

Wiltshire Council

Cabinet

26 July 2011

Subject: Budget Monitoring

Cabinet Member: Councillor John Brady - Finance, Performance and Risk

Key Decision: No

Executive Summary

Council set the 2011-15 Financial Plan at its meeting in February 2011 and as part of that also set the base budgets and resultant Council Tax for 2011-12. At the time of submitting this report, the quarter end occurred only 2 weeks ago and as such detailed budget monitoring information is still being finalised. As such this report focuses on updating members on progress made in the first quarter (up to 30th June 2011) of the financial year to deliver the savings identified within the Financial Plan reported to Council in February 2011. A further detailed budget monitoring report for the first quarter will be presented to the next Cabinet. At this stage this is felt prudent as the levels of savings required to be delivered in 2011-12 form the largest risk to delivery of the budget overall. Where shifts have occurred in other assumptions arising from the first two months monitoring, such as demand, costs or income, these have also been covered in this report.

The assessment of the delivery of savings has been done using a new risk reporting format that is explained in the report to focus attention on those areas of risk. To date 87.5% (£27m) of savings have or are being delivered on target (and considered green or green/amber), with only 2.1% (£0.652m) being classed as no longer deliverable (Red). This level of non-deliverable savings is not significant and within the tolerable level at this stage identified in the risk assessment reported to Council in February and covered by General Fund reserves that allowed for £3.5m. The red areas of concern and reasons for the changes are set out in the body of the report and officers are working on actions to introduce alternative proposals in order that the budget is delivered by year end so no draw on reserves is needed.

At the same time we estimate there are a number of cost pressures that are unfunded that will need to be assessed further to identify ways to meet these costs, the most significant including:

- £3.1m cost pressure is forecast in Community Services, caused by demand for adult care services;
- £0.3m pressure in looked after children;
- £0.5m estimated shortfall of income from car parks; and
- £0.783m under provision in waste assumptions.

In addition, Members should note that since the original base budget was set the Council has received £2m of additional un-ringfenced grant. This money has not yet been allocated. As such the £3.5m in reserves and un-ringfenced grant could as a matter of last resort meet the total potential under delivery of the 2011-12 budget. The first step however, will be for managers to look at options to potential shortfalls and report back to the September Cabinet on progress.

As part of this review, officers will:

1. Seek alternative savings where overspends / shortfalls in income are identified;
2. Assess departmentally the bottom line for all services to assess if projected underspends could be vired to support overspends;
3. Review the use of the risk based assessment of General Fund reserves to fund Adult Care, as well as £2 million of additional un-ringfenced government grants the Council has received since the budget was set, to balance this year's budget.

Proposal

That Cabinet notes the outcome of the first quarter budget monitoring and receives updates as to how officers have taken action to address potential shortfalls in order to balance the budget, or where Financial Regulations require, be in a position to take decisions on proposals for alternative savings at the next Cabinet meeting.

Reason for Proposal

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

Michael Hudson
Chief Finance Officer

Wiltshire Council

Cabinet

26 July 2011

Subject: Budget Monitoring

Cabinet Member: Councillor John Brady - Finance, Performance and Risk

Key Decision: No

PURPOSE OF REPORT

1. To inform members of progress in delivering savings identified in the 2011-15 Financial Plan in relation to the 2011/12 base budgets, and of any significant new cost pressures.

BACKGROUND

- Setting the 2011/12 base budget

2. On 28th February 2011 the Council set its Annual Budget for 2011/12 as part of a medium term Business and Financial Plan for 2011-15. This identified £31.085 million of savings from across all areas of the Authority. In addition, the Council agreed for 2011/12 to utilise £1.0 million from its Collection Fund Reserves as one off contributions to deliver a frozen Council Tax (i.e. 0% change). As these savings are recurring any none delivery will increase the scale of savings required to be found in future years.
3. The full lists of savings were reported to members as part of the setting of the 2011/12 budget and are restated at Appendix 1. This is shown in line with Departmental analysis prior to the corporate restructure for an audit trail to the Finance Plan. The budget report in September will analyse savings out in line with the latest realignment of functions. The amendments have now been made to base budgets and that input to SAP. In line with best practice the Finance Team have completed budget books for each service detailing the movements between their 2010/11 and 2011/12 base budgets for additions and savings.

