

**Wiltshire Council**

**Cabinet**

**17 April 2012**

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**Subject: Budget Monitoring Period 11 February 2012**

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

**Key Decision: No**

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**Executive Summary**

This report advises Members of the revenue budget monitoring position as at the end of Period 11 (February 2012) for the financial year 2011/2012 and highlights significant new cost pressures or changes since the last report on 15 February 2012.

The Period 9 budget monitoring report identified significant potential cost pressures that totalled £0.279 million. This period has identified improvements in these cost pressures totalling £0.463 million. This gives revised potential year end underspend of £0.184 million at period 11.

It is projected that the Council overall will provide a balanced budget by 31 March 2012.

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**

Members are asked to note the outcome of the Period 11 (February) budget monitoring and receive updated movements since the previous report in February.

**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 11 (February 2012) for the financial year 2011/2012 and highlight any significant new cost pressures or changes since the last report on 15 February 2012.

### BACKGROUND

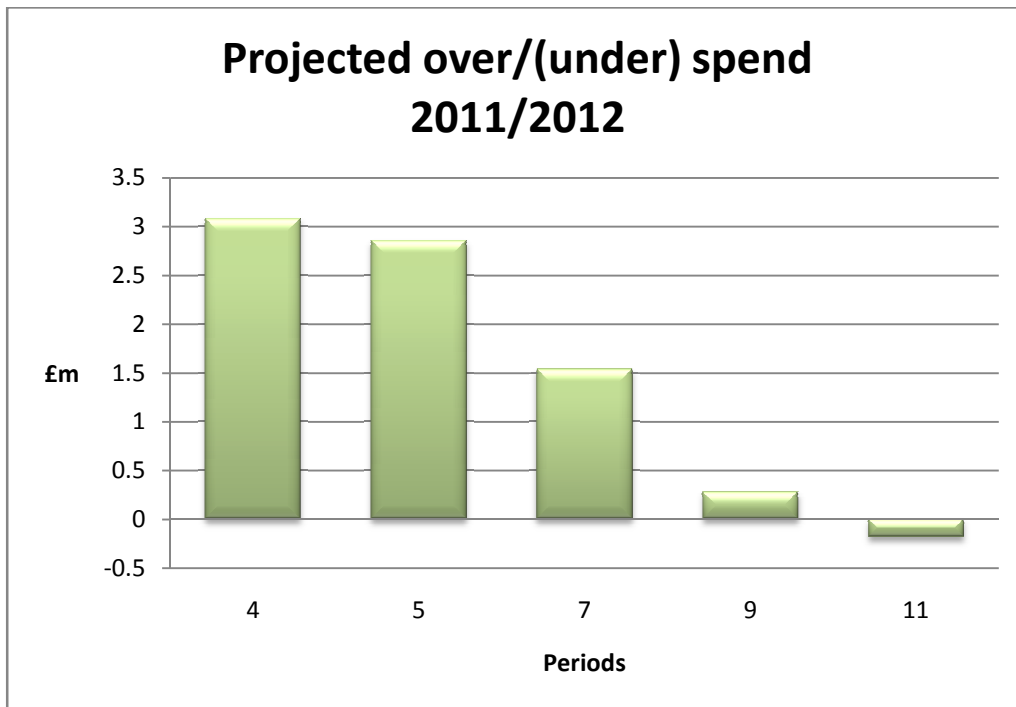
2. This report is presented in the senior management structure ratified by Council on 8 November 2011. As in previous periods, the report focuses on the gross and net position by service area. Comprehensive appendices showing the individual budget headings are included in Appendix C. More details on the movements in the year are included later in the report.

### SUMMARY

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

	Revised Budget Period 11 £ m	Profiled Budget to date £ m	Actual and committed to date £ m	Projected Position for Year £ m	Projected Over/ (Under)spend £ m	Over/ (under)spend reported at period 9 £ m	Movement since period 9 £ m
General Fund Total	329.847	489.505	329.499	329.663	(0.184)	0.279	(0.463)
Housing Revenue Account	(0.411)	(0.377)	(3.393)	(0.431)	(0.020)	(0.074)	0.054

4. 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**

5. 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.
6. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountancy regularly, on a risk based approach.
7. The Period 9 report identified significant potential cost pressures totalling £0.279 million. This report identifies an overall improvement in these cost pressures with a reduction totalling £0.463 million. This gives a small surplus of £0.184 million at period 11. This is summarised and tied back to the Period 9 monitoring report in Appendix D.
8. The Period 11 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 9 REPORTED TO MEMBERS**

9. There have been some movements between service areas in budget since the last monitoring report at Period 9. More details are given in Appendix B.

