

18 December 2012

Budget Monitoring Period 7 October 2012

Cabinet Member: Cllr 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 7 (end of October 2012) for the financial year 2012/2013 and highlights new cost pressures or changes since the previous budget monitoring report on 23 October 2012.

The Period 5 budget monitoring report identified potential cost pressures that totalled £1.973 million. This period has identified further increases in these cost pressures that total £0.016 million. This gives a revised potential year end cost pressure of £1.989 million.

Financial pressures in children's services reflect the national increase in the number of children being taken into care and the impact that this is having in Wiltshire. It also reflects the additional resources (£0.500 million) required following the Ofsted inspection in March this year. The council is delivering 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.

The corporate leadership team is working on a number of actions to address the areas of potential overspend. It is currently projected that the council will require an additional £1.700 million from reserves, to support the pressure on safeguarding children and deliver a balanced budget by 31 March 2013.

The year-end balance on the general fund reserves is projected to be £12.445 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 7 (October) budget monitoring.

Reason for Proposal

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

Michael Hudson

Service Director Finance

18 December 2012

Budget Monitoring Period 7 (October)

Cabinet Member: Cllr John Brady – Finance, Performance and Risk

Key Decision: No

PURPOSE OF REPORT

1. To advise members of the revenue budget monitoring position as at the end of period 7 (October 2012) for the financial year 2012/2013 and highlight any additional cost pressures or changes since the previous budget monitoring report on 23 October 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 7 £ 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 5 £ m	Movement since period 5 £ m
General Fund Total	326.655	336.273	270.759	328.644	1.989	1.973	0.016
Housing Revenue Account	0.141	0.162	(7.034)	0.141	0	0	0

COST AND INCOME PRESSURES

4. Finance has continued to monitor budgets 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.
5. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountants regularly, on a risk based approach.

6. The period 7 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 5 report identified potential cost pressures of £1.973 million. This report identifies an increase in these cost pressures of £0.016 million resulting in cost pressures of £1.989 million at period 7. This is summarised in the Period 7 monitoring report in Appendix D.
8. As part of continual improvement all services with exception of Looked After Children, have to find further savings to help deliver a balanced budget by the end of the financial year. This work is in progress and further details will be included in future reports.

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 area is set out in Appendix C.
11. A more detailed summary of the forecast variances is set out by service area as follows. Budgets are profiled to reflect actual spend within the year. This leads to some variances between the current profiled budget, 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 (Including Older People, Learning Disabilities, Mental Health, Other Vulnerable Adults and Resources, Commissioning & Strategy) £0.265 million net overspend projected before action.

12. The current projected overspend across the combined Adult Social Care Service area is £0.265 million. Included within this projection are a number of assumptions, which will continue to be monitored throughout the financial year:
 - Transformational savings attributable to the Help to Live at Home programme will be delivered throughout 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;
 - 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;

- Across 18-64 age group services, Other Vulnerable Adults is currently reporting an underspend of £0.040 million and Mental Health Adults of Working Age an overspend of £0.187 million. These areas will continue to be reviewed to ensure that spend is robustly managed, using the panel process;
 - Additional cost pressures of £0.118 million have been identified this month, mainly relating to the provision of short term additional front line staff to provide services to Older People and Other Vulnerable Adults as a result of continued improvement in placing people coming out of hospital. There has also been a need to cover vacancies whilst the service meets the ongoing demand.
13. Within Adult Care Services, spending pressures 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 complex need cases 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 cases, 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.
 14. We are now entering the winter months and the service will work in partnership with the Primary Care Trust (PCT) throughout this period to monitor the demand pressures and the impact of this on the PCT and also on social care services.
 15. 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.

Libraries, Heritage and Arts services Projected balanced

16. These areas are all reporting a balanced position for the year.

Communities, Leadership and Governance services £0.063 million net underspend projected before action

17. These services are now reporting an underspend of £0.063 million.

Housing Services £0.064 million net underspend projected before action

18. Strategic Housing service is currently projecting an underspend of £0.064 million, which is an improvement since last reported of £0.281 million. There are continuing cost pressures 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. These are being offset by staffing savings and the projected spend on the housing PFI budget has been revised down this month.

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

19. Despite mitigating actions already taken to address previous cost pressures amounting to £0.700 million within the Highways and Street Scene service, an overspend of £0.250 million is projected which is unchanged on the last reported forecast. There is an underachievement against income budgets, which the service is continuing to work towards offsetting both within the service and relevant corporate directorate.
20. There is a significant risk that spend on routine highway maintenance, especially relating to drainage repairs, could see the overspend increase. A harsh winter is being forecast and work is underway to estimate the likely net cost of an unusually adverse winter, the outcome of which should be available for Period 9 reporting. Any exceptional winter maintenance would reduce overspends on routine highways maintenance as resources are diverted from one function to another. The situation will continue to be closely monitored and actively managed by the service.

Leisure £0.160 million net overspend projected before action

21. The service is reporting an overspend of £0.160 million which is an increase on the balanced position previously reported. This is due to a number of factors including a fall in demand in certain parts of the service, such as leisure centres. These will continue to be reviewed along with the timing of new income such as gym memberships in the New Year. A further update will be included in the next report.
22. There is also currently a forecast overspend of £0.100 million at Melksham House, due to unavoidable costs around staffing and reduced income from future bookings.