- Process for monitoring and reporting the 2011/12 base budget

4. At the time of submitting this report the detailed forecasts (two weeks after quarter end) for the end of the first quarter are still being finalised. As such this report focuses on the delivery of the Finance Plan savings agreed by Council to as these form the most significant risk to the Council not delivering on its balanced budget and thus contributing to an overspend.

5. To help with the focus on priority areas the budget monitoring format to senior officers and members has been revised to use a 'traffic light' risk assessment process. Therefore, the reporting against savings is broken down as follows:

Risk assessment	Definition
Red	There is a high likelihood that this saving will not be delivered in 2011/12 at all. This could be caused by changes in such factors as legislation, policy or outcomes of further consultations, etc...
Red/Amber	There is a high likelihood that significant levels of the saving will not be delivered in 2011/12. This could be due to factors such as un-foreseen changes in demand or other assumptions, slow progress in implementation, delays due to external factors such as Government policy, etc...
Amber/Green	There is still a high likelihood that all or a significant part of the saving being delivered. This could be due to a small slippage in progress, or a restructure being planned to happen in October is on target to meet the deadline but as yet it has not happened and posts deleted from the system, etc...
Green	All of the savings planned have been delivered and signed off as such by Accountancy in removal from base budgets.

6. The assessment is set out in the following paragraphs and in detail at Appendix A to this report.
7. Accountancy have also been reviewing service outturns for 2010/11 with 2011/12 projections to identify and raise any discrepancies for further review, and in more volatile demand led risk services such as care of the vulnerable (Adults and Children), and car parking Accountancy have been working with Heads of Service to assess the initial costs being incurred in the first quarter to assess this against prior year experiences.

- ***Progress in implementing 2011/12 savings***

8. Overall Accountancy have assessed the deliverability of the 2011/12 savings against the risk assessment criteria set out above at paragraph 5 of this report, as follows:

Savings category per Financial Plan	2011/12 Target per Plan £,000	Green	Amber / Green	Amber / Red	Red
A. Management & standardising our pay	8.378	8.023	0.376	0	0
B. Reduce & make better use of our buildings	0.325	0.120	0	0.205	0
C. Procurement	7.400	1.942	3.638	1.364	0.449
D. Service Efficiencies	13.982	7.283	4.833	1.654	0.212
E. Systems thinking	1.000	0	0.994	0	0.006
Total £	31.084	17.368	9.841	3.223	0.652
Total %	-	56%	31%	10%	2%

9. This shows that significant levels of savings (87%) are on target to be delivered. There are areas though that require further examination and action. The causes and actions for those Amber/Red and Red assessments are set out in more detail below, and by Department at Appendix B:

- ***Management and standardising our pay***

10. All of these savings have or are being delivered, with costs of redundancies being absorbed in 2010/11.

- ***Reduce and make the best use of our buildings***

11. The business cases for Campus developments are being developed and the extension of this project has extended the timeframe for reporting. This should realise even greater savings as a result, but as yet detailed analysis remains to be completed and the timetable has changed to the autumn for delivery. Although, as Members will be aware, key aspects of the first year programme, most notable County Hall, are ahead of schedule.

- ***Use the best providers through commercial procurement***

12. 75% of savings have been delivered or are on schedule to be delivered in line with the target. As with all contracts there are a number of areas where following negotiations the levels of savings have not been realised due to external factors. In particular, the following have been assessed as Amber/Red or Red:

- Retendering of bus contracts at Salisbury was delayed by a few months but is now progressing and savings are expected.
- There was a small double counting of Leisure procurement savings with the service proposals that was identified after the budget was set that has been removed.
- The proposed approach to Adult residential placement has been amended to reflect new legal cases and the current market, and individual negotiations with providers will now need to be resourced. Plans to resource this are just being drawn up.
- A number of the phase 1a proposals have not yielded the original opportunities and are now being replaced by alternatives, but as yet assessments for these replacements are incomplete.

- ***Service efficiencies***

13. This was the largest area of savings for 2011-12. Overall £12m out of a target of £14m (85%) has or is being delivered in line with plans. £2m has been assessed as Amber / Red, the significant areas being:
- £353,000 – accommodation strategy savings are linked to the overall management of residential care and are being reviewed in light of greater number of care placements discussed later in this report.
 - £797,000 – Passenger Transport reviews are taking longer than forecast due to the interdependency with the wider transport strategy.
 - £150,000 – Tourism plans have slipped following member decisions.
14. A further £212,000 of original proposals have been assessed as not deliverable, in all cases the level of savings has not reached the assumed level but alternative savings are being drawn up in these areas.
15. Alternative plans to replace the red savings are being assessed in all cases.

