

Wiltshire Council

Cabinet

6 November 2012

Subject: Budget Monitoring Period 5 August 2012

Cabinet Member: Councillor John Brady – Finance, Performance & Risk

Key Decision: No

Executive Summary

This report advises elected members of the revenue budget monitoring position as at the end of Period 5 (end of August 2012) for the financial year 2012/2013 and highlights new cost pressures or changes since the previous budget monitoring report on 10 September 2012.

The Period 3 budget monitoring report identified significant potential cost pressures that totalled £1.844 million. This period has identified increases in these cost pressures totalling £0.129 million. This gives a revised potential year end overspend of £1.973 million at period 5.

The additional investment of £2.329 million into children's services, whilst impacting on the budget, is a cost pressure that reflects the national increase in the number of children being taken into care and the impact that this has had on Wiltshire. The investment also reflects the additional resource (£0.5million) required following the Ofsted inspection in March. The council has started work to deliver a number of actions following the inspection to address the improvements needed in this area. The safeguarding of children is a key priority for Wiltshire Council.

Management is working on a number of actions to address these areas of overspend and initial review suggests that if actions are taken then it is projected that the council overall will provide a balanced budget by 31 March 2013. Therefore, it is projected that the council overall will provide a balanced budget by 31 March 2013.

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 £14.145 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 5 (August) budget monitoring.

Reason for Proposal

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

Michael Hudson
Service Director Finance

Wiltshire Council

Cabinet

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PURPOSE OF REPORT

1. To advise Members of the revenue budget monitoring position as at the end of Period 5 (August 2012) for the financial year 2012/2013 and highlight any new cost pressures or changes since the previous budget monitoring report on 10 September 2012.

BACKGROUND

2. 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 5 £ million	Profiled Budget to date £ million	Actual and committed to date £ million	Projected Position for Year £ million	Projected Over/ (Under)spend £ million	Over/ (under)spend reported at period 3 £ m	Movement since period 3 £ m
General Fund Total	326.655	190.083	161.274	328.628	1.973	1.844	0.129
Housing Revenue Account	0.141	0.754	(3.051)	0.141	0	0	0

COST AND INCOME PRESSURES

4. 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.

5. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountancy regularly, on a risk based approach.
6. The Period 5 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C.
7. The Period 3 report identified significant potential cost pressures totalling £1.844 million. This report identifies an overall increase in these cost pressures totalling £0.129 million. This gives cost pressures of 1.973 million at period 5. This is summarised and tied back to the Period 3 monitoring report in Appendix D.
8. As part of continual improvement, work is ongoing with service managers to help improve timeliness and efficiency of the budget monitoring process.

BUDGET MOVEMENTS IN YEAR

9. There have been some movements between service areas in the year to date. 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 budget and actual and committed to date. This is due to timing differences 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) £0.285 million net overspend projected before action

12. The current projected overspend across the combined Adult Social Care Service areas is £0.285 million. Included within this projection are a number of assumptions, which will continue to be monitored through the financial year:
13. Transformational savings attributable to the Help to Live at Home programme will be delivered across the financial year to achieve a balanced position across Older People and Mental Health Older Adults at the year end. Action plans and monitoring processes are in place to manage this throughout the year and the achievement of these savings is essential to the delivery of a balanced position at the end of the financial year;

