

**Wiltshire Council**

**Cabinet**

**15 February 2011**

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**Subject: Revenue Budget Monitoring 2010-11  
(As at the end of Period 9)**

**Cabinet Member: Councillor Fleur de Rhé-Philipe - Finance, Performance and Risk**

**Key Decision: No**

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**Executive Summary**

To advise Cabinet of the revenue budget monitoring position as at 31 December 2010 for financial year 2010-11. At this point in time an overspend of £1.117 million is projected. This is a £1.162 million increase in the forecast position since the last monitoring report of (£0.045) million, mainly as a direct consequence of assumptions made by officers around the ICT service budget. Future revenue monitoring reports will highlight ongoing progress to achieve a balanced budget.

**Proposal**

To note the report showing a forecast overspend of £1.1 million relating to the exceptional activity on Winter Maintenance and the transitional costs associated with the IT service.

**Reasons for Proposals**

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

**Michael Hudson  
Interim Chief Finance Officer**

**Wiltshire Council**

**Cabinet**

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### **Purpose of Report**

1. To advise Cabinet of the revenue budget monitoring position as at the end of Period 9 (31 December 2011) for financial year 2010-11.

### **Background**

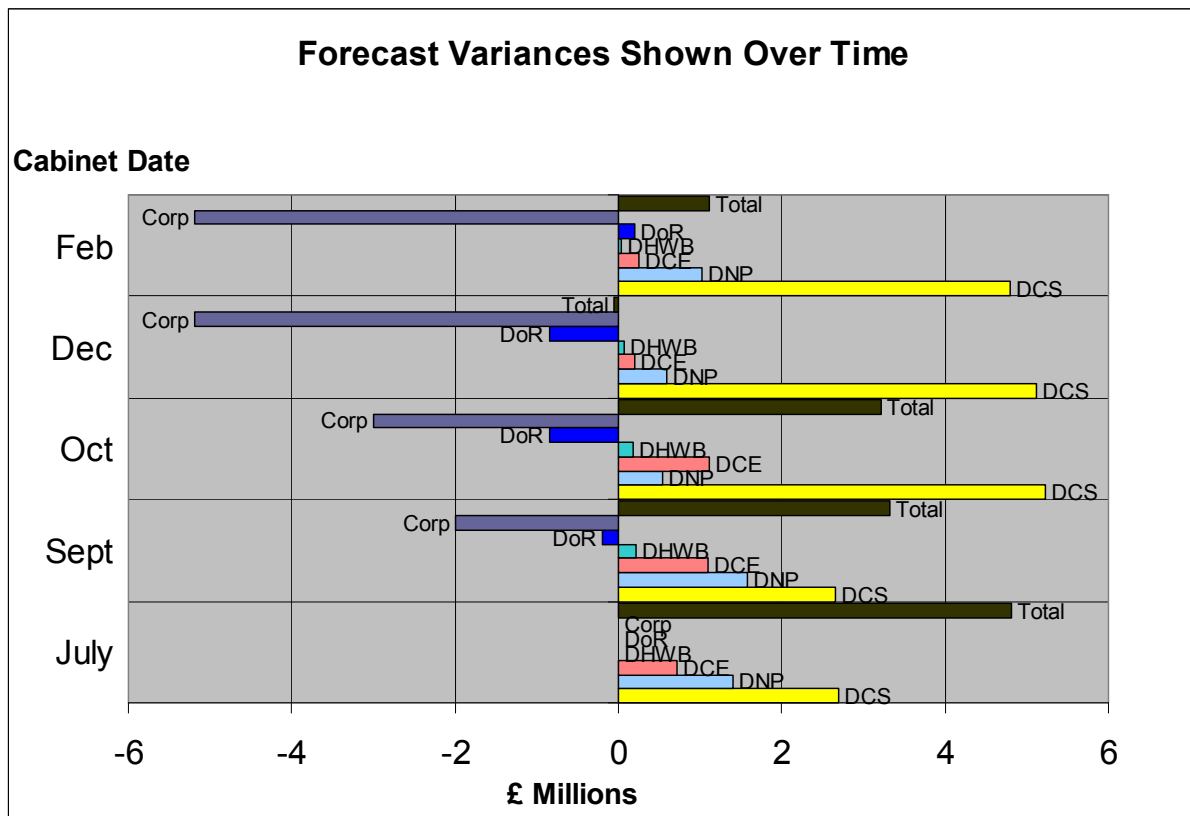
2. Following an initial review of budget monitoring, this report is set out slightly differently from previous updates to Members. The key changes are: -
  - Presentational - inclusion of graphs and tables, with focus on Departmental monitoring including the impact of the Government's reduction to Area Based Grants in June 2010.
  - Completeness - forecasts for the Housing Revenue Account have been included. In addition, assessments of general fund and earmarked reserves are raised.
  - Risk - Accountancy focus continues to be on those services that forecast to over or underspend by 31 March 2011 by + / - £0.5 million. Budget monitoring and the forecast variance have all been linked to the setting of the 2011-15 business and financial plan.

