

**Wiltshire Council**

**Cabinet**

**15 February 2012**

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**Subject: Budget Monitoring Period 9 December 2012**

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

**Key Decision: No**

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### **Executive Summary**

The report advises members of the revenue budget monitoring position as at the end of Period 9 (December 2011) for the financial year 2011/2012 and highlights significant new cost pressures or changes since the last report on 13 December 2011.

The Period 7 budget monitoring report identified significant potential cost pressures that totalled £1.539 million. This period has identified improvements in these cost pressures totalling £1.260 million. This gives revised potential cost pressures of £0.279 million at period 9.

Action will continue to balance the budget by 31 March 2012, and this is discussed in more detail within the body of the report.

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 £11.559 million. This meets the requirement to keep robust reserves as set out in the Council's financial plan.

### **Proposals**

1. Members are asked to note the outcome of the Period 9 (December 2011) budget monitoring and receive updated movements since the previous report in December.

### **Reason for Proposal**

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

Michael Hudson  
**Chief Finance Officer**

# Wiltshire Council

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### PURPOSE OF REPORT

1. To advise members of the revenue budget monitoring position as at the end of Period 9 (December 2011) for the financial year 2011/2012 and highlight any significant new cost pressures or changes since the last report on 13 December 2011.

### BACKGROUND

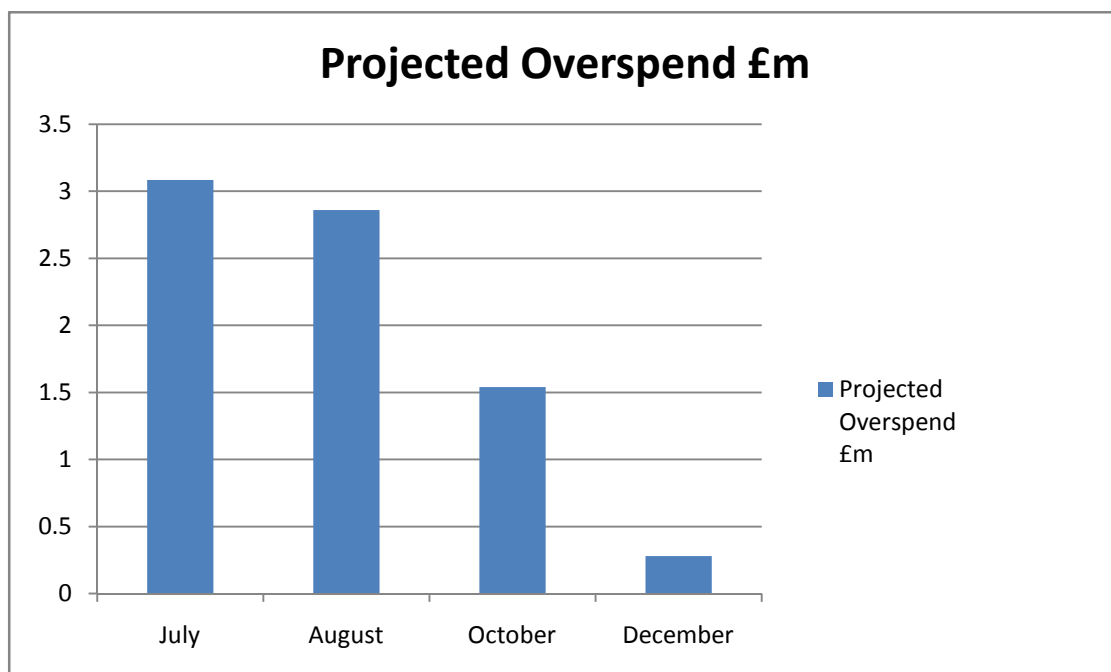
2. This report is in the new senior management structure ratified by Council on 8 November 2011. The detailed reports have been recast into the new structure, which shows expenditure by service areas.
3. As in previous periods, the report focuses on the gross and net position by service area. Comprehensive 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

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

	Revised Budget Period 9 £m	Profiled Budget to date £m	Actual and committed to date £m	Projected Position for Year £m	Projected Over/ (Underspend) £m	Over/ (Underspend) reported at period 7 £m	Movement since period 7 £m
General Fund Total	329.847	438.411	329.499	330.126	0.279	1.539	(1.260)
Housing Revenue Account	(0.411)	(0.411)	(0.411)	(0.485)	(0.074)	0.000	(0.074)

5. The graph below shows how the forecast outturn overspend has decreased in budget monitoring reports in Cabinet this year. The graph shows a clear continual improvement in the projected overspend, following financial management throughout the Council.



