

Wiltshire Council

Cabinet

19 October 2010

Subject: Revenue Budget Monitoring 2010-11 (as at the end of Period 5)

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

Key Decision: No

Executive Summary

To advise Cabinet of the revenue budget monitoring position as at 31st August 2010 for financial year 2010-11. At this point in time, if no further action were taken, a £1 million overspend is projected. This is a £2.3m reduction in the forecast position in the last monitoring report of £3.3m, reflecting action taken by Officers to reduce previously identified overspends. Further action is being drawn up to return a balanced budget by the end of the year. Future revenue monitoring reports will highlight progress to achieve this.

Proposal

That Members note the report pending future monitoring reports that will highlight actions being taken to continue to reduce the overspend back to a balanced budget, and recommend to Council, in line with Financial Procedure Rules 15.7, the approval of the virements from reserves as highlighted at paragraphs 10 and 11 of this report.

Reasons for Proposals

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

**Michael Hudson
Interim Chief Finance Officer**

Wiltshire Council

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19 October 2010

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**Cabinet Member: Councillor Fleur de Rhe-Philippe
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Key Decision: No

Purpose of Report

1. To advise Cabinet of the revenue budget monitoring position as at the end of Period 5 (31st August 2010) for financial year 2010-11.

Background

2. In line with sound financial management this report updates Members on the Council's progress in delivering its 2010-11 revenue budget, based on outturn projections at the end of period 5 (31st August 2010). Assumptions around financial pressures previously identified are being effectively managed.
3. Members should note that, as requested by Members, the appendices have been amended to aid clarity, so that overspends are now reported as positive, and underspends are reported in parenthesis.
4. In setting the 2010-11 revenue budget the Council agreed delivery of £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.
5. In addition, Corporate Directors and Service Directors monitor their budgets each month to identify and manage costs and income. This report updates members of the progress of that monitoring.

The Council's Overall Position

6. The last monitoring report to Cabinet in September based on projections as at the end of Period 4 showed the Council's overall position as a projected overspend of £3.328 million. That was a reduction of £1.487 million from £4.811 million previously reported at the end of period 2 (31st May 2010). The previously reported overspend projections were largely due to Central Government funding reductions discussed in the following section. The forecast position as at the end of period 5 (31st August 2010) has seen an increase in

service related pressures within the Department of Community Services (DCS), arising largely from a higher than expected demand for services. This has been recognised in the Council's Business Plan going forward, and corporate measures are proposed to mitigate the projected overspend for the Council overall.

7. As a result the forecast overspend has reduced further and as at the end of period 5 (31st August 2010) now stands at £1.038 million. This can be summarised in the table below:

	Pressures £ million	Action Agreed £ million	Forecast Outturn £ million
Central government (see paragraphs 12 – 18)	5.101	4.001	1.100
Service related (see paragraphs 19 – 37)	14.042	8.918	5.124
Other (see paragraphs 38 – 42)	1.380	6.566	(5.186)
Total	20.523	19.485	1.038
Previously reported position	17.399	14.071	3.328
Difference	3.124	5.414	(2.290)

8. The projections across departments are as follows:

Department	Net Forecast Overspend / (Underspend)				Difference from Period 4 £ million
	Central Govt £ million	Service Related £ million	Other £ million	Total £ million	
Children & Education (paragraphs 20 - 25)	0.710	0.405	0.380	1.495	0.405
Community Services (paragraphs 26 - 28)	0.300	4.929	-	5.229	2.579
Neighbourhood & Planning (paragraphs 29 - 30)	0.050	0.497	0.750	1.297	(0.281)
Health & Wellbeing (paragraphs 31 - 32)	0.040	0.143	-	0.183	(0.027)
Resources (paragraphs 33 - 37)	-	(0.850)	0.250	(0.600)	(0.400)
Corporate Headings (paragraphs 38 - 42)	-	-	(3.000)	(3.000)	(1.000)
One off Provision release (para 10)	-	-	(3.566)	(3.566)	(3.566)
Total	1.100	5.124	(5.186)	1.038	(2.290)
Previously reported position	1.381	2.567	(0.620)	3.328	
Difference	(0.281)	2.557	(4.566)	(2.290)	

9. The increase in the forecast shortfall being faced within DCS is explained in detail further in the report. In the long term the cost pressures faced in relation to these services will be resolved by the Council's Business Plan.

