

Wiltshire Council

Cabinet

13 December 2011

Budget Monitoring Period 7 October 2011

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

Key Decision: No

Executive Summary

The report advises members of the revenue budget monitoring position as at the end of Period 7 (October 2011) for the financial year 2011/2012 and highlights significant new cost pressures or changes since the last report on 18 October 2011.

The Period 5 budget monitoring report identified significant potential cost pressures that totalled £2.859 million. This period has identified improvements in these cost pressures totalling £1.320 million. This gives revised potential cost pressures of £1.539 million at period 7.

Further action is being taken 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 £11.551 million. This meets the requirement to keep robust reserves as set out in the Council's financial plan.

The report also includes a RAG review. The council has revisited the RAG review of savings agreed for 2011/2012 last reported to members on 26 July 2011. The savings identified are continually monitored as part of the ongoing monitoring process.

Proposal

That Cabinet note the outcome of the Period 7 (October 2011) budget monitoring and receive updated movements since the previous report in October.

Reason for Proposal

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

Michael Hudson
Service Director, Finance

Wiltshire Council

Cabinet

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

Key Decision: No

PURPOSE OF REPORT

1. To advise members of the revenue budget monitoring position as at the end of Period 7 (October 2011) for the financial year 2011/2012 and highlight any significant new cost pressures or changes since the last report on 18 October 2011.

BACKGROUND

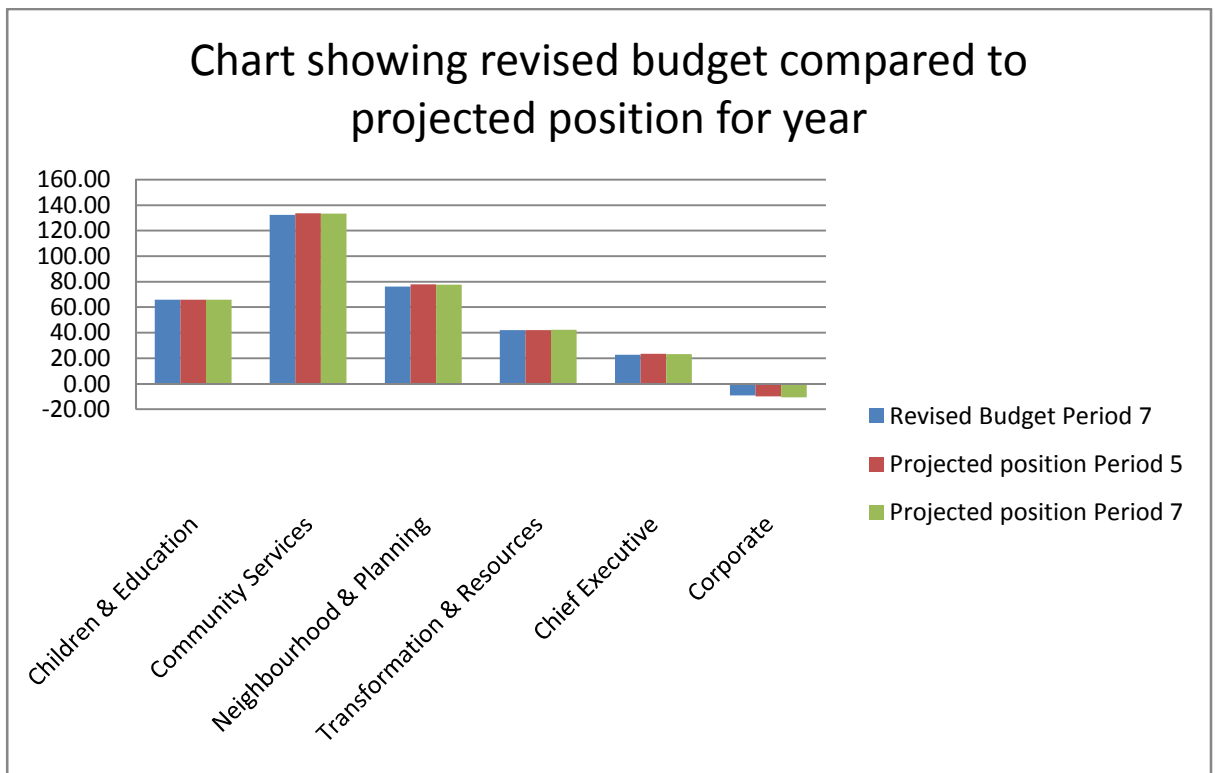
2. This report is in the same format as the period 5 monitoring report and focuses on the gross and net position by service. Comprehensive appendices showing the individual budget headings are included in Appendix C. More details on the movements in the year are included later in the report.
3. In addition, following member requests, the report includes an update on progress in delivering savings identified in the 2011/2015 Financial Plan in relation to the 2011/2012 base budgets. The outcomes of the risk based review of services are included in Appendix D.
4. As per the monitoring report in period 5, the appendices in these reports are included in the revised corporate structure ratified by members on 8 June 2011. The new senior management structure has now been put in place, and finance are working with the management team to reflect the changes in future monitoring reports.