## **COST AND INCOME PRESSURES**

6. 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.
7. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountancy regularly, on a risk based approach.
8. The Period 7 report identified significant potential cost pressures in those high risk services totalling £1.539 million. This report identifies an overall improvement in these cost pressures with a reduction totalling £1.260 million. This gives a downward revised cost pressure of £0.279 million at period 9. This is summarised and tied back to the last monitoring report in Appendix D. This table has been recast to reflect the Council's new management reporting structure. The overall balance brought forward is the same, but some of the figures have been split down to give more details.
9. 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.

## **BUDGET MOVEMENTS SINCE PERIOD 7 REPORTED TO MEMBERS**

10. There have been some movements between service areas in budget since the last monitoring report at period 7. More details are given in Appendix B.

### **Detailed monitoring**

11. The overall revised projected net position by service areas is set out in Appendix C.
12. 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 period 9 budget and actual and committed to date. This is due to timing differences for example with schools 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)**

13. The current forecast overspend across the combined Adult Social Care Service areas is £0.757m (£1.678m over spend for Operations and £0.921m under spend for commissioning), compared to £1.236m when last reported. This reflects improvements to partner income forecasts.
14. As previously reported, the cost pressures being experienced are largely as a result of demand for Adult Social Care services being greater than that which were assumed when setting the budget. This is predominantly in the areas of:
  - Older People through demand for residential placements and domiciliary care services. The forecast includes an assumption that the authority will continue to make an additional 13 placements per month, 46 placements to the end of the financial year;
  - Support for Adult Social Care Services provided through the Supporting People budget;
  - Support to people with a Physical Impairment through demand for new high cost, complex care packages;
  - Learning Disabilities through demand for new and complex packages of care.
15. We are now into the winter months and the service continues to work in partnership with the Primary Care Trust (PCT) throughout this period to monitor the demand pressures and the impact of this on the PCT and also on social care services. There is considerable pressure currently at both a national and local level for PCT's and Local Authorities to work together to ensure that hospital delays are minimised. The service continues to closely manage and monitor hospital delays with the PCT, and to assess the financial implications for the authority. However, the service is facing increasing and significant pressure to make additional placements above those planned and budgeted for.

16. As previously reported, the service has experienced a reduction in the rate at which people are leaving the care system, for example through moving out of county or through death rates. This is occurring across residential and nursing placement budgets and domiciliary care budgets. Rates have been reducing overall since April 2009, but the trend experienced so far in this financial year has been more prominent.
17. Cost pressures are continuing from an increasing number of people transferring to packages of social care following reassessment against the Continuing Health Care (CHC) criteria. To the end of December, the service has paid for packages of care for 20 people following this process, at an in year cost of £0.360 million. This is reflected in the current forecast and is managed as part of the overall panel process.
18. The service continues to ensure that adult social care expenditure is tightly controlled. All packages of care are agreed through a panel process, against strict criteria to ensure that the most cost effective placements are made as well as meeting a person's needs. This process has been subject to review by members of the Health and Adult Social Care Select Committee, who confirmed that they believe that the processes in place are robust.

### **Community Leadership & Governance**

19. The current forecast overspend against the service of £0.028 million relates to the delivery of budgeted staff savings in the Area Boards service area.

### **Libraries, Heritage & Arts**

20. The current forecast overspend against the Libraries, Heritage and Arts Service of £0.098 million (£0.121 million when last reported) is as a result of lower than budgeted income levels. The service is reviewing its planned expenditure against all budget areas to identify ways in which this can be further managed down. This is reflected in the current forecast and any further improvements will be reflected in future reports.

### **Strategic Housing**

21. There is currently a forecast underspend against Strategic Housing of £0.461m compared to £0.338 million when last reported. This is as a result of forecast expenditure in the Housing Options and Allocations service being less than budgeted and a number of vacancies across the department resulting in a forecast underspend against staffing budgets.

### **Highways and Street Scene**

22. Budget monitoring has confirmed further pressure within service lines which has increased the anticipated overspend from £0.810 million to £1.190 million. This increase is driven by an expected shortfall in income to be achieved on Market stall rentals, as well as pressure within the Countryside service line

attributable to higher than expected payments to agencies/partnerships and unachievable income. This combined with continued pressures highlighted in previous reports has resulted in the forecast overspend of £1.190 million.

### **Leisure**

23. The Leisure service forecast overspend has been reduced to £0.210 million due to a prudent reduction in the anticipated spend, the remaining overspend is due to reasons previously reported

### **Car Parking**

24. Car Parking is reporting a forecast overspend of £1.500 million, this is a small improvement on projected costs of £0.050 million on the figure reported in period 7. The forecast on income remains unchanged.

