

Wiltshire Council

Cabinet

9 February 2016

Subject: **Revenue Budget Monitoring Period 9 - 2015/2016**

Cabinet Member: **Cllr Dick Tonge – Finance**

Key Decision: **No**

Executive Summary

This report advises members of the revenue budget monitoring position as at the end of Period 9 (end of December 2015) for the financial year 2015/2016 with suggested actions as appropriate.

Overall the forecast suggests a £2.831 million overspend with management action identified to date, a reduction from the last update to Cabinet. This is 1% of the Council's net budget. The purpose of budget monitoring is to identify such risks in order to allow management to address issues. Action is being taken to identify areas where further savings can be made and a balanced budget achieved. A number of actions are being taken under management authority, in particular tightening control over the purchase of goods and supplies where it is anticipated that a reduction of between 10 to 20% will be achieved.

It is expected that a balanced budget can be achieved by 31 March 2016. If this is not the case there should be a further drawdown from reserves which should be avoided as our reserves are nearing minimum levels recommended. Therefore every action should be taken to reduce unnecessary spend.

The Housing Revenue Account (HRA) is forecast to be on line.

On the assumption of a balanced budget being delivered by 31 March 2016 the year-end general fund reserve balance is projected to be £10.447 million. This is in line with the Council's financial plan and recommendations by the Section 151 Officer.

Proposal

Cabinet is asked to note the outcome of the period 9 (end of December) budget Monitoring.

Reason for Proposal

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



Michael Hudson Associate Director, Finance



Wiltshire Council

Cabinet

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Key Decision: **No**

Purpose of Report

1. To advise members of the revenue budget monitoring position as at the end of period 9 (end of December 2015) for the financial year 2015/2016 with suggested actions as appropriate.

Background

2. The Council set the 2015/2016 budget at its meeting on 24 February 2015. This report focuses on forecast exceptions to meeting the original budget and actions required to balance it. Comprehensive appendices showing the individual service headings are included in Appendix C. More details on any revisions to the original base budgets in year are also included in the report.

Summary

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

	Revised Budget Period 9	Profiled Budget to date	Actual to date	Projected Position for Year	Projected Overspend/ (Underspend)	Overspend/ (Underspend) reported at period 7	Movement since period 7
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
General Fund Total	314.983	406.635	334.264	317.814	2.831	2.909	(0.078)
Housing Revenue Account	(1.497)	(11.437)	(10.291)	(1.497)	0	0	0

4. Budget expenditure is not always spent in equal amounts each month. The profiled budget above shows the anticipated budget at the end of period 9. The main variance between the revised budget at period 9 and the profiled budget is due to a phasing of grant income due to be received by schools in period 12 arising from the mis match between financial and academic years.
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General Fund Monitoring Update

5. Finance has continued to monitor budgets, with budget managers, with a focus on the 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 accountants regularly, on a risk based approach. As part of continual service improvement, accountancy is in the process of refining the budget reporting process to enhance consistency and timeliness. As part of this review these reports exclude commitments in the actual spend column, to better show a consistent position. However, known commitments are taken into account in calculating the projected position for the year.
7. The period 9 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C. The figures reported in period 9 reflect the current position after any approved recovery actions have been actioned.
8. As in previous reports, this report will target large variances and the managerial actions arising to help to ensure a balanced budget at year end.

Budget Movements/Virements

9. There have been a number of movements between various budget headings in the period, although the baseline net Council budget reported to Council in February to set the Council Tax, of £314.983 million remains unchanged. These virements are largely due to structural changes since the report for budget setting in February 2015. A full trail is shown in appendix A.
10. Further details of major virements in the period are included in appendix B.

General Fund Monitoring Details

11. Overall the majority of services spend is in line with budget profiles and forecasts. There are a some services which have identified larger variances at this stage of the year than originally planned. Associate Directors are seeking compensating actions to bring these back in line. These are set out in the following paragraphs.
 12. Overall the period 9 report identifies potential cost pressures of £2.831 million. This is set out in detail at Appendix C.
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Learning Disability Care

13. Current monitoring forecasts show an overall net overspend on Learning Disability of £0.929 million before any actions. This has arisen largely due to disputed income, and reflects a prudent view of potential debt recovery. If this improves the position could improve by £0.4 million. Every effort is being made to resolve this matter. The additional action being taken is to recover this overspend through active case load and placement management.
14. In the last month we have seen a reduction in both numbers and unit cost of a number of older people care costs. This is a consequence of a number of the initiatives introduced by the council over the last three years that are helping to manage spend and demand.