SUMMARY

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

Department	Current Budget at Period 7 £ m	Actual Period 7 £ m	Forecast Y/E £ m	Projected (Under)/overspend £ m	(Under)/overspend reported at period 5 £ m	Movement since period 5 £ m
General Fund Total	329.847	269.041	331.386	1.539	2.859	(1.320)
Housing Revenue Account	(0.411)	(0.411)	(0.411)	0.000	0.000	0.000

- The graph below shows the forecast outturn position against the revised annual budget for each of the departments as at period 7. A full analysis is provided in Appendix C.



COST AND INCOME PRESSURES

- 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.
- Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountancy regularly, on a risk based approach.
- The Period 5 report identified significant potential cost pressures in those high risk services totalling £2.859 million. This report identifies an overall improvement in these cost pressures with a reduction totalling £1.320 million. This gives a downward revised cost pressure of £1.539 million at period 7. This is summarised and tied back to the last monitoring report in the following table.
- This month's report shows more detailed information and includes a number of smaller variances. Full details of departmental figures are included in Appendix C.

	Reported Period 5 £m	Variance £m	Current Pressures Period 7 £m
Demand for adult care services	1.308	(0.270)	1.038
Looked after children and Integrated Youth	(0.034)	(0.120)	(0.154)
Income from car parks and PCNs	1.100	0.550	1.650
Park and Ride and HMRC refund	(0.400)	0.100	(0.300)
Underprovision in waste assumptions	0.450	(0.260)	0.190
Leisure	0.265		0.265
Legal	0.600		0.600
Finance	0.100	(0.080)	0.020
Capital Financing	(0.750)	(0.750)	(1.500)
Highways and Streetscene	0.250	0.560	0.810
Other small variances	(0.030)	(0.030)	(0.060)
Services identifying new variances			
Highways Strategic Services		(0.110)	(0.110)
Business Services		0.100	0.100
Strategic Property Staffing Transformation		(0.300)	(0.300)
Educational transport		0.350	0.350
Economy and Enterprise		(0.240)	(0.240)
Development Services		(0.400)	(0.400)
Public Transport (excluding Park and Ride)		(0.180)	(0.180)
Business Support		(0.200)	(0.200)
		(0.040)	(0.040)
Total	<u>2.859</u>	<u>(1.320)</u>	<u>1.539</u>

BUDGET MOVEMENTS SINCE PERIOD 5 REPORTED TO MEMBERS

- There have been some interdepartmental movements in budget since the last monitoring report at period 5. More details are given in Appendix B.

Future Structural Changes

- In September the Council was informed of a future corporate restructure. This was ratified at full Council on 8 November 2012. Due to the deadline on this report, it was not possible to recast the budget to reflect the corporate restructure for this meeting. Finance are working with the senior management team to reflect the changes in future monitoring reports.

