

Wiltshire Council

Cabinet

16 September 2014

Subject: **Revenue Budget Monitoring Period 4 2014/2015**

Cabinet Member: **Cllr Dick Tonge – Finance, Performance, Risk,
Procurement and Welfare Reform**

Key Decision: **No**

Executive Summary

This report advises members of the revenue budget monitoring position as at the end of Period 4 (end of July 2014) for the financial year 2014/2015 with suggested actions as appropriate.

Overall therefore the forecasts suggest a £1.770 million overspend if no further action is taken. This is 0.5% of the Council's net budget. The purpose of budget monitoring is to identify such risks in order to allow management to address issues. This time last year a £2.067 million overspend was forecast and action taken to correct that ensured a balanced budget at year end. Action is currently being assessed to identify areas where savings can be made. An updated position will be reported to Cabinet in the next budget monitoring report for period 7 (October). It is forecast that a balanced budget will be achieved by 31 March 2015.

The Housing Revenue Account (HRA) is forecast to be underspent by £0.5 million.

The year-end general fund reserves balance is projected to be £10.965 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 4 (end of July) budget monitoring, and approve the transfer of £3.2 million to Learning Disabilities from repayment to General Fund Reserves.

Reason for Proposal

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

Carolyn Godfrey, Corporate Director

Wiltshire Council

Cabinet

16 September 2014

Subject: **Revenue Budget Monitoring Period 4 2014/2015**

Cabinet Member: **Cllr Dick Tonge – Finance, Performance, Risk,
Procurement and Welfare Reform**

Key Decision: **No**

Purpose of Report

1. To advise members of the revenue budget monitoring position as at the end of Period 4 (end of July 2014) for the financial year 2014/2015 with suggested actions as appropriate.

Background

2. The Council set the 2014/2015 budget at its meeting on 25 February 2014. The 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 after the proposal recommended is as follows:

	Revised Budget Period 4 £ m	Profiled Budget to date £ m	Actual to date £ m	Projected Position for Year £ m	Projected Overspend/ (Underspend) £ m
General Fund Total	333.063	194.493	144.968	334.833	1.770
Housing Revenue Account	(1.322)	(4.799)	(5.398)	(1.822)	(0.500)

General Fund Monitoring Process

4. Budget managers regularly monitor their income and spend. This has identified the areas where costs have risen quicker than forecast. The period 4 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C.
-

5. As in previous reports, this report focuses on the larger variances and the managerial actions arising to help to ensure a balanced budget at year end. As last year, Budget Monitoring reports to members will be taken to Cabinet in September, December, February and June.

Budget Movements in Period

6. There have been a small number of budget movements in the period. These are all due to virements and structural changes since the report for budget setting in February 2014. A full trail is shown in appendix A and further details of major virements in the period are included in appendix B. The major structural change relates to the old transformation unit. During the period the program office was moved to Corporate Function & Procurement (£2.419 million) and customer services to Business Services (£1.576 million) from Transformation (£3.995 million).
7. During the period a large piece of work was undertaken with Adults Operation and Commissioning to review the base budget position. This led to some virements which had two main purposes:
 - To realign care budgets to reflect opening commitments, allowing budgets to be set and monitored in terms of activity and unit cost; and
 - To hold funding for demographic growth centrally until allocation can be agreed as part of the ongoing monitoring of activity. Further virements will be required to allocate funding for demographic growth to service areas.
8. These figures include a £900,000 draw from reserves for market supplements for social workers and social work manager's roles that was approved by cabinet in their meeting of 22 July 2014.
9. The budget set by Council in February for 2014/2015 originally assumed £3.2 million would be needed to repay reserves for 2013/14 funding of redundancies. However, due to strong financial management and action more savings were delivered in 2013/14 that following outturn now mean that this was funded in that year and as a result this repayment to reserves is no longer required this year. Cabinet is asked to note the outcome of the period 4 (end of July) budget monitoring, and approve the transfer of £3.2 million to Learning Disabilities from repayment to General Fund Reserves..