## Main Considerations for the Council

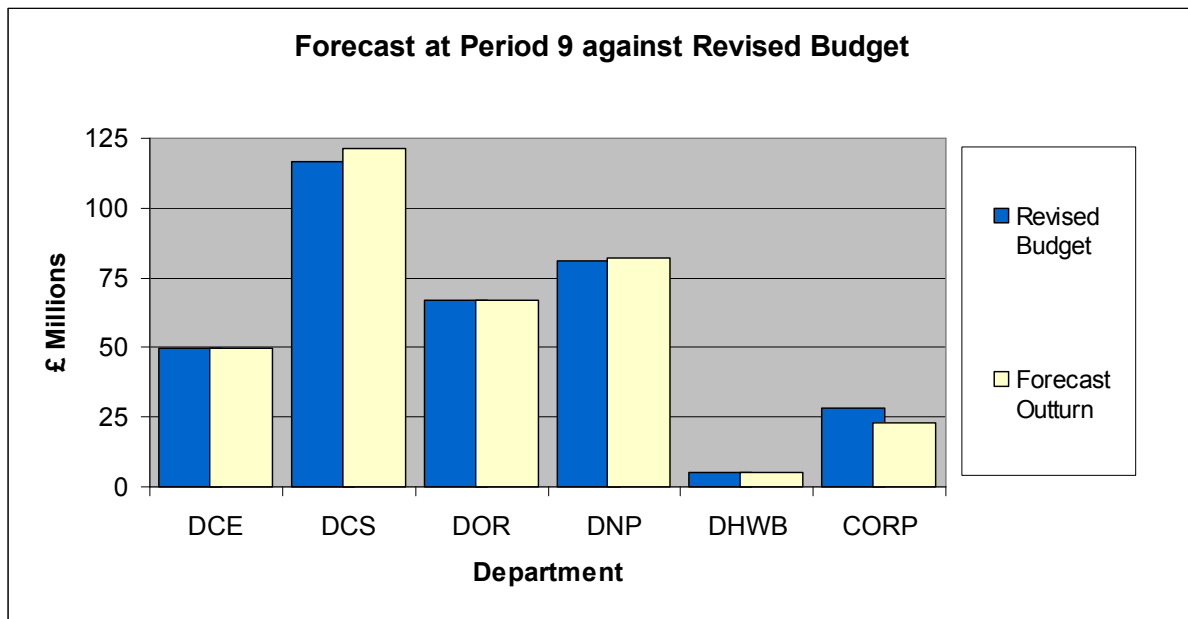
3. The projected year end position for the relevant account is as follows:

	Revised Budget £ m	Actual Period 9 £ m	Forecast Y/E £ m	Under/ Overspend £ m	Movement from period 7 £ m
General Fund	346.243	394.603	347.630	(1.117)	1.162
HRA	(1.292)	(2.981)	(1.006)	0.286	0.286

4. The forecast for the General Fund shows a continued improvement until the latest position outlined in this report and shown in the graph below which details the forecast variance for each department, the council overall over each report to Cabinet.



5. The graph below shows the forecast outturn position against the revised annual budget for each department as at period 9. A full analysis is provided in Appendix 1.