Detailed monitoring

13. The overall revised projected net position by departments is as follows:

Department	Current Budget at Period 7 £ m	Actual Period 7 £ m	Forecast Y/E £ m	Projected (Under)/overspend £ m	(Under)/overspend reported at period 5 £ m	Movement since period 5 £ m
DCE	65.919	148.242	65.765	(0.154)	(0.034)	(0.120)
DCS	132.310	78.946	133.348	1.038	1.308	(0.270)
DNP	76.127	36.809	77.572	1.445	1.665	(0.220)
DTR	41.975	26.495	42.125	0.150	0.000	0.150
CEX	22.725	3.625	23.285	0.560	0.670	(0.110)
Corporate	(9.209)	(25.076)	(10.709)	(1.500)	(0.750)	(0.750)
General Fund Total	329.847	269.041	331.386	1.539	2.859	(1.320)
Housing Revenue Account	(0.411)	(0.411)	(0.411)	0.000	0.000	0.000

14. A more detailed summary of the forecast variances is set out by department as follows. Budgets are profiled to reflect actual spend within the year. This leads to some variances between the current profiled period 7 and actual to date. This is due to timing differences for example with schools and work will continue to refine budget profiling within the year.

Department of Children and Education (DCE)

15. As at the end of October 2011 DCE is projecting an underspend of £0.154 million. Pressures on placements for looked after children reported previously to Cabinet remain and placement budgets are projected to overspend by £0.699 million. This reflects higher than budgeted activity with projected nights care exceeding the budget by 18,441 nights in total, although it should be noted that fewer nights have been commissioned in external residential care, enabling unit costs to be kept lower than budgeted for.
16. Pressures also continue in the Leaving Care service and against the budget for unaccompanied asylum seeking children.
17. The projected overspend within Social Care is currently mitigated by recovery actions taken to date including re-contracting of services, planned delays in filling vacancies across the Department and exceeding year 1 savings targets, for example in Social Care Business Support services. Vacancies across the Schools & Learning services are also offsetting the projected income shortfall at Urchfont Manor.

Department of Community Services (DCS)

18. At the end of October 2011, the Department of Community Services is reporting a projected overspend of £1.036 million, an improvement of £0.272 million since the last report. The department has taken a prudent assessment of receivable income from its partners.
19. 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 was 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, 65 placements to the end of the financial year;
 - Support and Adult Social Care Services provided through the Supporting People budget;
 - Support to people with a Physical Impairment with high cost, complex care Packages;
 - Learning Disabilities through demand for new and complex packages of care;
20. As previously reported, the department 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.
21. 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 October, the department has paid for packages of care for 16 people following this process, at an in year cost of £0.278 million. This continues to be a budget risk and is managed as part of the overall panel process.
22. The current forecast overspend against the Libraries, Heritage and Arts Service is as a result of lower than budgeted income levels. The department is reviewing its planned expenditure against all budget areas to identify ways in which this can be managed. This will be reflected in future forecasts.
23. There is currently a forecast underspend against Strategic Housing. Expenditure against the Rent Deposit Scheme is forecast to be less than budgeted and a number of vacancies across the department is reflected in a forecast underspend against staffing budgets.
24. The department 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. Since the last report to cabinet, members of the

Health and Adult Social Care Select Committee have attended an anonymised panel meeting, confirming that they believe that the processes in place are robust.

25. We are now into the winter months and the department 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.

Department of Neighbourhood and Planning (DNP)

- Overall

26. The Department previously reported pressures totalling £1.665 million, although there has been movement across all service lines overall this pressure has reduced by £0.220 million to £1.445 million.
27. As at the end of period 7 (31 October 2011) detailed budget monitoring across all service lines has enabled the results of the vacancy freeze and the cutting down of discretionary expenditure, which were put into action after the last report, to be forecast. However the impact of this has been offset by an increase in the predicted year end shortfall on car parking income and an increase in pressure within the Highways and Streetscene service line.