## **Detailed monitoring**

10. The overall revised projected net position by service areas is set out in Appendix C.
11. 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 11 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)**

12. The current forecast overspend across the combined Adult Social Care Service areas is £0.602m (£1.404m overspend for Operations and £0.802m underspend for commissioning), compared to £0.757m when last reported. This reflects improvements in forecast spend against the Learning Disability Service, due to the transfer of a number of high cost care packages to health responsibility and also the impact of ongoing targeted reviews of care packages.
13. 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, 12 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;
14. Throughout the winter months the service continued to work in partnership with the Primary Care Trust (PCT), monitoring the demand pressures and the impact of this on the PCT and also on social care services. As a consequence an additional 13 placements were made from hospitals, to be funded from additional “winter pressures” funding received by the PCT.
15. There continues to be considerable pressure at both a national and local level for PCTs 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. The service is facing increasing and significant pressure to make additional placements above those planned and budgeted for.
16. 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**

17. The current forecast overspend against the service of £0.028m relates to the delivery of budgeted staff savings in the Area Boards service area and is unchanged since last reported.

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

18. The current forecast overspend against the Libraries, Heritage and Arts Service of £0.057m (£0.098m when last reported) is as a result of lower than budgeted income levels. However, the service has reviewed its planned expenditure against all budget areas, and as a result the level of projected overspend has fallen. This is reflected in the current forecast and any further improvements will be reflected in future reports.

### **Strategic Housing**

19. There is currently a forecast underspend against Strategic Housing of £0.480m compared to £0.461m 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**

20. The service is unchanged with a forecast adverse variance of £1.190 million as previously reported. It should be noted that there are potential pressures and opportunities between now and the year end that may impact on this forecast slightly, however officers are ensuring that these are contained and wherever possible the overspend brought slightly back in. Potential opportunities lie around the winter maintenance budget and although the budget is forecasting an underspend, allowing for further gritting runs during March, extra resources have been channelled into routine maintenance. Potential pressures arise from a strategic decision to ensure fuel reserves are at an adequate level to respond should circumstances dictate, as well as further shortfalls on income within fleet services e.g. inspections/testing.

### **Leisure**

21. The Leisure service has continued to manage the cost pressures that have been reported throughout the financial year. Despite continued pressure on meeting the income targets for the year the continued effective budget management, particularly around leisure centre supplies & services and employee costs, has seen the service lower the previously reported overspend by £0.080 million to £0.130 million.

### **Car Parking**

22. The forecast income projection has been updated and officers have reflected this in the overall forecast for the service, which has now been reduced from a previously reported net £1.500 million to a net £1.4 million overspend.
23. Continued improvements in the collection of quality data from meters, as well as allowing for the time to accurately reflect the impact of changes to charges e.g. Christmas and amendment to the 1 hour charge in Salisbury, have helped to improve the accuracy of the model and the forecast. This combined with a better than expected income return during the months of December 2011 and January 2012 have led to a slightly improved forecast outturn position on pay and dispute items. Forecast shortfalls in penalty charge notices (PCNs) remain unchanged from previously reported, whilst all the shortfalls in income have been offset by savings arising from managed vacancies of Civil Enforcement Officers and increased income on the Councils Park & Ride schemes (reported elsewhere).

### **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)**

24. Children's Services budgets are projected to underspend by £0.518 million compared with an underspend of £0.288 million reported for Period 9, a movement of £0.230 million.
25. Schools and Learning Services are projected to underspend by £0.955 million compared with £0.671 million reported for period 9. Key movements from period 9 include an increase in the underspend against SEN Transport (£0.050m), increased income from Academies for services such as Education Welfare and Education Psychology (£0.042m) as schools have converted to academy status through the year, improved income recovery (£0.050m) and an underspend against travel expenses and other non-pay budgets within School Improvement (£0.064m).
26. Looked after Children (LAC) numbers were 403 in February and the in year increase in the numbers of LAC continues to be reflected in the expenditure on placements. The external placement budget is projected to overspend by £0.631 million, commissioning 8,524 more nights care than budgeted for. The in-house placement budget is projected to overspend by £0.336 million, or 10,758 nights care. The increase in overspend in placements for looked after children has been offset by planned underspends elsewhere within Children's Services.

## **Policy, Performance & Partnerships**

27. This service is projected to underspend by £0.105 million as previously reported to Cabinet.

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

28. The forecast overspend has increased by £0.080 million from that previously reported and now stands at £0.200 million. This is a direct result of updated assumptions around the previously reported cost pressure of the Councils bank charges.

## **Legal & Democratic**

29. A reduction in anticipated costs picked up by the Council through the operations of the Coroner together with continued generation of income have led to a reduced forecast overspend. The previously reported position of £0.600 million therefore now stands at £0.450 million.