Reserves

10. Following the successful closure of its 2009-10 accounts, Council Officers have carried out an assessment of current provisions and earmarked reserves held on the balance sheet. That assessment, having regard to an acceptable level of risk, has identified that £3.566 million can be removed without adversely affecting the Council's long term financial position. A breakdown of the £3.566 million one off release has been detailed below.

Description Provision \ Earmarked Reserve	£ million	Comments
Harmonisation Team Costs	0.729	See bulleted explanation below
Highway Compensation claims	0.530	
Business rates	0.203	
Department of Justice	0.085	
Insurance reserve	1.019	
Capital revenue reserve	1.000	
Total Planned One Off Release	3.566	

- Due to the restructure and revised approach to evaluation, the second and third year of the three year provision to meet the costs of the harmonisation team can be released. This will need to be built into the future business plan.
 - The majority of compensation claims have been settled and the remainder can prudently be released.
 - Provision for fees relating to an outstanding court hearing is no longer required as the case has been settled.
 - The provision dating back to early 2006 regarding the Department of Justice initiative is no longer required.
 - An officer review of the insurance reserve balance recommends a risk assessed level of £4m. £1m therefore can be taken now to offset in year pressures, and £1m discussed below.
 - Reserves held to finance capital programme can be partly used; funding will now be undertaken by prudential borrowing in later years.
11. In moving ahead with plans to deliver the Council's Business Plan the Authority is in the process of agreeing amendments to its redundancy policies. These will be considered by the Staffing Policy Committee on 12th October 2010. As a result proposals to restructure the Council's management are likely to be brought forward to early November 2010. Due to the greater than forecast level

of Central Government funding reductions in the next few years, the level of reductions in posts and redundancies are likely to be higher than forecast. To help manage cashflow it is recommended that £5 million of reserves are released in 2010/11 to fund the initial current estimate of the redundancies based on the revised policy. This will be recovered in later years from the resultant savings. It is proposed that funding is found from the following reserves:

Reserve	£ million	Comment
PFI	2	See bulleted explanation below
General Fund	2	
Insurance	1	
	5	

- The PFI reserve is used to counter the difference between future inflation increases in the PFI contracts held by the Council against the PFI Government grant credits received to offset the payments which are not index linked. As the contracts run over 15 years there is adequate time in the business plan process to resolve future funding requirements.
- The Medium Term Financial Plan provides for a £1.8m contribution to General Fund Reserves in 2010/11. As the Business Plan actions are brought forward it is proposed that the General Fund cash flow is reprofiled to aid transformation. This will be factored into the Business Plan to recover in the next two years and ensure General Fund balances remain at the recommended level. This will be reported in more detail in the next budget update.
- An officer review of the insurance reserve balance recommends a risk assessed level of £4m. £2m will be taken now to offset in year pressures with action being taken in the business plan to bring this back up to recommended levels.

Central Government Impact

12. The monitoring report to Cabinet in July detailed the impact of the new coalition Government's emergency budget that was announced in June 2010. The position reported to Cabinet in September on the impact of the measures that were introduced was a net forecast shortfall of £1.381 million, the updated forecast is shown below.