- Car Parking

28. The current countywide forecast shortfall on off street and on street car parking has now been revised to £1.200 million, an increase of £0.300 million. The increase in the shortfall has come from the latest occupancy figures, as at the end September 2011, which have been run through a revised and improved detailed forecasting model, taking into account changes in prices in Salisbury and the reductions recently approved at Full Council. In addition the previously reported shortfall of £0.200 million on penalty charge notices along with the anticipated reduction on resident permits and season tickets is £0.400 million. This is still being offset by the increased usage on Park & Ride which has generated additional income through the new pay on bus operation introduced this financial year with a current estimated year end surplus now standing at £0.200 million. Due to the change in operation this saving is shown against the Public Transport service line. The Council is still expecting an outstanding HMRC (Her Majesty's Revenue & Customs) claim made by the ex-district councils associated with VAT on car park penalty charges to yield a one off reimbursement of £0.100 million. The table below details the movements and reported variances for Car Parking income.

	Reported Period 5 £ million	Reported Period 7 £ million	Movement £ million
On & Off street Pay & Display	0.900	1.200	0.300
Penalty Charge Notices (PCNs), Resident Permits and Season Tickets	0.200	0.400	0.200
HMRC reimbursement	(0.100)	(0.100)	-
Reported in Car Parking income line on appendix	1.000	1.500	0.500
Park and Ride (reported in Public Transport on appendix)	(0.300)	(0.200)	0.100
Net Car Parking Income	0.700	1.300	0.600

29. Although the Car Parking service has underspends relating to vacancies in Civil Enforcement Officers, estimated at circa £0.130 million, these are offset by overspends in relation to contracts for cash collection and security and the purchase of salt for gritting in winter. These have led to a small forecast overspend on expenditure lines within Car Parking of £0.055 million.

- Highways & Streetscene

30. Pressures around assumptions on inflation and growth at budget setting were reported last time, mainly within the grounds maintenance contracts in the Highways & Streetscene service line. Further budget monitoring has firmed up assumptions around other contract lines, for example CCTV, operational budget lines as a result of the separation of Waste and Streetscene in 2010/2011. In addition there have been a number of shortfalls on income targets, for example in skip hire and public conveniences, have increased the anticipated overspend by £0.560 million to £0.810 million.

- Passenger Transport (Education and Public Transport)

31. The service is forecasting a combined underspend of £0.640 million with the majority due to underspends on concessionary fares, combined with the reported additional income on Park & Ride noted above.

- Highways Strategic Services

32. The Highways & Strategic Services line is forecasting a net underspend of £0.110 million. This relates to a £0.270 million underspend relating to the delay in the setting up of the safety camera partnership scheme, offset by increased energy costs arising for street lighting.
33. Also the forecast assumes provision for an estimate (£90,000) of consultancy work to subsidise the local economy and build up a bid to the Local Sustainable Transport Fund for a development of a rail franchise scheme within Wiltshire. There is a specific proposal within this report for members to consider and approve virement for this scheme therefore. If the virement is not approved and thus the work did not go ahead, the forecast underspend would increase to £0.200 million and reduce the Council's overall projected cost pressure.

- Waste Services

34. 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. At this stage officers feel that the forecast overspend can be reduced further from £0.450 million down to £0.190 million due to lower than expected inflation.

- Leisure Services

35. The Leisure service remains unchanged with a forecast overspend of £0.265 million due to reasons previously reported.

- Other Services

36. As a result of holding vacancies and reduction in discretionary spend e.g. consultancy and professional advice within Economy & Enterprise and Development Services these services are now reporting in a forecast underspend of £0.400 million and £0.180 million respectively. This is net of a shortfall in Development Control income of £0.310 million.

Department of Transformation and Resources (DTR)

37. As at the end of period 7 (31 October 2011) the Department is now forecasting a small overspend of £0.150 million with actions being taken to return the position to a balanced budget by year end.
38. The pressure reported within the Transformation Programme on property related costs, in particular reactive repairs and maintenance and the previously

reported structural budget deficits connected with property, have meant a forecast overspend of £0.350 million being reported. Every effort was being made to contain these costs within the service line, however pressures arising from structural problems on business rates, in year costs from increasing utility prices and shortfall on lettings income has required this prudent year end forecast.