### **Children's Services (including Safeguarding, Children's Social Care, Integrated Youth, Early Years, School Improvement, Business & Commercial Services, Targeted Services & Learner Support, Commissioning & Performance and Funding Schools)**

25. Children's Services budgets are projected to underspend by £0.288 million. An increase in the overspend for Children's Social Care is offset by underspends across other service areas.
26. Looked after Children (LAC) numbers were 396 at the end of December and the in year increase in the numbers of LAC is reflected in the expenditure on placements. The external placement budget is projected to overspend by £0.373 million, commissioning 6,926 more nights care than budgeted for. The in-house placement budget is projected to overspend by £0.298 million, or 11,515 nights care.
27. The overspend on care leavers has increased by £0.098 million in December and reflects data cleansing and improved systems for recording expenditure on personal allowances for young people leaving care.
28. Integrated Youth Services are projected to underspend by £0.465 million. This is due to planned vacancies across the service and to over recovery of the year 1 savings target within the Connexions Service.
29. Schools and Learning Services are projected to underspend by £0.671 million. Key variances include:
- The Early Years service is projected to underspend by £0.349 million due to planned vacancies and one off income.
  - SEN Transport budgets are projected to underspend by £0.200 million due to improved procurement and review of individual routes.

- Urchfont Manor is projected to overspend by £0.100 million due to a shortfall in income
30. The implementation of the corporate Admin Review has led to potential delays in achieving savings through phase 2 of the Business Support reviews in Social Care and Business & Commercial Services through the alignment of the processes. This may impact on achievement of the full year saving included in the business plan for 2012/2013. This will be further reviewed during future budget monitoring.

### **Policy, Performance & Partnerships**

31. This service is projected to underspend by £0.104 million. There are a number of vacant posts following the bringing together of services from different Departments in to a single service area resulting in a saving of £0.080 million on staffing costs. Other non-pay budgets such as travel are also underspending.

### **Finance, Procurement & Internal Audit**

32. The forecast overspend has increased by £0.100 million from that previously reported. This is a direct result of forecast increased costs against the Housing PFI set up costs budget which drew to a financial close in December 2011.

### **Legal & Democratic**

33. There have been no changes in the previously reported £0.600 million overspend within Legal & Democratic Services. Around £ 0.080 of the overspend relates to the cost of parish and town council elections. The balance reflects a significant increase in the demand for legal services, particularly in relation to protecting vulnerable children. Steps are being taken to reduce this overspend by actively recruiting to permanent positions and reducing the number of locum lawyers.

### **Communications & Branding**

34. The anticipated overspend on Communications & Branding is £0.130 million. This is a change from the previous forecast position of £0.060 million underspend and is due to underestimated costs on Design and Print work within service areas being approved and, following the centralisation of this activity, then moved in from other service areas. This forecast also takes into account the anticipated shortfall on the income target of £0.350 million.

## **Human Resources & Organisational Development**

35. The anticipated under spend of £0.200 million is as a result of good budget management in the HR Project Team, the delay in delivering a small number of strategic projects and the reduction against planned delivery of leadership/management development interventions in 2012. This delay is primarily due to the senior management restructuring and organisational changes that have been ongoing. The strategic projects will be delivered in 2012/2013 budget period and the learning and development uptake will increase.

## **Information Services**

36. Information Services have continued to manage the budget to the bottom line and are now forecasting an underspend of £1 million.
37. This is largely due to a reduction in server and desktop hardware and infrastructure expenditure; these costs have been captured as part of the transformation programme. In future years these costs will once again be met by the revenue budget and not by transformation.
38. There has been a significant saving on the Microsoft and Enterprise agreement for 2011/12. This agreement is on a 3 year contract and will require an audit and account adjustment in June 2013, through a process known as 'True-up', which reflects the installed Microsoft software on our systems.
39. Further underspends have been achieved from recruiting and developing a staff structure to provide internal support and expertise effectively reducing agency and maintenance support contract costs. These have been used to manage increased expenditure in Telecoms and Software Maintenance Support contracts brought about from the transformation programme.

## **Business Services**

40. Business services have effectively reduced the under spend down from £0.100 million to £0.040 million by holding vacancies, reducing expenditure and negotiating a new Health and Safety system for less than forecast.

## **Strategic Property Services**

41. Strategic Property Services is reporting a forecast underspend of £0.300 million. This is unchanged from period 7 report.



## **Transformation Programme**

42. Since the last report the forecast overspend of £0.350 million on Transformation has risen to £0.390 million. Whilst efforts still continue to contain these costs within the service line, previously reported pressures arising from structural problems on business rates, grounds maintenance costs and in year costs from increasing utility prices and shortfall on lettings income have all led to this increased forecast overspend.
43. As reported in October 2011, the overspend within Transformation is being offset by an underspend within Strategic Property Services estimated at £0.300 million which is down to the effective management of the services staffing establishment.