14. The Supporting People budget has been disaggregated across service blocks for 2012/2013 and ongoing spending pressures in this area will be monitored and managed. The position will be updated, as required, in future reports;
15. Across 18-64 age group services, Other Vulnerable Adults is currently reporting an underspend of £0.263 million and Mental Health Adults of Working Age an overspend of £0.548 million. These areas have been reviewed to ensure that budget and spend have been allocated appropriately and this is reflected in these figures. Spend continues to be robustly managed, using the panel process. Managers within the Mental Health Adults of Working Age service will be preparing a recovery plan during the next four weeks and the outcome of this will be included in future reports.
16. Within Adult Care Services, spending pressures do continue and are monitored and managed, as appropriate, for example through the panels' process. Within Older People services residential and nursing placement unit costs are increasing, particularly for people with complex needs, although the actual number of placements is remaining relatively steady. Therefore, an action plan has been put in place to address this through negotiation with providers. Within Other Vulnerable Adults, there continues to be demand for high cost care packages to support very complex people, for example to support people with acquired brain injuries or people who have suffered strokes. An action plan is being developed to review packages and in particular packages for people who are supported out of county.
17. Adult Social Care services continue to work in partnership with NHS colleagues to achieve improved integration that will benefit both social care and health services. During this year, the service is developing and piloting a STARR bed service, providing "step up" and "step down" bed facilities with direct input from health staff, for example physiotherapy services. The intention is that this will benefit the whole health and social care pathway by reducing hospital admissions, and improving outcomes post hospital admissions.

Housing Services £0.217 million net overspend projected before action

18. Strategic Housing Services are currently projecting an overspend of £0.217 million. This is mainly against the Private Sector Leasing budget, as a result of slower than planned reduction in the number of private sector leases; and the Gypsy and Traveller service as a result of lower than expected income receipts. Managers within this service will be preparing a recovery plan during the next four weeks and the outcome of this will be included in future reports.

Highways and Street Scene £0.250 million net overspend projected before action

19. Mitigating actions have been taken to address previous cost pressures amounting to £0.700 million within the Local Highways & Streetscene Service, a projected overspend of £0.250 million, an improvement of £0.050 million on the last reported forecast, is now being reported and we continue to work

towards offsetting this within the service and across all services within the relevant Corporate Directorate.

Leisure Projected balanced

20. The service is reporting an unchanged balanced position at this stage of the financial year.

Car Parking £0.150 million net overspend projected before action

21. Based on analysed occupancy data received up to the end of July and then modelled to project income for a full financial year and budget monitoring at the end of August the parking service is showing a net overspend of £0.150 million. Pay & Display (P&D) income levels are forecast to be less than budgeted due to a continued reduced trend in ticket sales over the first 4 months of the financial year compared to previous years; P&D income received at period 5 is £2.400 million, at this stage last year £2.500 million had been received. Income from Penalty Charge notices, although up from last year, are also lower than predicted. It is anticipated that this shortfall will be offset across all services within the relevant Corporate Directorate.

Children's Services (including Safeguarding, Children's Social Care, Integrated Youth, Early Years, School Improvement, Targeted School & Learner Support, Business & Commercial Services and Commissioning & Performance) £1.371 million net overspend projected before action

22. The current projected overspend across the combined Children's Services areas is £1.371 million. This comprises an overspend in Children's Social Care offset by underspends within other areas of children's services.
23. Children's Social Care services are currently projected to overspend by £2.329 million. This projection takes in to account the transfer of £0.500 million from reserves and income of £0.100 million from the national Children's Improvement Board to offset the additional staffing costs incurred through the implementation of the Social Care Improvement Plan. All known vacancies within children's social care and the impact of interim and agency staff in front line teams have been built in to the forecast position.
24. Within the overall children's social care overspend, placement budgets for looked after children are projected to overspend by £2.5 million due to increases in the numbers of young people coming in to care. There are currently 435 children and young people looked after in Wiltshire and the projected number of nights care to be delivered in 2012/2013 exceeds the budget by 12,154 nights.

25. Actions are being taken to ensure that the right children come into care including:
- Implementation of a new higher level Family Support Service, commissioned as part of the Family and Parenting Support Commissioning Strategy,
 - Appointment of additional Adolescent Support Workers within the Integrated Youth Service to carry out direct support to young people on the edge of care,
 - A new process for Gateway Panels which will be the focal point for all decisions in relation to support for children & young people.
26. In conjunction with these actions, within Commissioning & Performance the Troubled Families grant allocated by the government to Wiltshire will be utilised to support the new higher level Family Support Service and Family Group Conferencing services. This will enable £0.454 million base budget funding to be released in 2012/2013 to support the overspend in Children's Social Care. This is a one off recovery action for the current year.
27. An underspend of £0.404 million is projected against Schools & Learning services arising from savings against vacant posts. This is a one off recovery action in the current year.
28. The budget for Urchfont Manor has overspent by £0.048 million this year as a result of a shortfall in income prior to the closure of the service.