- ***Transform the way we deliver services***

16. The delivery of these savings is progressing in line with plans.

- ***Cost and income assumptions / pressures***

17. Accountancy have continued to carry out monthly monitoring of 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 that there are a few areas where costs have risen quicker than forecast in the first quarter of 2011/12, in particular care of vulnerable adults.
18. The investment built into the base budget for Adult Social Care corrected the base position for last year to fund people who were in a placement or receiving home care or other services as at 31st March 2011. The forecast increase in 2011-12 for increased care needs was assessed by the service

as £2m. As Section 151 Officer, in making assumptions for the level of investment for additional growth to be included in the financial plan, I considered the timings of the increase. Normally it is reasonable to assume the increase will be spread across the year and there will also be a reduction in numbers as people leave care. As such, £500,000 was provided for within the General Fund rather than within base budgets. Demand for residential and nursing placements in the early part of the financial year has exceeded that which was assumed for budget setting and the death rate has also reduced. The activity experienced to date has been used to forecast demand for the remainder of the year and it is now forecast that there will be demand for 108 more placements across the year with a potential cost of £3.125m if no action is taken. This amount includes 71 placements already made to date resulting in a £0.972m cost pressure, and an assumption that during the winter months the level of placements will be in line with last year.

19. Officers have already begun discussions with NHS partners to address this in the short term, this includes potentially some element of match funding from NHS partners, and a long term commitment to develop joint planning and ways to address this going forward into 2012-13. It is recommended that proposals to address this are brought back to the next Cabinet.
20. Numbers of Looked After Children (LAC) had increased to 397 at 31st May and have varied as follows since that date. Numbers of children with a Child Protection Plan have also increased:

Children who are:-	04/07/2011	27/06/2011	20/06/2011	13/06/2011	06/06/2011
Looked After	398	400	397	393	392
Child Protection Plan	175	156	159	156	157

21. This level of LAC is higher than budgeted for. The number of children coming in to care because of neglect or emotional abuse is increasing and the number of active court proceedings currently stands at 60, against an average in previous years of 38 at any one time. Currently placement budgets for looked after children are projected to overspend by £0.135 million and the increase in numbers cannot be sustained within the current budget. The increase in court proceedings is also causing pressure of the Department's legal budget as the Council's legal service is unable to meet the current demand and has therefore had to put work out to external solicitors. Pressures on the Leaving Care budget are also significant. The

Service will review options to address these pressures and bring further proposals back to the next Cabinet.

22. A review of car parking income has identified that assumed user numbers are currently down overall on previous years in total, although the levels vary across the whole County. Due however to the increase in charges the level of income shortfall is proportionately less than the fall in usage. At this stage it is unclear if user numbers will pick up and this is just an initial reaction to the increase or part of a wider economic position. As such an estimate only has / can be made at this point, that being a shortfall of potentially £0.5m. More detailed modelling is being carried out to assess the forecast position, and further reports will be brought back in September with proposals to address the position.
23. At the point of setting the base budget assumptions around waste contract inflation were removed incorrectly. The total cost pressure is £0.783 million. If this is not absorbed by other savings this cost will need to be funded. The management of this pressure within other areas of the service and Department are currently being explored and will be brought back to the next Cabinet.

- **Additional grant income**

24. Set aside against these the Council has also received further un-ringfenced government grants since it set its budget in February 2011. These include:

Grant description	2011/12 allocation £,000
Transport Grant	300
Local Support Scheme	400
New Homes Bonus (note total £1.8m of which £0.5m assumed in February 2011).	1,300
Early Years Intervention Grant – <i>additional allocation</i>	67
Total	2,067

25. It is proposed that these grants, with the exception of the additional Early Years Intervention grant are not allocated at this stage and the use of this income is considered further at the September Cabinet meeting alongside proposals to address Red and Red/Amber savings.

- **Overall conclusions**

26. The overall assumption is that without further action, the current monitoring of the first quarter for 2011/12, suggests an overspend / shortfall on the balanced budget of £5 million. The early identification of potential issues is part of sound and prudent financial management. The position is similar to last year and members are reminded that positive early action in that instance resulted in a turn around to a £700k underspend at outturn.

