

Wiltshire Council

Cabinet

14 December 2010

Subject: Revenue Budget Monitoring 2010-11 (as at the end of Period 7)

**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 31 October 2010 for financial year 2010-11. At this point in time a small underspend of £0.045 million is projected. This is a £1.083 million reduction in the forecast position since the last monitoring report of £1.038 million, reflecting action taken by officers to reduce previously identified overspends. Future revenue monitoring reports will highlight ongoing progress to achieve a balanced budget.

Proposal

That Members note the report showing a balanced position, pending future monitoring reports that will highlight ongoing actions being taken to continue a balanced budget.

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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**Subject: Revenue Budget Monitoring 2010-11
(as at the end of Period 7)**

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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 7 (31 October 2010) for financial year 2010-11.

Background

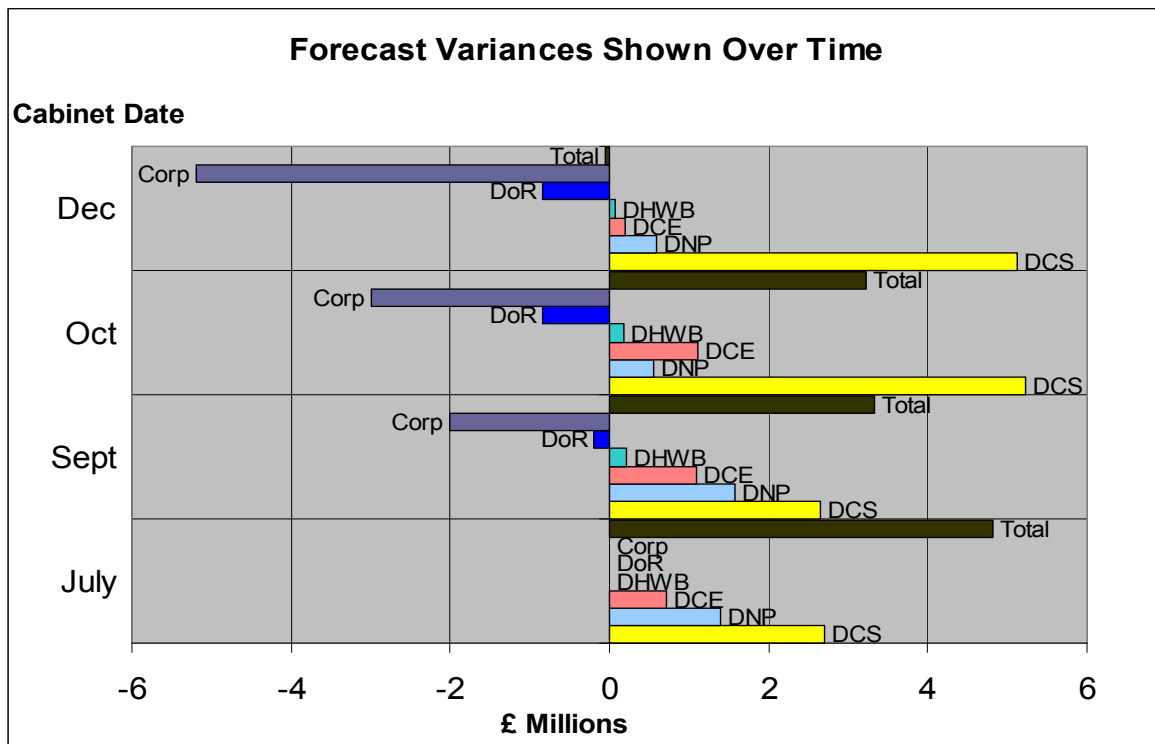
2. Following an initial review of budget monitoring, this report is set out slightly differently from previous updates to Members. The key changes are: -
 - Presentational - inclusion of graphs and tables, with focus on Departmental monitoring including the impact of the Government's reduction to Area 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 in periods 6 and 7 has been on those services that forecast to over or underspend by 31 March 2011 by + / - £0.5 million. For all other budgets a high level review has only been carried out to up date the forecasts. Detailed reviews of all budgets will be undertaken in December and January linked to the setting of the 2011-15 business and financial plan.