General Fund Forecast Details

10. Overall the majority of services spend is in line with budget profiles and forecasts. There are a very small number of services which have identified larger variances at this stage of the year than originally planned. Service Associate Directors are seeking compensating actions to bring these back in line.
-

Adult Social Care

11. Adults with learning disabilities is projecting an overspend, consistent with 2013/2014. This reflects the cost of care packages. It is proposed that £3.2 million is vired from Movement on Reserve to help mitigate this variance. The Council is working on longer term plans to address this matter going forward in 2015/16 and beyond.
12. If this is approved after the transfer of £3.2 million Adult Social Care services would therefore currently be projecting an overspend of £1.756 million. To enabled further improvement in monitoring of adult care budgets in terms of activity and cost care budgets were realigned at the start of the year to reflect opening / ongoing commitments. Early indications are that activity is broadly in line with targets with increased packages for care at home and reduced residential and nursing placements. Unit costs are higher than budgeted for and this in part is felt to reflect the increased complexity of those placements that are being made. Complex and higher cost cases are being reviewed through a dedicated resources as part of a plan of recovery.
13. Funding allocated at budget setting for demographic growth has not yet been allocated across adult care budgets in full and is being held within the Resources Strategy & Commissioning budget. Growth funding will be allocated to support key demographic pressures and to support the priorities within the Better Care Plan.

Children's Social Care

14. Children's Social Care budgets are projected to overspend by £0.076 million. This is net after accounting for the transfer of £0.9 million from reserves as approved by Cabinet in July 2014 as part of a longer term recovery plan. This relates to the current key budget risk relating to the cost of agency staff. The recent decision to support recruitment of permanent staff through the application of Market Supplements should mitigate against increased numbers of agency staff and it is expected that agency costs will reduce during the year.
 15. Placements budgets for Looked After Children are not currently projected to overspend. Detailed monitoring of activity indicates that there is an increase in in-house foster care placements compared with the budget and a reduction in residential and agency foster care placements. This is part of the service plans to manage costs and quality of the service and whilst unit costs for residential placements are higher than budgeted they are less overall and will continue to be monitored during the year.
-

Public transport

16. The Public Transport budget is forecasting increased costs of £0.5 million as a result of securing continuation of both education & public transport contracts following the Hatts Travel group entering into administration. The increased costs reflect an emergency provision of service in short term and anticipated increase in base line cost for services when re-tendered. Work is on going to fully clarify the increased costs in 2014/2015 financial year and on an annual basis, as well as assessing the effect between education & public budgets.

Waste

17. Waste is currently forecasting an overspend of £1 million. This mainly relates to extra landfill tax tonnage estimates. Work is on going to fully clarify the volumes and costs in 2014/2015 financial year.

Facilities Management

18. Facilities Management is forecast to be £0.500 million overspent, this is due to a number of factors; the major one being delays to the programme of vacating properties. This has generated additional unbudgeted pressures on utilities, maintenance, cleaning and other associated costs. Further work is being undertaken on a recovery plan is place to mitigate these pressures.

Corporate

19. The Movement on Reserves variance of £0.9 million represents £0.9 million draw for Children's Social Care and approved by members in July 2014.
 20. Capital financing is forecast to be £1.0 million underspent at the year end. This is partly due to a high level of reprogramming of expenditure after the budget was set in February 2014. This reduced spend means there is a reduced planned requirement to borrow funds during 2014/15, reducing the revenue cost assumptions for servicing any borrowing.
 21. Restructure and Contingency shows an underspend of £0.812 million. The savings identified are continually being reviewed for robustness and to look for other potential savings.
 22. Central Government Grants show extra income of £0.638 million. This is due to extra grants announced and received since the budget was set, including Local Services Support Grant and Council Tax New Burdens.
 23. Overall, therefore after applying £3.2 million for Learning Disabilities, the period 4 report identifies potential cost pressures of £1.770 million. Work is ongoing to manage this and a balanced budget is anticipated.
-

Housing Revenue Account Monitoring Update

24. Budget figures on the Housing Revenue Account (HRA) have been reviewed as part of the regular monitoring process.
25. The HRA is forecast to be £0.500 million underspent on its revenue budgets. This is primarily caused by an underspend on the repairs and maintenance function. This area is currently being reviewed to realign the budgets going forward.

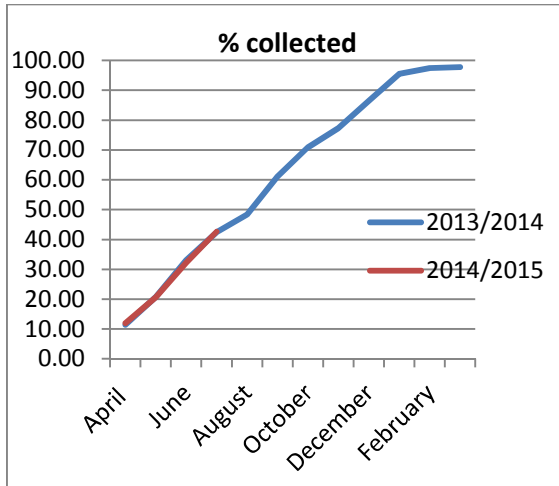
DEBT MANAGEMENT

26. The following table includes Council's main areas of debt. This table will be expanded in the next monitoring report for outturn. This will include details of aged debt and description of the areas of debt.