## **Economy & Enterprise**

44. Economy & Enterprise is reporting a forecast underspend of £0.400 million This is unchanged from period 7 report.

## **Development Services**

45. Development Services is reporting a forecast underspend of £0.180 million. This is unchanged from period 7 report.

## **Highways Strategic Services**

46. The Highways and Strategic Services line is forecasting an underspend of £0.240 million; an increase of £0.130 million from that previously reported. The main driver behind this increase is an upturn in the level of supervision fees received from developers; these are collected in relation to the supervision function carried out by Wiltshire Officers on construction sites across the County. The supervision expenditure is however likely to increase accordingly. This coupled with the delay in the setting up of the Safety Camera Unit has caused the budget to underspend at the forecasted level.

## **Passenger Transport (including Education Transport and Public Transport)**

47. The service is forecasting a combined underspend of £0.620 million which is attributable to savings achieved in various areas of spending since the budget was set. These have been reflected in the budget that is being proposed for 2012/13. The underspend has seen a movement between the Education and Public Transport service lines due to clarification of expected transport contract costs through detailed analysis of the Routewise system. The underspend on Education Transport has decreased, but this has been offset with an increase

in the Public Transport underspend, meaning the overall underspend has reduced by £0.020 million since the last monitoring report.

### **Waste**

48. Within the Waste service the assumptions around inflation on waste management have been analysed together with assumptions around the cost of the investment in new services. The forecast for Landfill Tax has also been restated. At this stage officers feel that the forecast overspend is £0.280 million, an increase of £0.090 million on the previous reported forecast.

### **Digital Inclusion**

49. An underspend of £0.071 million is projected against the revenue budget for Digital Inclusion. Staffing costs are expected to underspend by £0.054 million, the remainder of the underspend is against travel and project running costs.
50. It should be noted that the financial plan already assumes that £0.070 million will be rolled forward in to 2012/2013. The over position will be reviewed at final outturn to see whether a request could be made to roll this further underspend forward.

### **Corporate Directors**

51. This new heading has been introduced to reflect the direct costs controlled by the corporate directors. One area that is currently forecast to underspend is the business support function that is projected to underspend by £0.040 million.

### **Corporate**

52. An underspend of £1.500 million is forecast as a result of re-programming of capital expenditure and the revenue financing cost associated with those. This is unchanged from the previous report. The level of specific provisions has been reviewed and it has been considered prudent to increase by £0.340 million to reflect specific claims which are currently under negotiation.

### **Housing Revenue Account**

53. Budget figures on the Housing Revenue Account have been reviewed as part of the regular monitoring process. At present, the account is reporting a surplus of £0.485 million against a budgeted surplus of £0.411 million, an improvement since last reported of £0.074 million. This is largely as a result of reviewing forecasts based on more accurate spend to date trends.

## RESERVES

54. 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 £11.559 million at 31 March 2012. This will be factored into the revenue budget proposals for 2012/2013.

<b>General Fund Reserve</b>	<b>£ million</b>	<b>£ million</b>
Balance as at 1 April 2011		(13.926)
Planned contribution in 2011/2012	1.867	
Extra draw re transformation	0.500	
Current Forecast Overspend at year end	0.000	
Total Forecast movement		2.367
<b>Forecast Balance 31 March 2011</b>		<b>(11.559)</b>

55. A review of the assessment of need has been undertaken by the S.151 Officer to link all the General Fund balances to risk. This will be updated as part of setting the 2012/2013 budget.

### Overall conclusions

56. The December Cabinet report for period 7 suggested an overspend / shortfall on the balanced budget of £1.539 million due to cost pressures.
57. During the period additional cost pressures and savings have been identified that gives a downwards reduction of £1.260 million. This has resulted in a revised forecast of a potential projected overspend based on assumptions, at end of period 9, of £0.279 million.

Cost pressures reported period 7	£1.539 million
Reduction in cost pressures in period	(£1.260 million)

Cost pressures end of period 9	£0.279 million
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58. 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

59. This report informs member's decision making.

## **Risks assessment**

60. 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. At this stage that is in place.

## **Equalities and diversity impact of the proposals**

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

## **Financial implications**

62. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report. If all proposed actions are delivered this will yield a balanced budget by 31 March 2012.

## **Legal Implications**

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

## **Proposals**

64. Members are asked to note the outcome of the period 9 (December) budget monitoring and receive updates movements since the previous report in October.

## **Reasons for proposals**

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

## **Background Papers and Consultation**

2011-15 Business Plan

2011-15 Financial Plan

Budget Monitoring Cabinet Period 3 26 July 2011

Budget Monitoring Cabinet Period 4 13 September 2011

Budget Monitoring Cabinet Period 5 18 October 2011

Budget Monitoring Cabinet Period 7 13 December 2011

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### **Appendices:**

Appendix A: Revenue Budget Movements 2011/2012

Appendix B: Service Area Movements 2011/2012

Appendix C: Detailed Service Area Budget Statements

Appendix D: Forecast Variance Movement