27. Action to address this year's forecast should thus be taken where officers have the delegated powers to do so and this has started. Where the Council's Constitution and Financial Regulations require Cabinet approval to changes in the Financial Plan to deliver replacement/additional savings these should be brought back to the next Cabinet.

Implications

28. This report informs member's decision making.

Risks assessment

29. 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

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

Financial implications

31. The Chief Finance Officer is the author of this report and the financial implications are discussed in the detail of this report. There are no further matters to add.

Legal Implications

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

Michael Hudson
Chief Finance Officer

01225 713601
Michael.hudson@Wiltshire.gov.uk

Appendices:

Appendix A: Risk assessment of the delivery to date of the 2011-12 saving proposals
Appendix B: Individual Departmental Analysis

Background Papers and Consultation

2011-15 Business Plan
2011-15 Financial Plan

APPENDIX A

Risk assessment of the delivery to date of the 2011-12 saving proposals

*1 Note – Risk classification

Red = undeliverable or significant concerns about progress for which new proposals need to be found,

Red/Amber = progress has stalled but action or decisions can be taken to amend or introduce other options to ensure delivery of this amount of savings;

Amber/Green = in progress and is at the position of delivery expected at this point in time, thus still considered deliverable,

Green = delivered and removed from the base budget

	DCE	DCS	DNP	DOR	PH&W	Corporate	Total		
Mgmt									
target	2.249	1.837	1.900	1.901	0.240	0.250	8.377		
green	2.249	1.837	1.922	1.722	0.043	0.250	8.023	96%	
G/A	0.000	0.000	0.000	0.179	0.197	0.000	0.376	4%	
A/R	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0%	
R	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0%	
Total	2.249	1.837	1.922	1.901	0.240	0.250	8.399	100%	
	0.000	0.000	0.022	0.000	0.000	0.000	0.022	TRUE	
Bldgs									
target	0.000	0.000	0.000	0.175	0.000	0.150	0.325		
green	0.000	0.000	0.000	0.120	0.000	0.000	0.120	37%	
G/A	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0%	
A/R	0.000	0.000	0.000	0.055	0.000	0.150	0.205	63%	
R	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0%	
Total	0.000	0.000	0.000	0.175	0.000	0.150	0.325	100%	
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	TRUE	
Proc									
target	1.620	1.760	1.865	1.310	0.000	0.845	7.400		
green	0.789	0.000	0.910	0.243	0.000		1.942	26%	
G/A	0.813	1.244	0.060	1.031	0.000	0.490	3.638	49%	
A/R	0.000	0.444	0.705	0.000	0.000	0.215	1.364	18%	
R	0.046	0.073	0.190		0.000	0.140	0.449	6%	
Total	1.648	1.761	1.865	1.274	0.000	0.845	7.393	100%	
	0.028	0.001	0.000	-0.036	0.000	0.000	-0.007	TRUE	
12 percent									
target	2.032	2.467	5.582	3.329	0.572	0.000	13.982		
green	1.941	1.813	2.137	1.354	0.038	0.000	6.931	52%	
G/A	0.091	0.191	2.244	1.773	0.534	0.000	4.833	35%	
A/R	0.000	0.353	1.099	0.202	0.000	0.000	2.006	12%	
R	0.000	0.110	0.102	0.000	0.000	0.000	0.212	2%	
Total	2.032	2.467	5.582	3.329	0.572	0.000	13.982	100%	
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	TRUE	
ST									
target	0.188	0.806	0.000	0.000	0.000	0.006	1.000		
green	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0%	
G/A	0.188	0.806	0.000	0.000	0.000	0.000	0.994	99%	
A/R	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0%	
R	0.000	0.000	0.000	0.000	0.000	0.006	0.006	1%	
Total	0.188	0.806	0.000	0.000	0.000	0.006	1.000	100%	
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	TRUE	
Total	6.089	6.870	9.347	6.715	0.812	1.251	31.084		
green	4.979	3.650	4.969	3.439	0.081	0.250	17.368	55.9%	
G/A	1.092	2.241	2.304	2.983	0.731	0.490	9.841	31.7%	87.5%
A/R	0.000	0.797	1.804	0.257	0.000	0.365	3.223	10.4%	
R	0.046	0.183	0.277	0.000	0.000	0.146	0.652	2.1%	13.6%
Total	6.117	6.871	9.354	6.679	0.812	1.251	31.084	100.0%	100.0%
	0.028	0.001	0.007	-0.036	0.000	0.000	0.000	TRUE	