million savings and efficiencies that were identified during the 2010-11 budget process. These are being tracked and managed by the council's various transformation programmes and boards e.g. Commissioning and Procurement Board.

Revenue Budget Pressures – Emergency Budget

4. In early June the new coalition government announced its emergency budget. A range of measures, including direct reductions in grant funding for local government, were implemented which would impact directly on the council in the current 2010-11 financial year. The impact of these reductions is shown below.

Emergency Budget Impact	Pressures £ 'million	Plans in Place £ 'million	Current Shortfall £ 'million
Area Based Grant (ABG)	2.720	1.300	1.420
Free swimming grant	0.281	-	0.281
Housing & Planning Delivery grant	1.800	1.800	-
VAT impact	0.300	0.300	-
Total	5.101	3.400	1.701

5. All services in the Council are currently looking at measures to address the shortfall in area based grant. The intention is to protect frontline services by identifying a range of efficiency measures.
6. The ABG from the Department for Education has been reduced by 24% giving a savings target of £2.01 million for DCE. The Department is reviewing all areas of expenditure funded by ABG to identify where savings can be made. At this stage the Department has so far identified savings of £1.3 million and the impact on priorities is being assessed.
7. Action is being taken within DNP to reduce road safety expenditure including the Road Safety Camera Partnership to offset this loss of Area Based Grant.
8. The cessation of the Free Swimming Grant, £0.281 million, will require a corporate decision on how this pressure is to be funded.
9. The abolition of Housing and Planning Delivery Grant, £1.8 million, will be offset by previous year's grant held in reserve. However projects to be funded from this reserve will be put on hold.
10. An increase in VAT from 17.5% to 20% was announced effective from 4th January 2011. In terms of the financial year 2010-11 the cost of this increase to the Council will be around £300,000 for the period 4th January 2010 to 31st March 2011. Action to recoup the loss of income, mainly affecting DNP, are being considered e.g. a review of fees and charges affected by the rate increase will mitigate the increase

Revenue Budget Pressures – Service Pressures

11. The council is taking a corporate approach in dealing with the reduction in government grant funding and also in dealing with the forecast service demand budget pressures that are anticipated during the financial year. The service demand pressures facing the council are detailed below.

Department	Pressures £ 'million	Plans put in place £ 'million	Current Shortfall £ 'million
Children & Education	1.021	1.021	-
Community Services	5.131	2.771	2.360
Neighbourhood & Planning Resources	1.870 2.000	1.870 2.000	- -
Total	10.022	7.662	2.360

Department for Children & Education (DCE)

12. The Department is facing a number of financial pressures in 2010-11. These are currently forecast at £1.021 million, mainly around demand led pressures and the impact of legislative change within social care.

13. The Department has put in place a recovery plan to manage all of these cost pressures including:
- review of SEN Transport by the Passenger Transport Unit;
 - Introduction of gate-keeping measures to reduce the level of legal support required;
 - A restructure of the management arrangements for After Care;
 - Improved commissioning arrangements;
 - Improved joint working with Housing to better manage homeless young people;
 - Improved commissioning of placements for the older age groups of Unaccompanied Asylum Seeking Children;
 - Renegotiation of key contracts;
 - Use of panel review placements;
 - Freezing of all non-essential posts

Department of Community Services (DCS)

14. The department has identified a number of financial pressures, including demand led pressures within Adult Social Care. The department experienced an increase in demand for referrals in 2009/10, over and above demographic demand pressures, and these have continued into 2010/11. Currently identified financial pressures are £5.131 million.
15. The department has instigated a range of measures to manage these cost pressures down, and as a result is currently forecasting a £2.360 million overspend.
- Re-patterning of the provision of Transport within Learning Disability Services;
 - Target and review of all non-contractually committed spend;
 - All vacant posts to be reviewed in line with the corporate recruitment protocol;
 - Use of panel review for placements;
 - Review of management structures and administrative services;
 - All assessments and reviews to be completed in accordance with the FOCUS processes, ensuring appropriate use of universal services and accessing community based services;
 - A series of workshops are being held with social care staff to discuss how they can minimise the level of social care intervention and divert people to appropriate community and voluntary sector organisations, as this promotes independence, whilst still fulfilling the Council's statutory responsibilities.
 - The department will be reviewing its charging policies.
16. In the previous 3 financial years, the department's financial position has been supported through the use of one-off resources. These one-off resources are no longer available to help the department to manage the financial pressures in this financial year