Emergency Budget	Impact on Council £ million	Action Agreed £ million	Forecast Shortfall £ million
Area Based Grant (ABG)	2.720	1.670	1.050
Free swimming grant	0.281	0.281	-
Housing & Planning Delivery grant	1.800	1.800	-
VAT Jan 2011 increase	0.300	0.250	0.050
Total	5.101	4.001	1.100
Previously reported position	5.101	3.720	1.381

13. All services in the Council are actively looking at measures to address the remaining shortfall in Area Based Grant (ABG). The intention is to protect frontline services by identifying a range of efficiency measures.
14. Action has been taken within Department for Neighbourhood and Planning (DNP) to fully address the loss of ABG for road safety, £0.370 million, through the winding down of the Road Safety Camera Partnership and road safety activities.
15. Action has been taken within Department for Children and Education (DCE) to identify savings to address the reduction in ABG, with £1.3 million being delivered by savings in staffing costs through vacancy control and reductions in payments to clusters of schools for extended schools activities.
16. The DNP and DCE £1.670 million of plans have been reflected in the appendices of this report. As a result the Council's overall total net service budget has reduced from £348.547 million to £346.877 million.
17. A decision was made at the last Cabinet to reintroduce charging for swimming for the under 16's and over 60's following the Governments June announcement to cease the free swimming grant that was used to fund the activity.
18. The increase in VAT cannot be applied in time for January 2011 to car parking due to the process in increasing fees and the current consultation on existing charging regime. The cost is forecast at £0.050 million.

Service Related Pressures

19. The Council is taking a corporate approach in dealing with the reduction in government grant funding and also in dealing with ongoing forecast service demand budget pressures that have been identified in its draft Business Plan as needing to be addressed in the longer term that are anticipated during the

financial year. The service demand pressures facing the Council are detailed below and in more detail at Appendix 1.

Department	Pressures £ million	Agreed Actions £ million	Net Forecast Overspend/ (Underspend) £ million	Difference from Period 4 £ million
Children & Education	1.426	1.021	0.405	0.405
Community Services	7.750	2.821	4.929	2.619
Neighbourhood & Planning	2.506	2.009	0.497	0
Health & Wellbeing Resources	0.210 2.150	0.067 3.000	0.143 (0.850)	(0.067) (0.400)
Total	14.042	8.918	5.124	2.557
Previously reported position	10.918	8.351	2.567	
Difference	3.124	0.567	2.557	

Department for Children and Education (DCE) – £0.405 net overspend projected

20. The Department is facing a number of financial pressures in 2010-11 mainly around demand led pressures and the impact of legislative change within social care. These were originally forecast at £1.021 million, £0.921m of which was against the childrens social care budgets, however a £0.405 million overspend is now projected against the childrens social care budget.
21. The £0.405 million overspend is due to the increased demand in the number of looked after children (LAC) which have increased since the start of the financial year above the level that was originally anticipated.
22. Although the external agency placement budget is projected to underspend in line with the proposed recovery plan the in house foster care budget is now projected to overspend due to increased volume of placements.
23. Within the projected overspend legal costs are projected to overspend by £167,000, all relating to in house legal costs. Currently there are 50 court proceedings ongoing. This is related to the aftermath of the Baby P case, increased awareness of safeguarding issues and a likely increase in family pressures due to the recession.
24. Recovery actions are being developed and it is expected that these actions will mitigate further increases in LAC numbers. Numbers are increasing for a number of reasons include unaccompanied asylum seeking children, the Southwark Judgement, and increasing number of vulnerable adolescents.
25. A potential liability has been included in the corporate risk register in relation to a claim against a Wiltshire school by a building contractor. Work is ongoing to fully quantify the potential liability.

Department of Community Services (DCS) - £4.929 net overspend projected

26. At the end of August 2010, the Department of Community Services is reporting a revised over spend forecast of £5.229m, £0.300m of this is the in year central government ABG reduction. This revised forecast reflects a number of demand related trends that the Department has faced over the last 2 financial years.