Policy, Performance & Partnership £0.055 million net underspend projected before action

29. This service is projected to underspend by £0.055 million due to the Corporate Extended Leadership Team restructure agreed at budget setting. It was previously recommended that a virement be actioned to remove the proportion of salary budget no longer required and this virement will now be actioned.

Finance, Procurement & Internal Audit £0.040 million net overspend projected before action

30. The service is currently forecasting an overspend of £0.040 million a reduction of £0.080 million on the previous report. The main reason for the reduction is an improved assessment on the level of income receivable from Court Fees.

Legal & Democratic £0.535 million net underspend projected before action

31. The service is currently forecasting an underspend of £0.535 million which is an increase of £0.075 million since the last report. This is due to a revising of estimates around the main underspends previously reported on various budgets allocated for Members (allowances, training, ICT, travel etc) for which entitlement hasn't been fully taken up. A drop in demand for the Coroner service has also resulted in a forecast underspend but this has a direct correlation to the shortfall in income received from other local authorities.

Communications & Branding Projected balanced

32. The service was forecasting an underspend of £0.030 million mainly through savings achieved on the salary budgets, arising from vacancies, which were being used to offset the income targets that are unlikely to be achieved. This forecast has been revised with the level of savings from staffing reduced so that the service is now forecasting a balanced position.

Human Resources & Organisational Development Projected balanced

33. The service is reporting an unchanged balanced position at this stage of the financial year.

Information Services Projected balanced

34. The service is still reporting a balanced budget despite continuing budget pressures as a result of absorbing costs arising from canon printers and additional lines required for Broadband.

35. These overspends are being covered by the Infrastructure and Hardware purchases budgets, spend on these budgets is less in 2012/2013 due to the laptop replacement cycle not starting until 2013/2014, delaying server upgrades and savings against the staffing budget due to vacancies.

Customer Care & Business Services Finance Projected balanced

36. Overall Business Services are reporting on budget. Work is ongoing to manage a forecast overspend on the Insurance budget of £0.094 million. This is due to a forecast under achievement on income of £0.186 million being offset by a £0.092 million reduction in insurance costs. The budget is being managed to the bottom line to try to absorb this overspend.

Strategic Property Services Projected balanced

37. The service line remains unchanged and is currently reporting a forecast balanced budget. Income targets for farms and commercial properties are being assessed to ensure overall they are to be achieved for the financial year.

Transformation Programme £0.150 million net overspend projected before action

38. The service is now reporting a forecast overspend of circa £0.150 million. There are known cost pressures e.g. reactive maintenance, security within this service which are currently being offset by savings generated from the recently successful tender of the combined contracts for caretaking, cleaning and catering; estimated at circa £0.300 million this financial year. Further analysis is being undertaken on possible areas to reduce spending in order to develop a recovery plan to bring the service back in to balance.

Economy & Enterprise Projected balanced

39. The service is reporting a balanced budget. SAP has now been updated to reflect the new matrix management and to show the investment budgets for the Action for Wiltshire programme in 2012/2013 totalling £0.707 million.
40. The service continues to work with Wiltshire and Swindon Local Economic Partnership (LEP) as the accountable body for the Growing Places Fund of £9 million and now the successful application to DEFRA for Rural Growth Networks Fund totalling £2 million.
41. The contract with the Department of Communities and Local Government match funding of £0.740 million from European Regional Development Fund has been completed. Work on the Wiltshire Incubation Environments started in July 2012 and will see five key sites across Wiltshire converted to provide managed incubation and enterprise space targeting support for small and medium sized business in the south west region to encourage high and sustainable growth.