6. The key areas of movement since last period has been:
- DCS – £0.324 million reduction due to continued tight monitoring and stricter controls on the process for packages of care.
  - DCE – £0.046 million increase due to an increase in expenditure on placements made outside the county.
  - DNP – £0.428 million increase due to exceptional activity on Highways Maintenance during the recent cold spell.
  - DHWB - £0.038 million reduction arising from vacancies.
  - DOR - £1.050 million increase largely due to the assumptions made within the ICT service.
7. The detail around these departmental projections is set out at Section 5 of this report and Appendix 1.
8. As the budget is now forecast to be overspent the impact of the £1.117 million will be a further draw on the general fund reserve, this is detailed in paragraph 30 and has been fully allowed for in the 2011-12 revenue budget proposals. However, more work will continue in bring back the budget to a balanced position and budget monitoring will continue to review this and the total position.

## Detailed Monitoring

### General Fund

10. The overall net position by departments is as follows:

Department	Revised Budget £ m	Actual Period 9 £ m	Forecast Y/E £ m	(Under)/ overspend £ m	(Under)/ overspend Reported at period 7 £ m	Movement since period 7 £m
DCE (paras 12-13)	48.966	169.133	49.213	0.247	0.201	0.046
DCS (paras 14-17)	116.222	100.531	121.022	4.800	5.124	(0.324)
DNP (paras 18-21)	80.950	60.597	81.973	1.023	0.595	0.428
DHWB (paras 22-23)	5.078	3.333	5.111	0.033	0.071	(0.038)
DOR (paras 24-26)	66.993	56.586	67.193	0.200	(0.850)	1.050
Corporate (paras 27-28)	28.034	4.423	22.848	(5.186)	(5.186)	-
<b>TOTAL</b>	<b>346.243</b>	<b>394.603</b>	<b>347.360</b>	<b>1.117</b>	<b>(0.045)</b>	<b>1.162</b>

11. A summary of the forecast is set out by Departments in the following sections:

#### Department for Children and Education (DCE)

12. As at the end of December the Department is forecasting a £0.247 million overspend, of which £0.710 million is the central government ABG reduction. There has been an increase in expenditure against placement budgets for looked after children (LAC). Expenditure on placements made out of authority has increased by £0.349 million since the previous report to Cabinet, largely accounted for by court ordered mother and baby assessments at high weekly cost. It is anticipated that the new provision at Towpath Road will yield savings against this budget but it is too early to say whether these will be significant in the current year. The in house fostering service is expected to overspend by £0.697m as a result of increased numbers of placements being made with in-house carers. A growth proposal has been submitted as part of the 2011/12 budget to address this budget shortfall in future years. In addition the cost of Care Leavers and Asylum Seeking Children looks set to exceed the budget by £0.244m as this client group continues to grow.

13. The increase in expenditure has been offset by projected underspends within Youth Development Services and Commissioning & Performance.

## **Community Services**

14. At the end of December 2010, the Department of Community Services is reporting a revised over spend forecast of £4.8 million, £0.277 million of this is the in year central government ABG reduction. This reflects an improved position for the department of £0.324 million since the last report. This revised forecast continues to reflect the demand related trends that the Department has faced over the last 2 financial years, as previously reported.
15. 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 is 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 are being 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.
16. We are now into the winter months and the department is continuing to work in partnership with the Primary Care Trust (PCT) throughout this period to monitor the demand pressures during this period and the impact of this on the PCT and also on social care services. The forecast reported above reflects this.
17. 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.

## **Neighbourhood & Planning**

18. The Neighbourhood & Planning Department is projecting an overspend of £1.023 million at the end of December, an increase of £0.428 million since the last report.
19. The increase in the projected overspend since the end of October report is due entirely the exceptional activity on Highways Winter Maintenance during the snow and freezing weather in November and December. This is currently estimated to result in an overspend of £500,000 in the budget for the year.

20. The increase in the forecast assumes a more normal level of activity for the remaining weeks of 2010-11 and so is very much a provisional figure at this stage.
21. The remaining overspend has reduced by a small amount, £0.072 million since the last report and efforts are continuing to minimise the final overspend figure.