These have included:

- The average number of referrals under the Community Care Act has increased per month by 6.7% since September 2008 leading to an increase in demand for assessments and packages of care. Each month we are now assessing 1,681 people compared to 1,576 people per month last year;
- Wiltshire's older population grew by 5.1% between 2008 and 2010, in particular the population aged 65 – 74 grew faster (6.7%) and life-expectancy caused an increase in the population aged 85+. Overall this equates to approximately 4,100 more people in Wiltshire aged 65+ this year than there were in 2008, of which 600 are 85+. This has meant that we are caring for 330 more people currently than we did this time last year. This latest analysis of demographic demand trend reflects a continuing increase that is higher than previous forecasts used to inform budget settings. This is to be addressed in the Business Plan;
- The period of time that people need social care is lengthening, with more complex care packages that last longer and cost more. In Wiltshire the average length of stay in a residential setting has increased by 4% in the last 12 months.
- The above areas of demand pressure are reflected through increases in the number of older people supported by the department. The current number of older people supported in residential and nursing placements is 116 more than budgeted placements, resulting in an additional full year gross cost of £3.117m, because people are living for longer and remain in the system for longer at the same time as new people come into the system. In addition, there are in excess of 200 more domiciliary care packages than budgeted for at an additional full year gross cost in excess of £3m.
- In Wiltshire, those living with dementia is increasing at a rate of 3% per year. This is reflected through actual residential and nursing placements for older people with mental health problems being 45 more than the budgeted number of placements at an additional full year gross cost of £0.580k.
- There is a significant cost pressure from the number of people coming to social care through the Criminal Justice System (Mental Health Forensic Cases). As the court dictates the type of placement and the length of time prior to total discharge, these are uncontrollable, and in most cases, expensive placements. An average placement costs £1,200 per week (£62,500 per annum). During 2009/10 the department was supporting 8 forensic cases at an annual cost of some £350k. There are a further 14 cases at a cost in excess of £800k with estimated discharge dates occurring

during 2010/11, which were flagged as a significant risk at the beginning of the year.

- Within the Learning Disability service there are ongoing cost pressures from the increase in the life expectancy of those with a learning disability.
 - The economic recession has also resulted in increased cost pressures, as the number of people who will meet our funding criteria has increased since December 2008 (by as much as 12%).
 - The number of people supported with physical impairment in the last 18 months has increased by 63. This has resulted in an additional full year cost above the budget provided in excess of £1m.
27. The Department continues to ensure that expenditure is tightly controlled. All packages of care are agreed through a panel process, against strict criteria to ensure that the most cost effective placement are always made as well as meeting a person's needs. Further tightening of spending controls has been implemented to control spending with formal authorisation of care packages now at Service Director level. The Department has also reviewed its existing programme of targeted reviews for domiciliary services to Older People and Mental Health Older Adults. Domiciliary care packages will be reviewed to ensure that the Council provides an appropriate level of care whilst minimising dependency and cost. Delivering the FOCUS ways of working ensures that people are offered more information and advice at the front door to avoid people becoming dependent on services.
28. In the longer term, the corporate business plan seeks to address these demand pressures through additional investment and the radical redesign of services in a measured and considered approach to transform them for the future and to make them sustainable. For example the development of the accommodation strategy designed to help people avoid residential care whilst also delivering significant longer term savings. Corporate Support in line with the business plan is required to help manage the position through this financial year. As a result, paragraph 10 of this report starts to begin to redress the demand pressures in 2010/11 ahead of the previous planned date to reflect the importance of this area of services, the people of Wiltshire and the ability to shape the service for the future needs on a sound financial footing.

Department for Neighbourhood and Planning (DNP) - £0.497m projected overspend

29. Overall the Department is projecting an overspend of £1.289 million, as shown in appendix 1. This is a combination of pressures announced in the emergency budget and significant service cost pressures, totalling £2.506 million, which are being addressed across the Department by a number of savings and efficiencies.
30. The service related pressures remain unchanged from the last report to Cabinet in September at a forecast overspend of £0.497 million. The main element of this is the forecast shortfall in income arising from car parking, which is not anticipated to be fully recouped by year end.

Department for Health and Wellbeing (DHW) - £0.143m projected overspend

31. The Department has forecast an overspend of £0.143 million, a reduction from the £0.210 million overspend in the previous report. The overspend has reduced due to the jointly funded Corporate Director post being funded centrally from the DoR budget.
32. The forecast variance is predominantly associated with issues around the current staffing budgets. These are currently being examined with a view to being fully resolved.