Development Services £0.050 million net underspend projected before action

42. The service is reporting an overall underspend of £0.050 million. Development Control is forecasting an underspend of £0.288 million, this is largely due to forecasting an overachievement on income of £0.193 million with a combination of underspends on consultancy and statutory notices and overspends on staffing netting off at £0.095 million.

43. The underspend on Development Control is offsetting forecast overspends in Building Control and Land Charges of £0.090 million and £0.148 million respectively. These are largely due to an underachievement of income against target. Building Control and Land Charges are both facing increased competition from the private sector at a time when applications have reduced slightly. The service is working hard to combat these issues and manage the overall budget.
44. Income is difficult to forecast as although it is possible to identify potential income streams, the submission or otherwise of one or two large applications can have a significant impact on the income actually received. In the same context forecasting on Consultancy costs can be difficult as it depends on the type of applications that are submitted as to whether the service needs to seek specialist advice. Similar specialist advice is also often required in respect of appeal work and again the Council has no way of accurately forecasting costs in this area.
45. A proposed central government fee increase of 15% has been publicised although the date this may come into force has yet to be confirmed. This could be October 2012 or April 2013. If the fee increase was implemented in October 2012 it is forecast it could generate an additional £0.158 million, however budget managers have flagged up that there may be a resulting decrease in some application types if the Government follows through with its proposals to increase permitted development rights for some householder and commercial properties, therefore this has not been factored in to the current forecast.

Highways Strategic Services £0.100 million net overspend projected before action

46. The service previous net overspend forecast of £0.110 million has improved slightly so that the service is now reporting a £0.100 million net overspend.
47. As previously reported there is an anticipated £0.400 million overspend on Street lighting energy costs. The 2012/2013 financial plan savings identified £0.525 against the street lighting energy budget for energy costs but these are unlikely to be achieved. Consultation on reduced street lighting is still ongoing and the procurement of a central management system for street lighting is now being explored as a potential, with inclusion in the forthcoming Highways & Amenities contract. This coupled with the anticipated increase of energy prices (£0.075 million) in 2012/2013 have led to the forecast overspend.
48. The overspend is offset by a forecast £0.050 million underspend due to the delay in setting up the Speed Camera Safety Partnership with Wiltshire Police

and a £0.050 million underspend relating to increased supervision fees which are currently over the profiled budget for the first quarter of the financial year. A previously agreed saving from the current Highways works contractor is also anticipated in 2012/2013 and this is forecast at £0.190 million assuming a level of spend (capital and revenue) of circa £21 million with the contractor in 2012/2013. These combined underspends totalling £0.290 million have been used to offset the savings not being found from street lighting.

Passenger Transport (including Education Transport and Public Transport) Projected balanced

49. Both Public and Education Transport budgets are forecasting an unchanged position from the last report; a £0.100 million underspend on Public relating to Concessionary fares and a £0.100 million overspend on Education, relating to a forecast shortfall on 16+ income, giving a balanced budget overall.
50. The forecasting of contract costs, especially for Education contracts, will become clearer as the outcome from service contract renewals over the summer/autumn months, meaning a more precise forecast can be reported in future.

Waste Projected balanced

51. The service is unchanged from that previously reported; an overall balanced budget with an anticipated shortfall on trade waste and other income of £0.380 million being balanced out by various forecast underspends on areas such as landfill tax, the Lakeside contract and the FOCSA contract.

