

Wiltshire Council

Cabinet

13 September 2011

Organisation & Resources Select Committee

15 September 2011

Subject: **Budget Monitoring Period 4 July 2011**

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

Key Decision: **No**

Executive Summary

This report updates members of progress in delivering savings identified in the 2011-2015 Financial Plan in relation to the 2011/2012 base budgets, and of any significant new cost pressures or changes since the last report on 26 July 2011.

As per the last report, only 2% of savings (£0.599 million) are 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 could be covered by General Fund reserves. 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.

The £31.084 million savings identified in the financial plan have been risk assessed as to deliverability. As a result significant improvement have been identified in savings on target to be delivered. The levels of low risk savings has increased from 87% (£27.209 million) in July to 89% (£27.665 million).

Additionally, the last report identified significant cost pressures since budget setting, totalling £4.683 million. These were broken down as follows:

- £3.100 million cost pressure is forecast in Community Services, caused by demand for adult care services;
- £0.300 million pressure in looked after children;
- £0.500 million estimated shortfall of income from car parks; and
- £0.783 million under provision in waste assumptions.

Since last month additional cost pressures have been identified of £0.401 million. This is made up of an extra £0.222 million caused by demand for adult care services, an extra 0.139 million caused by the demand on the Looked After Children budget and an extra £0.040 million estimated shortfall of income from car parks.

Following a review of additional unringfenced grant received it is proposed that £2 million is vired to cover cost pressures identified in adult care services.

These changes lead to revised cost pressures at period 4 of £3.084 million. Action plans are being worked on in the appropriate areas to address this.

The report also sets out the future budget monitoring reporting arrangements to members for the rest of the financial year. This starts with a full budget monitoring report for month 5 will be brought to the next cabinet meeting. This will include full appendices showing budgets and expenditure in the new corporate structure.

Proposals

Members are asked to note the outcome of the Period 4 (July 2011) budget monitoring and receive updates on movements since the previous report in July.

Cabinet are requested to approve the virement of £2 million from additional unringfenced grant income to cover cost pressures identified in adult care services.

Reason for Proposals

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

Michael Hudson
Chief Finance Officer

Wiltshire Council

Cabinet

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Subject: **Budget Monitoring Period 4 July 2011**

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

Key Decision: **No**

Purpose of Report

1. To update members of progress in delivering savings identified in the 2011-2015 Financial Plan in relation to the 2011/2012 base budgets, and of any significant new cost pressures or changes since the last report on 26 July 2011.
2. Additionally the report sets out the future budget monitoring reporting arrangements to members for the rest of the financial year.

Background

2011/12 base budget

3. The Council's Annual Budget 2011/2012 identified £31.084 million of savings from across all areas of the Authority. These savings are recurring so any non-delivery will increase the scale of savings required to be found in future years as well as creating an in year cost pressure.
4. The full lists of savings were reported to members as part of the setting of the 2011/2012 budget. The savings have been restated in line with the revised corporate restructure and details are included in Appendix A.

Process for monitoring and reporting the 2011/2012 base budget

5. As per the last report to cabinet in July, this report focuses on the delivery of the Financial 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.
6. 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 2011/2012 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 2011/2012. This could be due to factors such as unforeseen 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 are yet to be 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.

7. The assessment is set out in the following paragraphs and in details by at Appendix A to this report.
8. Accountancy have also been reviewing service outturns for 2010/2011 with 2011/2012 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 year to date to assess this against prior year experiences.

Savings category per Financial Plan	2011/2012 Target per the Plan £000	Savings risked assessed £000	Green	Amber / Green	Amber / Red	Red
A. Management & standardising our pay	8.377	8.508	8.205	0.150	0.058	0.095
B. Reduce & make better use of our buildings	0.325	0.325	0.120	0.055	0.150	0.000
C. Procurement	7.400	7.369	2.416	2.604	1.976	0.373
D. Service Efficiencies	13.982	14.013	8.583	4.538	0.767	0.125
E. Systems thinking	1.000	1.000	0.268	0.726	0.000	0.006
Total £	31.084	31.215	19.592	8.073	2.951	0.599
Total %	-		63%	26%	9%	2%
Total reported July £	31.084		17.368	9.841	3.223	0.652

9. When the financial plan was set, the original target was £31.084 million. Since then, further management review has identified additional savings in some areas. Therefore in some cases the saving vary slightly from the original plan.
10. As part of continual management review savings have been examined since the last report. As a result, the table shows a significant improvement savings in the green and green/ amber categories. The levels of savings in these two categories has increased from 87% in July to 89%. The major movements in risk are highlighted below.
11. The Amber/Red risks have similarly improved. The Red assessments are at a similar level as last month. Work is continuing in these areas to review and identify required actions.
12. Full details of all risks are set out by Department in Appendix A.