17. Libraries, Heritage and Arts and Community Leadership are all forecast to achieve financial balance at the year end. Within this forecast are targets to achieve £0.250m efficiency savings from the review of the Library Service, and the department is reviewing what further efficiencies could be delivered in this financial year. In particular, a further £0.250m efficiencies have been forecast from this review in 2011/12, and the department is reviewing if any of this may be available in this financial year

Department for Neighbourhood and Planning (DNP)

18. The Department is projecting a break even position on its budget. However there are significant cost pressures, totalling £1.870 million, which are being addressed across the Department by a number of savings and efficiencies.

Contract savings have been identified in Passenger Transport, in addition to the use of consultants and Section 106 funding.

Lower disposal tonnage and postponing expenditure will generate net savings within Waste.

Further savings are planned from the recruitment freeze and reductions in Learning and Development budgets.

Department of Resources (DoR)

19. The Department is facing financial pressures totalling £2 million. These arise in Property, £1.0 million, and ICT, £1.0 million. The underlying reason for the pressure within property services relates to the higher than forecast costs of repairs and maintenance of all buildings transferred from the four former District authorities. The pressure will be fully offset by rescheduling discretionary maintenance work out of 2010-11. This is a structural budget problem that will need to be resolved in future years, however there is an inherent link with the savings to be found from the Workplace Transformation project.
20. The main pressure in ICT is linked to the termination of the Steria contract, however the £1 million is very much the worst case. Further work is being carried out by ICT to mitigate budget pressures by the following actions:
 - “Switching off” unnecessary computer applications;
 - Reducing consultancy costs;
 - Priorisation of workload – focusing just on delivering WTP and the ICT in-sourcing;
 - Capitalisation of equipment costs when applicable
21. Further work is being carried out within the department to identify further areas of potential savings and to ensure that profile budget to date and commitments are properly aligned with anticipated actual spending.

Revenue Budget Pressures – Councils Overall Position

22. Across the Council redundancy costs are forecast of £0.750 million arising from the formation of Department of Neighbourhood and Planning and continuous transition of services since LGR. These pressures will have to be absorbed by the council as the transition fund was fully utilised in 2009-10.
23. The Councils overall forecast position for the end of May can therefore be summarised as follows.

	Pressures £ 'million	Plans put in place £ 'million	Current Shortfall £ 'million
Central government	5.101	3.400	1.701
Service related	10.022	7.662	2.360
Other	0.750	-	0.750
Total	15.873	11.062	4.811

24. At present work is ongoing to further reduce the councils current forecast overspend. It is envisaged that by the next monitoring report to members in September, management actions will be in place that will fully meet the forecast overspend and bring the council back in balance.

Main Consideration for the Council

25. To note the current budget monitoring report.

Environmental Impact of the Proposal

26. None have been identified as arising direct from this report.

Equality and Diversity Impact of this Proposal

27. No equality and diversity issues have been identified or arising from this report.

Legal Implications

28. None have been identified as arising direct from this report.

Risk Assessment

29. Significant service financial pressures, in addition to central government grant reductions, have already been identified across departments in year amounting to over £10 million. Actions to manage these pressures are in place. Ways of managing the remaining £2.3 million department pressures are being developed. Failure to deliver these actions will result in an overspend for the Council.

Financial Implications

30. These have been examined and are implicit throughout the report.

Proposals

31. That Members note the report pending on the next monitoring report, highlighting all actions being taken.

Reasons for Proposals

32. That Members can approve a corporate approach to managing the financial pressures and government reductions.

Martin Donovan
Chief Finance Officer

Report Author: Andy Brown

Unpublished documents relied upon in the preparation of this report:
Environmental impact of the recommendations contained in this report: NONE

Appendix 1 – Wiltshire Council Revenue Budget Monitoring Report