Summary

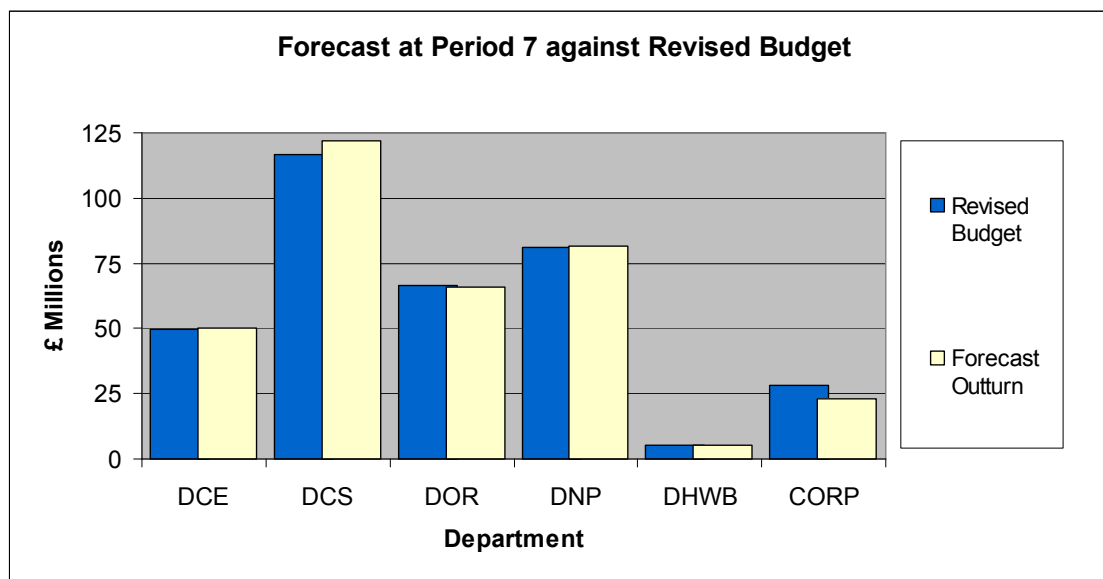
3. The projected year end position for the relevant account is as follows:

	Revised Budget £ m	Actual Period 7 £ m	Forecast Y/E £ m	Under/ Overspend £ m	Movement from period 5 £ m
General Fund	347.277	303.166	347.232	(0.045)	(1.083)
HRA	(1.292)	(2.981)	(1.292)	-	-

4. The forecast for the General Fund shows a continued improvement as shown in the graph below which details the forecast variance for each department, the council overall over each report to Cabinet. This is a first stab at a graphical presentation and members' views are sought as to its helpfulness or alternative suggestions.



5. The graph below shows the forecast outturn position against the revised annual budget for each department as at period 7. A full analysis is provided in Appendix 1.



6. The key areas of movement since last period has been:
- DCS – £0.105 million reduction due to tight monitoring and stricter controls on the process for packages of care.
 - DCE – £0.914 million reduction due to an increase in the contribution from Dedicated Schools Grant, subject to schools forum confirmation, towards looked after children placements in residential schools.
 - DNP – £0.48 million increase due to a £0.5 million increase in the shortfall on car parking income offset by savings within passenger transport.
 - DHWB - £0.112 million reduction due to the cessation of agency staff and tight control of direct expenditure.
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 around balanced no specific actions to recover is recommended here. However, more work will continue around DCS and corporate shortfalls as part of the 2011-12 budget setting process. Budget monitoring will continue to review this and the total position.

Recommendation

9. The updated 2010/11 budget projections be noted.

Detailed Monitoring

General Fund

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

Department	Revised Budget £ m	Actual Period 7 £ m	Forecast Y/E £ m	(Under)/ overspend £ m	(Under)/ overspend Reported at period 5 £ m	Movement since period 5 £m
DCE (paras 12-15)	49.889	150.054	50.090	0.201	1.115	(0.914)
DCS (paras 16-19)	116.820	81.641	121.944	5.124	5.229	(0.105)
DNP (paras 20-22)	80.845	45.537	81.440	0.595	0.547	0.048
DHWB (paras 23-25)	5.142	2.662	5.213	0.071	0.183	(0.112)
DOR (paras 26-27)	66.538	18.849	65.688	(0.850)	(0.850)	-
Corporate (paras 28-29)	28.043	4.423	22.857	(5.186)	(5.186)	-
TOTAL	347.277	303.166	347.232	(0.045)	1.038	(1.083)