Public Health and Public Protection Projected balanced

52. At this stage in the financial year the service is reporting a balanced budget. Pest Control is forecasting an underachievement of income of £0.060 million. There have been significantly less wasp nests due to the variable weather and even though we have now had a hot spell it is unlikely that this will generate the work required to meet the income target.
53. The underachievement of Pest Control income is being offset by careful monitoring of our supplies and services; £0.030 million has already been identified to date with further work to identify the remainder is on-going and we will continue to monitor the income in order to manage the budget overall.
54. The last report that went to Cabinet in June 2012 stated a shadow budget for Public Health of £11.866 million, this was published by the Department of Health in February 2012. Since then nationally, further work has been

completed to calculate the Public Health budget which will transfer. Therefore, Wiltshire PCT has submitted a return in July 2012 which split out all of the current budgets to their new destinations. This was based on 2012/2013 budgets and planned spend and gave a revised draft allocation of £11.759 million for Local Authority Public Health (this has not yet been formally approved by the SHA). The draft allocation has changed as a result of new guidance received relating to where Public Health responsibilities will sit from April 2013 and additional investments since 2010/2011 to the Public Health budget on which the previous estimated budget was based.

55. Guidance continues to change and new policy documents are still being issued. For example, school nursing will now transfer to the local authority in April 2013 – this wasn't included in previous returns so will see the Public Health budget increase, and health visitors in April 2013. However, the commitment not to reduce spend on Public Health remains in place, and the budget will be ring fenced for Public Health. In addition, nationally there is an interim ACRA recommendation to adopt a funding formula for Public Health budgets based on premature mortality which is being considered and could affect final funding allocations.
56. Therefore there is a level of uncertainty around exactly what allocation Wiltshire Council will receive for 2013/2014. We have been advised that this will be confirmed in December 2012
57. Wiltshire PCT does not currently report against £11.759 million as this is a combination of some areas of the Public Health budget plus some additional values from other parts of the PCT that currently sit within block contracts. Although not all of the current Public Health budget at Wiltshire PCT will transfer to the Local Authority, we can report that the Public Health budget is forecasted to break even at year end.

Digital Inclusion Projected balanced

58. No significant variances are projected at this point in the year.

Corporate Directors Projected balanced

59. The service line is unchanged from the last reports and is forecasting a balanced budget.

Corporate £0.050 million net overspend projected before action

60. Capital financing is showing an underspend of £1.500 million. This is due to the re-programming of capital expenditure since budget setting.

61. Restructure and contingency is showing an overspend of £1.550 million. This line represents the delivery of corporate saving targets set in February relating to Administration and Facilities Management Review. As is highlighted in the RAG rating in period 3, they have delivered some savings, although not the whole amount, due to some delays in the reviews. The first part of the review of Administration has completed but it is now expected that the next stage will not be completed until later in 2013. Work on identifying the general efficiencies is ongoing.
62. Further work on the corporate savings has commenced and will review current underspends, customer demand and vacancies. A further update will be included in the next monitoring update, but if concerted management action is taken to focus resource as planned it is expected this target will be delivered by the end of the financial year.

Housing Revenue Account Projected balanced

63. Budget figures on the Housing Revenue Account have been reviewed as part of the regular monitoring process. At present there is no reported change in forecast.

RESERVES

64. The tables below provide the forecast as at period 5 on the general fund balance held by the council. The latest forecast on general fund currently stands at £14.145 million at 31 March 2013.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2012		(14.145)
Planned contribution in 2012/2013	0	
Current Forecast Overspend at year end	0	
Total Forecast movement		0
Forecast Balance 31 March 2013		(14.145)

65. At present is assumed that any 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 section151 Officer to link all the General Fund balances to risk.

Overall conclusions

66. This report has identified an overspend / shortfall on the balanced general fund budget of £1.973 million for period 5 due to cost pressures / shortfalls in income. This is an increase of £0.129 on the balance reported at period 3.

67. 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

68. This report informs member's decision making.

Risks assessment

69. 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

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

Financial implications

71. 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 2013.

Legal Implications

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

Proposals

73. Members are asked to note the outcome of the period 5 (end of August) budget monitoring.

Reasons for proposals

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

Background Papers and Consultation

2011-15 Business Plan
2012-15 Financial Plan
Budget Monitoring Cabinet Period 3 10 September 2012

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Appendices:

Appendix A: Revenue Budget Movements 2012/2013

Appendix B: Service Area Movements 2012/2013

Appendix C: Detailed Service Area Budget Statements

Appendix D: Forecast Variance Movements