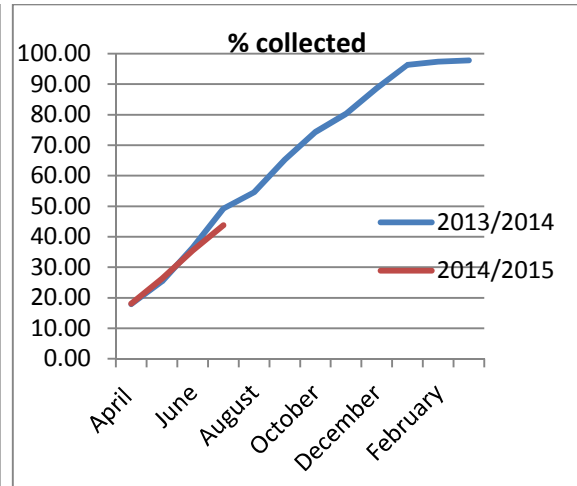
Type of Debt	Net Debit raised for year £ million	Unpaid Debt to End of July 2014 £ million	Value of debt over 1 year old £ million	Bad Debt provision brought forward £ million
Council Tax	262.406	11.617	5.771	2.594
NNDR	144.409	4.304	1.173	0.928
General Fund ^{*1}	NA	23.230	3.333	2.924

^{*1} - Included in General Fund Debt is £13 million of NHS debt raised in July and due to be receipted in August for social care and Better Care Fund, as such this is a Cashflow timing issue as opposed to a debt and can be excluded.

27. The latest monitoring for Council Tax and National Non-Domestic Rates (NNDR) shows that the amount and percentage of tax/rates due is above the amount collected for this time last year as show in the graphs below.
28. It should be noted that there has been a change in collection method since period 4. Business rates can now be paid over 12 months instead of the 10 month in the prior year. This has meant that the collection rate is lower than last year at this stage, however there has not been an increase in non payment from payment plans.
-



Council Tax



Business Rate

Reserves

29. The tables below provide the forecast as at period 4 on the general fund balance held by the council. The latest forecast on general fund balances currently stands at £10.965 million at 31 March 2015.
30. A draw from reserves of £0.900 million was approved by members at the July Cabinet to cover the additional spending on Children's Social Care.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2014		(11.865)
Original Contribution in 2014/2015	(3.200)	
Draw from reserves not required per outturn 2013/2014	3.200	
Draw from reserves for Children's Social Care	0.900	
Planned over/ (under)spend in reserves for year. Currently breakeven.	0.000	
Total Forecast movement		0.900
Forecast Balance 31 March 2015		(10.965)

31. At present it is assumed that all other areas currently overspending will be on line by the year end following management action. A review of the assessment of need has been undertaken by the Section 151 Officer to link all the General Fund balances to risk.

Overall Conclusions

32. This report has identified a shortfall if no further action is taken on the general fund budget of £1.770 million at period 4 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 2014/15.
33. 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 and based on previous experiences it is anticipated that a balanced budget will be delivered by 31st March 2015.

Implications

34. This report informs member's decision making.

Risks assessment

35. 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

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

Financial implications

37. 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 2015.

Legal Implications

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

Public Health Implications

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

Environmental Implications

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

Safeguarding Implications

41. Safeguarding remains a key priority for the Council and this report reflects the additional investment for 2014/2015 to support the ongoing spend in looked after children and safeguarding.

Proposals

42. Cabinet is asked to note the outcome of the period 4 (end of July) budget monitoring, and approve the transfer of £3.2 million to Learning Disabilities from repayment to General Fund Reserves.

Reasons for proposals

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

Background Papers and Consultation

None

Contact Name:

Michael Hudson, Associate Director Finance, ext 713601

michael.hudson@Wiltshire.gov.uk

Report author: Matthew Tiller, Chief Accountant

Appendices:

Appendix A: Revenue Budget Movements 2014/2015

Appendix B: Major Virements between Service Area from Original budget

Appendix C: Revenue Budget Monitoring Statements