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

Department for Children and Education (DCE)

12. Overall the Department of Children & Education is now forecast to overspend by £0.201 million in 2010/11. This can be broken down as a £0.509 million underspend on service related activity and a £0.710 shortfall remaining from the £2.1 million of Area Based Grant reductions. Placement budgets for looked after children (LAC) remain under considerable pressure as numbers of LAC have increased through the year.
13. The following notes summarise the key pressures and the assumptions that have been made in calculating the projected position:
14. Whilst progress has been made in implementing recovery actions to offset projected overspends in some areas, pressures remain against demand led budgets including External Residential Placements, In-house Foster Care, Legal Services and Aftercare.
15. A review of placements for Children and young people placed in residential schools has taken place and it has been possible to increase the contribution, subject to confirmation by the schools forum, from the overall schools budget (Dedicated Schools Grant) towards these placements on a one off basis in the current year.

Community Services

16. At the end of October 2010, the Department of Community Services is reporting a revised over spend forecast of £5.124 million, £0.300 million of this is the in year central government ABG reduction. This reflects an improved position for the department of £0.105 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 reported in detail in the last report to cabinet.
17. 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 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.
18. However, we are now into the winter months and the Primary Care Trust (PCT) are very worried about the additional pressures that this will bring in terms of demand for service provision. The Department will liaise with the PCT throughout this period to monitor the impact on the PCT and therefore the potential impact on demand for social care services.
19. 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

20. The Neighbourhood & Planning Department is projecting an overspend of £1.345 million at the end of October. The Departmental overspend, after allowing for central funding of redundancy costs of £0.750 million, is therefore £0.595 million.
21. In the past month there has been a further deterioration in the income forecast for Car Parking of approximately £0.500 million; now £1 million in total. The upcoming car park strategy will need to ensure the recovery of this shortfall in future. The impact of this has been reduced partly by further savings identified

in the Passenger Transport budget from lower contract costs and lower than expected concessionary fares costs.

22. The impact of measures to freeze recruitment and reduce staffing costs is expected to result in savings of £1.2 million for the year and this together with other savings identified in the budget is contributing to dealing with departmental costs pressures totalling £3.7million since the start of the financial year.

Health & Wellbeing

23. The projected budget overspend has reduced from £0.183 million to £0.071 million. This reduction has resulted from the prudent management of the budgets, in particular ceasing the use of agency staff and tightly controlling direct expenditure. The service has also introduced a new chargeable water sampling service which is generating additional income.
24. The £0.071 million 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.
25. The loss of the Area Based Grant in Community Safety, £0.038 million, has been covered by savings found elsewhere within the Community Safety budget.

Resources

26. The Department is reporting an unchanged forecast underspend of £0.850 million as at the end of October 2010. Monitoring has been undertaken on the key areas within the department, most notably the ICT service line. The service is currently forecasting a £0.500 million underspend although a number of high risk key outcomes, most notably surrounding issues will be happening between now and financial year end which could have an impact on the forecast outturn position.
27. 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

28. There has been no change in the current forecast underspend of £5.186 million against corporate headings.
29. The underspend is a combination of the one off provision release, as outlined in the last 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

30. No variances against budget are currently forecast in the Housing Revenue Account as at the end of period 7. There are pressures around backlog housing repairs and maintenance but these are being managed and offset by compensating underspends.

Reserves

31. The tables below provide the latest forecast as at period 7 on the general fund balance and estimated earmarked reserves held by the council:

General Fund Reserve	£ million	£ million
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 Underspend	0.045	
Total Forecast movement		(0.529)
Forecast Balance 31 March 2011		13.241

Earmarked Reserves	Opening Balance £ million	Planned Drawdown £ million	Forecast Closing £ million
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
Forecast Balance 31 March 2011	29.592	(5.144)	24.448

32. 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 will be 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.

Main Consideration for the Council

33. To note the current budget monitoring report.

Environmental Impact of the Proposal

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

Equality and Diversity Impact of this Proposal

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

Legal Implications

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

Risk Assessment

37. 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.
38. Budget Monitoring will continue to review this and the total position.
39. 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

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

Proposals

41. That Members note the report showing a balanced position, pending future monitoring reports that will highlight ongoing actions being taken to continue a balanced budget.

Reasons for Proposals

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

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