## **Communications & Branding**

30. The service is reporting a forecast overspend of £0.130 million which is unchanged from the period 9 report.

## **Human Resources & Organisational Development**

31. The service is reporting a forecast underspend of £0.200 million which is unchanged from the period 9 report.

## **Information Services**

32. The service is reporting a forecast underspend of £1.000 million which is unchanged from the period 9 report.

## **Business Services**

33. Business services have continued to effectively reduce the underspend down so that the service is now forecasting a balanced position; a reduction of £0.040 million from the previously reported position. The continued action of holding vacancies, reducing expenditure have effectively mitigated the previous overspend and officers are confident this position will now hold until outturn.

## **Strategic Property Services**

34. Strategic Property Services are reporting an unchanged position of £0.300 million underspend.

## **Transformation Programme**

35. The forecast overspend on Transformation has risen by £0.150 million to £0.540 million. Technical issues with the GVA ordering system used by the service which interfaces with SAP have limited detailed monitoring: however officers are aware of increased costs around the utilities of leisure sites that were brought back in house from the DC Leisure contract. Negotiations to move these in line with the Councils is ongoing but have given rise to an increased reported overspend. As previously reported the underspend on Strategic Property Services is being used to offset this position as the two services have been managed to the bottom line during 2011/12.

## **Economy & Enterprise**

36. Economy & Enterprise continues to report an unchanged forecast underspend of £0.400 million.

## **Development Services**

37. The service is reporting a forecast net underspend of £0.180 million which is unchanged from period 9. The forecast income projection however has changed and the service now expects to slightly exceed its target for this financial year. Applications have continued steadily throughout the year, even during anticipated quieter months, with a continued flow of considerably larger applications helping to boost income to the service. With the previously reported action to generate savings by holding vacancies, to offset the anticipated loss in income, the service has taken the prudent action to review the requirement for specific provisions and has allowed for these within its forecast.

## **Highways Strategic Services**

38. The Highways and Strategic Services line is forecasting an underspend of £0.500 million; an increase of £0.260 million from that previously reported. The main driver behind this increase is a continued 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. 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)**

39. The service has slightly revised its previously reported forecast by £0.030 million so that the combined underspend now stands at £0.590 million. As previously reported the underspend is mainly attributable to savings achieved in



various areas of spending since the budget was set, as well as savings achieved after the budget was set in the operation of the Park & ride service.

### **Waste**

40. Within the Waste service an update in assumptions around income receivable as well as Landfill Tax have been restated which have seen a revision to the forecast overspend to £0.350 million; an increase of £0.070 million on the previous reported forecast.

### **Public Health and Public Protection**

41. The services are reporting a forecast underspend of £0.080 million. Officers feel comfortable this will be achieved at outturn and is a direct result of vacancy management and over achievement on income targets.

### **Digital Inclusion**

42. An underspend of £0.081 million is projected against the revenue budget for Digital Inclusion. Staffing costs are expected to underspend by £0.060 million, the remainder of the underspend is against travel and project running costs.

### **Corporate Directors**

43. 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**

44. Capital financing is showing an underpend of £1.128 million. This is made up of an underspend of £1.500 million resulting from the re-programming of capital expenditure and the revenue financing cost associated with those and an overspend of £0.372 million, relating to extra provision of bad debt. Restructure and contingency included increased specific provisions of £0.340 million as per last month.

### **Housing Revenue Account**

45. 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 £0.431m against a budgeted surplus of £0.411m, compared to a surplus of £0.485m when last reported. This slight movement is as a result of updated staffing forecasts.

## **RESERVES**

46. The tables below provide the latest forecast as at period 11 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 was 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 2012</b>		<b>(11.559)</b>

47. 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 was included in the 2012/2013 budget setting.

### **Overall conclusions**

48. The December Cabinet report for period 9 suggested an overspend / shortfall on the balanced budget of £0.279 million due to cost pressures.
49. During the period additional cost pressures and savings have been identified that gives a downwards reduction of £0.463 million. This has resulted in a revised forecast of a potential projected underspend, at end of period 11, of £0.184 million.

Cost pressures reported period 9	£0.279 million
Reduction in cost pressures in period	(£0.463 million)
Projected underspend end of period 11	(£0.184 million)

50. 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**

51. This report informs member's decision making.

### **Risks assessment**

52. 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.

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

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

### **Financial implications**

54. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report. It is forecast that a balanced budget will be achieved by 31 March 2012.

### **Legal Implications**

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

### **Proposals**

56. Members are asked to note the outcome of the period 11 (February) budget monitoring and receive updates on movements since the previous report in February.

### **Reasons for proposals**

57. 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

Budget Monitoring Cabinet Period 9 15 February 2012

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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