### **Health & Wellbeing**

22. The projected budget overspend has reduced further from £0.071 million to £0.033 million. This reduction has resulted from Community Safety now forecasting a small underspend of £0.038 million arising from salary savings from vacant posts.
23. The £0.071 million overspend within Health & Wellbeing is made up of an £0.086 million projected overspend in Public Protection offset by a £0.015 million projected saving in the Research budget. The Public Protection overspend is almost entirely made up of unbudgeted redundancy costs, £0.070 million, that have resulted from making two members of staff redundant during the year.

### **Resources**

24. The Department is now reporting an overspend of £0.200 million as at the end of December 2010 which represents an increase of £1.050 million from the position reported in the last report.
25. Detailed monitoring has been undertaken on the key risk areas within the department, most notably the ICT service line. The service was forecasting a £0.500 million underspend, however assumptions have now been made by officers around the transitional costs of the new service, these will be finalised at year end but provision has been made within the forecast in this report.
26. Work continues on disaggregating the Strategic Property Services line down into its component parts, namely separating out the budget and costs associated with properties within the Workplace Transformation Programme and the remainder i.e. farms, commercial, other operational properties not in the programme.

### **Corporate Headings**

27. There has been no change in the current forecast underspend of £5.186 million against corporate headings.
28. The underspend is a combination of the one off provision release, as outlined in previous monitoring report, the underspend as a direct result of delays in capital expenditure and the revenue financing cost associated with those. The underspend also takes into account an estimate of £6.380 million redundancy costs by the end of the financial year.

## Housing Revenue Account

29. The latest forecast as at period 9 is a £0.286 million overspend against the net budget, however this will still result in a return to HRA reserves of over £1 million at year end. The pressures are mainly as a result of service enhancements included in the improvement plan which followed the recent housing inspection.

## Reserves

30. The tables below provide the latest forecast as at period 9 on the general fund balance and estimated earmarked reserves held by the council. The latest forecast on general fund currently stands at £11 million. This has been factored into the revenue budget proposals for 2011/12 and also allows flexibility in movement in the forecast for 2010/11, due to uncertainty around actual costs arising from severances.

<b>General Fund Reserve</b>	<b>£ million</b>	<b>£ million</b>
Balance as at 1 April 2010		13.770
Planned contribution in 2010/11	1.875	
Loss of LABGI grant	(0.574)	
Defer planned contribution	(1.875)	
Current Forecast Overspend	(1.117)	
Allowance for contingency and movement in forecast i.e. severance costs	(1.000)	
Total Forecast movement		(2.691)
<b>Forecast Balance 31 March 2011</b>		<b>11.079</b>

<b>Earmarked Reserves</b>	<b>Opening Balance £ million</b>	<b>Planned Drawdown £ million</b>	<b>Forecast Closing £ million</b>
Capital Revenue Reserve	1.500	(1.000)	0.500
PFI Reserve	4.251	(2.125)	2.126
Insurance Reserve	6.019	(2.019)	4.000
Schools Balances	17.493	-	17.493
WTP Reserve	0.228	-	0.228
Libraries operating reserve	0.059	-	0.059
Housing	0.042	-	0.042
<b>Forecast Balance 31 March 2011</b>	<b>29.592</b>	<b>(5.144)</b>	<b>24.448</b>

31. A review of the assessment of need is currently being undertaken by the S.151 to link all the General Fund balance to risk. This has been reported to Members in consideration of setting the 2011/12 business and financial plan. In light of the 2010/11 latest forecast at period 9.

## Environmental Impact of the Proposal

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



## **Equality and Diversity Impact of this Proposal**

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

## **Legal Implications**

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

## **Risk Assessment**

36. Significant service financial pressures, including Central Government grant reductions, have been identified across departments during the financial year. Actions to manage these pressures have been agreed previously in addition to a one off use of reserves.
37. Budget Monitoring will continue to review this and the total position.
38. The Council has identified in its corporate risk register various elements which are covered within have been covered in previous monitoring reports, 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**

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

**Michael Hudson**  
**Interim Chief Finance Officer**

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## **Background Papers**

The following unpublished documents have been relied upon in the preparation of this report: NONE

## **Appendices**

Appendix 1 – Wiltshire Council Revenue Budget Monitoring Report