Department of Resources (DoR) - £0.850m projected underspend

33. The Department originally had identified financial pressures totalling £2 million but these pressures are being effectively managed and contained within the Department and no further significant pressures have been identified. A small overspend is still forecast within the Shared Services & Customer Care service largely due to pressure around staffing for customer services.
34. The main pressure on ICT in this year was surrounding the in-housing and termination of the Steria contract. Work is ongoing in this area however it is anticipated that the majority of costs will now fall in 2011/12 and the Councils emerging business plan will have to be reflected accordingly.
35. Scrutiny and effective monitoring of the ICT budget, and control of spend on areas such as closure of WAN & VPN lines whilst maximising capitalisation of items relating to workplace transformation, has led to an anticipated underspend of circa £0.500 million. Work is ongoing with budget managers to ensure this forecast is robust and spend is controlled.
36. The recent harmonisation of the insurance contract led to a significant revenue saving forecast at circa £0.500 million. Relevant budgets across the Council's departments are now being centralised and after this process has been finalised the final variance will be confirmed.
37. An overspend of £0.100 million is forecast within the procurement service due to a shortfall in the base budget in respect of the PFI contract for the offices at Monkton Park. This will be rectified in the Business Plan for future years.

Other and Corporate Issues – net £3.0 million release of funds

38. Across the Council planned redundancy costs remain at a projected level of circa £1.380 million for the financial year. These relate to £0.750 million following the merger of EDPH & TEL departments into DNP; the cost arising from the redundancies of non teaching school staff, estimated at £0.380 million; and £0.250 million from the planned transformation and restructure of the design and print service. These pressures will have to be absorbed by the Council as the transition fund was fully utilised in 2009-10.

39. As mentioned in the previous monitoring report, and in line with managing redundancies corporately and assessing the merits on a business case i.e. obtaining future savings through service transformation, redundancy costs that cannot be absorbed by department's are shown as a one line under corporate headings in the Councils overall summary. This is discussed in more detail in the earlier section of this report (paragraph 11).
40. In the last monitoring report a technical swap of capital financing in the 2009-10 accounts led to a forecast underspend of £2.000 million against the capital financing budget line, contained within the central financing line under corporate headings in appendix 1.
41. The re-profiling of capital spend as reported in the capital programme monitoring report has led to the delay in financing costs and will result in a revenue saving in this financial year. This has led to a further £1.000 million underspend against the capital financing budget on top of the £2.000 million mentioned in paragraph 40.
42. The Council has an approved invest to save pot of £0.300 million. So far one scheme associated with street lighting, at a cost of £0.100 million, has been approved. Further proposals are being assessed and will be approved via a delegated decision by the cabinet member for Finance, Performance and Risk.

Main Consideration for the Council

43. To note the current budget monitoring report, and approve virements on reserves.

Environmental Impact of the Proposal

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

Equality and Diversity Impact of this Proposal

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

Legal Implications

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

Risk Assessment

47. Significant service financial pressures, including Central Government grant reductions, have been identified across departments in year amounting to £20.5 million. Actions to manage these pressures have been agreed previously with a further one off use of reserves proposed in this report. Ways of managing the remaining £1 million pressures are being developed. Failure to deliver these actions will result in an overspend for the Council.
48. The Council has identified in its corporate risk register various elements which are covered within this monitoring report, most notably the impact the current

economic climate has on the Council's finances and the recent potential liability surrounding the claim against a Wiltshire school.

Financial Implications

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

Proposals

50. That Members note the report pending future monitoring reports that will highlight actions being taken to continue to reduce the overspend back to a balanced budget, and recommend to Council, in line with Financial Regulation 15.7, the approval of the virements from reserves as highlighted at paragraphs 10 and 11 of this report.

Reasons for Proposals

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

Michael Hudson
Interim Chief Finance Officer

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

Appendix 1 – Wiltshire Council Revenue Budget Monitoring Report