

Wiltshire Council

Council

9 November 2010

Revenue Budget Virement 2010-11

Summary

To advise Council of the revenue budget monitoring position as at 31st August 2010 for financial year 2010-11 and recommend virements from the Council's reserves to invest now in adult social care, and to fund the reduction in management costs in order to deliver c.£8 million of ongoing savings from 1st April 2011.

Proposal

That Council, in line with Financial Procedure Rule 15.7, approve the virements from reserves as highlighted at paragraphs 7 to 9 of this report.

Reasons for Proposals

That Members can approve a corporate approach to managing the financial pressures and government reductions.

Michael Hudson
Interim Chief Finance Officer

Wiltshire Council

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9 November 2010

Revenue Budget Virement 2010-11

Purpose of Report

1. To advise Council of the revenue budget monitoring position as at the end of Period 5 (31st August 2010) for financial year 2010-11, and resultant virements arising from the monitoring.

Background

2. In line with sound financial management a report updating Members on the Council's progress in delivering its 2010-11 revenue budget was submitted to Cabinet on 19 October 2010, based on outturn projections at the end of period 5 (31st August 2010).
3. That report highlighted a number of unforeseen and extraordinary pressures on the Council's budget, such as Central Government's reduction in Area Based Grant, a confirmed increase in adult social care need, and plans to enact a reduction in Management costs before 31st March 2011 in order to yield £8m full year recurring savings in 2011/12.

The Council's Overall Position

4. The last monitoring report to Cabinet in September based on projections as at the end of Period 4 showed the Council's overall position as a projected overspend of £3.328 million. That was a reduction of £1.487 million from £4.811 million previously reported at the end of period 2 (31st May 2010). The previously reported overspend projections were largely due to Central Government funding reductions discussed in the following section. The forecast position as at the end of period 5 (31st August 2010) has seen an increase in service related pressures within the Department of Community Services (DCS), arising largely from a higher than expected demand for services. This has been recognised in the Council's Business Plan going forward, and corporate measures, as set out on paragraphs 7 and 8 of this report, are proposed to mitigate the projected overspend for the Council overall.
5. As a result, the forecast overspend reduces further, and as at the end of period 5 (31st August 2010) stands at £1.038 million. This can be summarised in the table below:

	Pressures £ million	Action Agreed £ million	Forecast Outturn £ million
Central government	5.101	4.001	1.100
Service related	14.042	8.918	5.124
Other	1.380	6.566	(5.186)
Total	20.523	19.485	1.038
Previously reported position	17.399	14.071	3.328
Difference	3.124	5.414	(2.290)

6. The projections across departments are explained in detail in the report to Cabinet of 19th October from paragraphs 20 to 42, and in summary as follows:

Department	Net Forecast Overspend / (Underspend)				Difference from Period 4 £ million
	Central Govt £ million	Service Related £ million	Other £ million	Total £ million	
Children & Education	0.710	0.405	0.380	1.495	0.405
Community Services	0.300	4.929	-	5.229	2.579
Neighbourhood & Planning	0.050	0.497	0.750	1.297	(0.281)
Health & Wellbeing	0.040	0.143	-	0.183	(0.027)
Resources	-	(0.850)	0.250	(0.600)	(0.400)
Corporate Headings	-	-	(3.000)	(3.000)	(1.000)
One off Provision release (discussed below)	-	-	(3.566)	(3.566)	(3.566)
Total	1.100	5.124	(5.186)	1.038	(2.290)
Previously reported position	1.381	2.567	(0.620)	3.328	
Difference	(0.281)	2.557	(4.566)	(2.290)	

Use of Reserves

7. Following the successful closure of its 2009-10 accounts, Council Officers have carried out an assessment of current provisions and earmarked reserves held on the balance sheet. That assessment, having regard to an acceptable level of risk, has identified that £3.566 million can be removed without adversely affecting the Council's long term financial position. A breakdown of the £3.566 million one off release has been detailed below.