Children's Social Care and Special Educational Needs and Disabilities Care

15. Children's Social Care budgets are projected to overspend by £2.050 million after actions. A key area of overspend where costs continue to be managed is the reduction of agency staffing, and the replacement with permanent staffing.
 16. The increase in Special Guardianship Orders was highlighted in the recent Ofsted inspection as a significant improvement; however, there are cost implications arising from this. The ongoing recruitment of permanent staff through the application of Market Supplements should help mitigate against increased numbers of agency staff and it is expected that agency costs will reduce during the year, but this is unlikely to deliver lower costs overall now until late in the financial year.
 17. The 0-25 Service for Children with Disabilities is currently projecting a net overspend of £1.300 million. As previously reported to Cabinet this overspend is primarily due to increased costs in transport arising from three factors; increased numbers of children with SEND up to 16 years, changes in regulations meaning local authorities have greater responsibilities over transport for 16 to 18 year old students with disabilities and the impact of post 18 year olds with SEND. The full year impact of growth in the number and cost of Special Educational Needs and Disability (SEND) placements also remains a factor.
 18. This trend along with the increase in adult learning disability costs is both an ongoing local and a national issue. The council is assessing long term plans to address these costs. However, it is unlikely that the forecast level of spend in this report will be reduced significantly, due to the time to change care packages and the assessment of care needed. Whilst some of that will be done, further savings will be required corporately. Corporate and Associate Directors are assessing options and will continue to report to Cabinet throughout the year, as well as feeding into the setting of the 2016/17 budget process.
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Legal

19. The service is forecasting cost pressures of £0.600 million due to increased costs in services. This is mainly due to more reliance on locums and external advice. This forecast should in part reduce going forward following the recent restructure recently implemented.

Corporate Areas

20. Restructure and Contingency shows an underspend of £1.784 million. This is largely due to the release of one off provisions arising from prior year grants anticipated to be released from the balance sheet in 2015/2016 as spend was drawn down.

Recovery plan

21. The Council faces a remaining forecast budget pressure of £2.831 million. The senior leadership team has set out instructions to tighten approval and control of spend on goods and supplies. Whilst spend may be desirable in some cases, given the financial position managers have been challenged to slow down or reduce spend on items that do not add high value at this time to key priorities and performance targets. Other measures are being sought to control this spend, such as running stationary stock at minimum levels. Based on an analysis of current spend to budget there is scope to make circa £3.5 million of savings from these areas. As such it is expected that through strict adherence to controls and monitoring a balanced budget can be delivered by 31st March 2016.

General Fund Overall

22. Overall, therefore, the period 9 report identifies potential cost pressures of £2.831 million. Against this there are a number of areas of underspend and further instructions have been issued to management in all areas to review actions for recovery and to deliver further savings. It is forecast that based on experience and instructions issued to management that a balanced budget can be achieved by 31 March 2016. If this is not the case there will be a draw down from reserves which would reduce the level potentially by a further £0.5 million. A review of the current levels suggests this is feasible within the risk assessment set out in the 2016/17 budget papers on this agenda. However, the first course is to take every action to reduce unnecessary spend, instead of relying on one off reserves

Housing Revenue Account Monitoring Update

23. Budget figures on the Housing Revenue Account (HRA) have been reviewed as part of the regular monitoring process.
 24. The HRA is forecast to be on line on its revenue budgets.
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Reserves

25. The tables below provides the forecast as at period 9 on the general fund balance held by the Council. The latest forecast on general fund balances currently stands at £12.147 million at 31 March 2016.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2015		(12.147)
Draw for Waste approved by Cabinet	1.100	
Draw for Childrens Safeguarding approved by Cabinet	0.600	
Total Forecast movement in year		1.700
Forecast Balance 31 March 2016		(10.447)

26. At present it is assumed that overall the general fund will be on line by the year end following management action and that General Fund Reserves will not therefore fall to this level and will be within the tolerance reported to Council in setting the 2015/2016 Council Tax. A review of the assessment of need has been undertaken by the Section 151 Officer to link all the General Fund balances to risk (2016/17 Budget Papers – Appendix 2).

Overall Conclusions

27. This report has identified a shortfall if no further action is taken on the general fund budget of £2.831 million at period 9 due to cost pressures / shortfalls in income. Officers are currently taking action to address this and further monitoring reports will be brought to Cabinet throughout 2015/2016.
28. 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

29. This report informs member's decision making.

Risks assessment

30. If the Council fails to take actions to address forecast shortfalls, overspends or increases in its costs it will need to draw on 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

31. None have been identified as arising directly from this report.
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Financial implications

32. 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 2016, although reserves are reduced this is in line with the risk assessment noted by Council in setting the budget in February 2015.

Legal Implications

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

Public Health Implications

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

Environmental Implications

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

Safeguarding Implications

36. Safeguarding remains a key priority for the Council and this report reflects the additional investment for 2015/2016 to support the ongoing spend in looked after children and safeguarding. The latest forecasts supports this priority by including a drawdown of £0.6 million from reserves to deal with current pressures, as approved in period 7 revenue monitoring report.

Proposals

37. Cabinet is asked to note the outcome of the period 9 (end of December) budget Monitoring.

Reasons for Proposals

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

Background Papers and Consultation

None

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Appendices:

Appendix A: Revenue Budget Movements 2015/2016

Appendix B: Major Virements between Service Areas from Original budget

Appendix C: Revenue Budget Monitoring Statements

Appendix D: Forecast Variance Movements