Major movements in risk since period 3

13. In the Department for Neighbourhoods and Planning (DNP), £0.797 million has moved into Green/Amber from Amber/Red following confirmation of the progression of bus services/contract reviews within passenger transport. Plans in place to realise the full benefit as outlined in the financial plan.
14. Also in DNP, £0.422 million of Economy & Enterprise savings have been moved out of Amber/Red & into Green and Green/Amber following the transfer of the salaries element of the £1.000 million investment to resource the Action for Wiltshire programmes.
15. Within the Department for Transformation and Resources (DTR), £0.151 million has moved to Green/Amber. This represents a saving within HR related to the service review, however the review is being carried out later than planned however the budget is still being managed within the overall services bottom line.
16. Also in DTR, £0.059 million management review saving within business transformation have now confirmed in light of ICT restructure.
17. In the Department for Children and Education (DCE), there is a movement between Green/Amber to Red/Amber of £0.612 million against Nursing Procurement Savings as the tendering process has been delayed.

Cost and income assumptions / pressures

18. Accountancy 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 few areas where costs have risen quicker than forecast.
19. Significant cost pressures since the budget setting reported to cabinet on 26 July 2011 totalled £4.683 million. These were broken down as follows:
 - £3.100 million cost pressure is forecast in Community Services, caused by demand for adult care services;

- £0.300 million pressure in looked after children;
 - £0.500 million estimated shortfall of income from car parks; and
 - £0.783 million under provision in waste assumptions.
20. A review of these cost pressure has been undertaken for period 4. Further detailed will be included in period 5 report to members in October.
 21. The recent extraordinary Cabinet meeting held on 19 August approved the re-introduction of 1 hour car parking to Salisbury. Work is currently on going to develop a robust, economic and sensitive model to forecast a revenue outturn on what can be a notoriously volatile income stream.
 22. The latest projection is a slight increase of £0.040 million to an anticipated full year shortfall of £0.540 million; this takes into account the re-introduction of the 1 hour charge. As per the extraordinary Cabinet report this is based on occupancy levels increasing back up to 2010/11 levels.
 23. Although significant the £0.540 million only represents a 6% shortfall on the total car parking income target for the year. It is envisaged that the shortfall will be contained within DNP. Detailed budget monitoring and proposals to fund the shortfall will be carried out based on the actual position as at the end August. This will include a revised full year forecast on the income position and be reported to Cabinet in October.
 24. As discussed in the previous report, the spend on Looked After Children (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 £0.439 million and the increase in numbers cannot be sustained within the current budget. Pressures on the Leaving Care budget are also significant. Overall, this represents additional cost pressure of £0.139 million from the figure reported for period 3. Work continues to review options to address these pressures and bring further proposals back to Cabinet.
 25. As reported in the previous budget monitoring paper, demand for adult social care services has exceeded that which was assumed for budget setting. In addition, the death rate during this financial year is also lower than previous trends. The activity experienced to date has been used to forecast demand for the remainder of the year. It is now forecast that there will be demand for 129 more placements across the remainder of the year, with a potential cost of £3.322 million if no action is taken. This represents an additional cost pressure in this area of £0.222 million from the figure reported for period 3.

Allocation of additional grant income

26. As proposed to cabinet in July, we have received additional grant income of £2.067 million. It is proposed that £2 million is used to cover the cost pressures identified in Adult Care as Services as mentioned in the Council's cost pressures above.

27. Additionally, as per the last budget monitoring report, the remaining £0.067 million has already been allocated to DCE relating to additional early years intervention grant.

Future Monitoring in the New Corporate Structure

28. Since the last report to Members in July, a significant piece of work has been undertaken to recast the Council's approved budget into the new corporate structure. This work has now been completed and SAP reports to Members have been rewritten to reflect the new structure.
29. Period 5 ends on 31 August. A full budget monitoring report for period 5 will be brought to the Cabinet meeting in October. This will include full appendices showing budgets and expenditure in the new corporate structure.
30. Full revenue budget monitoring reports will be brought to Cabinet on a bimonthly time table as shown below. This will allow improvement in the reporting quality and enable reports to reflect decisions made in the previous meeting. Capital monitoring reports will be taken to Cabinet Capital Assets Committee in the even months to ensure financial monthly monitoring to members.
31. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountancy regularly, on a risk based approach.

Future Revenue Monitoring Reports to Members

Period	Cabinet
Period 5 August	October 2011
Period 7 October	December 2011
Period 9 December	February 2012
Period 11 February	April 2012
Final outturn March	June 2012

Overall conclusions

32. The July cabinet report suggested an overspend / shortfall on the balanced budget of £4.683 million due to cost pressures. Allocation of additional unringfenced grant income reduces this by £2.00 million.
33. During the period additional cost pressures have been identified of £0.401 million. This is made up of an extra £0.222 million caused by demand for adult care services, an extra 0.139 million caused by the demand on the Looked After Children budget and an extra £0.040 million estimated shortfall of income from car parks.

Cost pressures reported period 3	£4.683 million
Additional cost pressures in period	£0.401 million
Release of unringfenced grant	(£2.000) million
Cost pressures end of period 4	£3.084 million

34. The risk assessment of savings highlights £0.599 million of savings with red risk attached to them. Work will continue in all of these areas to review and identify required actions and this will inform the next monitoring report to Members in October 2011.
35. 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

36. This report informs member's decision making.

Risks assessment

37. 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

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

Financial implications

39. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report.

Legal Implications

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

Background Papers and Consultation

2011-15 Business Plan

2011-15 Financial Plan

Budget Monitoring Cabinet 26 July 2011

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Appendices:

Appendix A: Individual Departmental Risk Analysis