Description Provision \ Earmarked Reserve	£ million	Comments
Harmonisation Team Costs	0.729	See bulleted explanation below
Highway Compensation claims	0.530	
Business rates	0.203	
Department of Justice	0.085	
Insurance reserve	1.019	
Capital revenue reserve	1.000	
Total Planned One Off Release	3.566	

- Due to the restructure and revised approach to evaluation, the second and third year of the three year provision to meet the costs of the harmonisation team can be released. This will need to be built into the future business plan.
 - The majority of compensation claims have been settled and the remainder can prudently be released.
 - Provision for fees relating to an outstanding court hearing is no longer required as the case has been settled.
 - The provision dating back to early 2006 regarding the Department of Justice initiative is no longer required.
 - An officer review of the insurance reserve balance recommends a risk assessed level of £4m. £1m therefore can be taken now to offset in year pressures, and £1m discussed below.
 - Reserves held to finance capital programme can be partly used; funding will now be undertaken by prudential borrowing in later years.
8. It is recommended these funds be vired to fund and invest in 2010/11 in Adult Social Care. In the long term the cost pressures faced in relation to these services will be resolved by the Council's Business Plan.

9. In moving ahead with plans to deliver the Council's Business Plan the Authority is in the process of agreeing amendments to its redundancy policies. This was considered by the Staffing Policy Committee on 12th October 2010. As a result proposals to restructure the Council's management are likely to be brought forward to early November 2010. Due to the greater than forecast level of Central Government funding reductions in the next few years, the level of reductions in posts and redundancies are likely to be around £5 million higher than forecast. To help manage cashflow it is recommended that £5 million of reserves are released in 2010/11 to fund the initial current estimate of the redundancies based on the revised policy. This will be recovered in later years from the resultant savings. It is proposed that funding is found from the following reserves:

Reserve	£ million	Comment
PFI	2	See bulleted explanation below
General Fund	2	
Insurance	1	
	5	

- The PFI reserve is used to counter the difference between future inflation increases in the PFI contracts held by the Council against the PFI Government grant credits received to offset the payments which are not index linked. As the contracts run over 15 years there is adequate time in the business plan process to resolve future funding requirements.
 - The Medium Term Financial Plan provides for a £1.8m contribution to General Fund Reserves in 2010/11. As the Business Plan actions are brought forward it is proposed that the General Fund cash flow is reprofiled to aid transformation. This will be factored into the Business Plan to recover in the next two years and ensure General Fund balances remain at the recommended level. This will be reported in more detail in the next budget update.
 - An officer review of the insurance reserve balance recommends a risk assessed level of £4m. £2m will be taken now to offset in year pressures with action being taken in the business plan to bring this back up to recommended levels.
10. The Council's Financial Procedure Rules require that under section 15, that sets out the procedures for budget virements, paragraph 15.7 requires that:
- “for amounts greater than £300,000 and where the virement represents a departure from the Council's approved policy framework, approval of Council is required following a recommendation from the Cabinet”.*

11. Advice from the Council's Monitoring Officer is that the virements proposed here (as per the Cabinet report of 19th October 2010) fall under the Financial Procedures paragraph 15.7, hence Cabinet recommended this virement at its meeting on 19th October and this report has been brought to this meeting of Council for approval.

Main Consideration for the Council

12. To note the current budget monitoring report, and approve virements on reserves.

Environmental Impact of the Proposal

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

Equality and Diversity Impact of this Proposal

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

Legal Implications

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

Risk Assessment

16. Significant service financial pressures, including Central Government grant reductions, have been identified across departments in year amounting to £20.5 million. Actions to manage these pressures have been agreed previously with a further one off use of reserves proposed in this report. Ways of managing the remaining £1 million pressures are being developed. Failure to deliver these actions will result in an overspend for the Council.
17. The Council has identified in its corporate risk register various elements which are covered within this monitoring report, 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

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

Proposals

19. That Members, in line with Financial Procedure Rule 15.7, approve the virements from reserves as highlighted at paragraphs 7 to 9 of this report.

Reasons for Proposals

20. That Members can approve a corporate approach to managing the financial pressures and government reductions.

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