39. 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.
40. Business Services are forecasting an overspend of £0.100 million. This is as a result of a shortfall on income from trading with schools, due to the impact of Academies not purchasing services and assumptions on inflation for the insurance contract were inadequate; both are being offset by holding vacancies across the service.

Chief Executives Office

41. There have been no changes in the previously reported £0.600 million overspend within Legal & Democratic Services, although discussions with DCE have identified scope for viring budget to cover this as a large element relates to increase costs arising from protecting vulnerable children.
42. The forecast overspend within Finance, Procurement & Internal Audit has been reduced from £0.100 million to £0.020 million. Capitalisation of staff within the Revenues & Benefits Service working on the implementation of the new system has been maximised to bring down the overspend; it is envisaged that the service will close the small gap to balance with further effective budget management.
43. The underspend anticipated on Communications & Branding has been increased by £0.030 million to £0.060 million as a result of vacant posts within the service; this forecast takes into account the anticipated shortfall on the income target of £0.350 million.

Corporate

44. As reported to the Cabinet Capital Assets Committee on 15 November 2011, the Council has identified a slippage on the capital programme in 2011/2012. It is estimated that this will lead to an underspend of £1.500 million as a result of re-programming of capital expenditure and the revenue financing cost associated with those. This is an increase on the £0.750 million reported at the last period.

Housing Revenue Account

45. Budget figures on the Housing Revenue Account have been reviewed as part of the regular monitoring process. This is being tied into work relating to the subsidy changes being introduced in the localism bill. At present the account is reporting no change in forecast budget.

RAG RATING

46. The Council has revisited the RAG review of saving agreed for 2011/2012 last reported to members on 26 July 2011. The savings identified are continually monitored as part of the ongoing monitoring process. The updated RAG rating is included in Appendix D.

DCE RAG Rating of 2011/12 Savings

47. The status of budget savings agreed for 2011/12 has been reviewed. The only change to the assessment presented in September is that the saving for Urchfont is now rated as Red. The budget for Urchfont is projected to overspend in the current year due to a shortfall in income, this is unlikely to be recovered in year.

RESERVES

48. The tables below provide the latest forecast as at period 7 on the general fund balance and estimated earmarked reserves held by the council. The latest forecast on general fund currently stands at £11.551 million at 31 March 2012. This will be factored into the revenue budget proposals for 2012/13.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2011		(13.926)
Planned contribution in 2011/2012	1.875	
Extra draw re transformation	0.500	
Current Forecast Overspend at year end	0.000	
Total Forecast movement		2.375
Forecast Balance 31 March 2011		(11.551)

49. A review of the assessment of need has been undertaken by the s151 to link all the General Fund balances to risk. This will be updated as part of setting the 2012/2013 budget.

Overall conclusions

50. The October cabinet report for period 5 suggested an overspend / shortfall on the balanced budget of £2.859 million due to cost pressures.
51. During the period additional cost pressures and savings have been identified that gives a downwards reduction of £1.320 million. This has resulted in a revised forecast of a potential projected overspend based on assumptions, at end of period 7, of £1.539 million

Cost pressures reported period 5	£2.859 million
Reduction in cost pressures in period	(£1.320 million)

Cost pressures end of period 7	£1.539 million
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52. 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

53. This report informs member's decision making.

Risks assessment

54. 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

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

Financial implications

56. 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

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

Proposals

58. Members are asked to note the outcome of the period 7 (October) budget monitoring and receive updates movements since the previous report in October.

Reasons for proposals

59. 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 26 July 2011
Budget Monitoring Cabinet 13 September 2011
Budget Monitoring Cabinet 18 October 2011

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Appendices:

Appendix A: Revenue Budget Movements 2011/2012
Appendix B: Departmental Movements 2011/2012
Appendix C: Detailed Departmental Budget Statements
Appendix D: Individual Departmental Risk Analysis