Car Parking £0.238 million net overspend projected before action

23. Based on analysed occupancy data received up to the end of September and then modelled to project income for a full financial year and budget monitoring at the end of October, the parking service is showing a small (0.034% of total income) net shortfall of £0.238 million, a deterioration of £0.088 million. Pay and Display (P&D) income levels are forecast to be less than budgeted due to a continued reduced trend in ticket sales over the first 6 months of the financial year compared to previous years arising in part from the success of selling more season tickets. P&D income received at Period 7 is £3.400 million, at this stage last year £3.500 million had been received. Income from Penalty Charge Notices, although up from last year, is also lower than predicted. This is a trend the council supports as it reflects better driver awareness, but will need to be funded. It is anticipated that this small 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, Funding Schools and Commissioning & Performance) £2.359 million net overspend projected before action.

24. The current projected overspend across the combined Children's Services areas is £2.359 million. This comprises an overspend in Children's Social Care offset by underspends within other areas of children's services.
25. Children's Social Care services are currently projected to overspend by £3.882 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 projected impact of interim and agency staff in front line teams has been updated in the forecast position.
26. Within the total £3.882 million overspend, placement budgets for looked after children are projected to overspend by £2.700 million due to increases in the numbers of young people coming in to care. There are currently 447 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 12,845 nights.
27. Actions continue to be 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.
28. 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 £0.532 million base budget funding to be released in 2012/2013. This is a one off recovery action for the current year. An underspend of £0.100 million in the Short Breaks service for disabled children & young people has also been identified.
29. An underspend of £0.694 million is projected against Schools & Learning services arising from savings against vacant posts and against activity budgets within the Early Years service. These are one off recovery actions in the current year.
30. 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.
31. Within Children's Services, managers are working to identify further savings to enable the overspend to be reduced to the level previously approved by Cabinet of £1.700 million. Proposals will be considered and reported to future meetings.

Policy, Performance & Partnership Projected Balanced

32. This area is all reporting a balanced position for the year.

Finance, Procurement & Internal Audit £0.100 million net underspend projected before further action

33. The service is currently forecasting an underspend of £0.100 million, an improvement of £0.140 million on the previous report.

34. Procurement are forecasting an underspend of £0.230 million mainly due to unfilled vacancies and a rebate on agency staff from Comensura forecast to be £0.370 million for the year.
35. Across the rest of the service there are small overspends on staff costs in Revenues and Benefits, additional Private Finance Initiative (PFI) costs, and unachievable income in accountancy and audit arising from changes in schools.

Legal & Democratic £0.300 million net underspend projected before action

36. The service is currently forecasting an underspend of £0.300 million which is a reduction of £0.235 million since the last report. The variance is mainly due to a shortfall in spend on members' expenses and training of £0.200 million together with underspend in the monitoring officer salaries and other costs offset by overspends in Legal where additional demand for work is required in a wide range of services to support transformation, Child protection, adult care and changes to section s106 arrangements.

Communications £0.023 million net underspend projected before action

37. The service is forecasting a net underspend of £0.023 million, mainly from delivering savings on the salary budget, arising from vacancies.

Human Resources & Organisational Development £0.120 million net underspend projected before action

38. The service is reporting an underspend of £0.120 million to meet the 2% savings target, an improvement of £0.120 million on the previously reported balanced position. This saving will be delivered by managing vacancies.

Information Services £0.500 million net underspend projected before action

39. Information services is forecasting to deliver savings of £0.500 million in 2012/2013, this exceeds the challenge of 2% savings of the Net budget to contribute to balancing the Councils forecast overspend.
40. This position has been achieved through the restructure which has meant vacant posts for the first part of the year and re-forecasting investment cycle for replacement laptops and servers.
41. The service has submitted a capital bid to increase funds in 2013/2014 to £2.400 million and for new budget allocations in 2014/2015 and 2015/2016.

Laptop and server replacements will be due to commence in 2013/2014. In addition to the revenue savings put forward for 2013/2014 the service have retained the budget to cover the capital financing on this bid.

Customer Care & Business Services Finance £0.097 million net underspend projected before action

42. Business services is forecasting to deliver savings equivalent to 2% of the Net budget to contribute to balancing the council's forecast overspend.
43. The service is managing the budget to the bottom line and has also covered a forecast overspend on Insurance of £0.095 million. This forecast has been based on the current expectation for claims, however these are difficult to manage and forecast, 2012/2013 claims totalled £1.000 million which is £0.130 million more than in the current forecast. Business services would not be able to absorb any additional overspend.
44. This position has been achieved by holding vacant posts in business services, finance and health and safety totalling £0.126 million and increased income from Blue Badges of £0.066 million.
45. These savings have been brought forward and were part of 2013/2014 saving proposals.

Strategic Property Services £0.259 million net underspend projected before action

46. The service is projecting an underspend of £0.259 million which exceeds the savings target of 2% against the net budget to contribute to balancing the council's forecast overspend. This is in part due to additional one off income from the council's commercial estate and partly due to savings on the salaries budget as a result of the increased ability to recharge officer time to works before sales. There are also several small variations across other spending areas which contribute to the underspend.

Transformation Programme £0.178 million net overspend projected before action

47. The forecast overspend of £0.178 million is an additional £0.028 million since the previous report mainly as a result of a peak over the summer in reactive maintenance and repairs required to the council's entire property estate.
48. Every effort is being made to reduce this overspend by only carrying out essential repairs due to health and safety considerations and continuation of service.

49. However, there is a risk that the levels of essential reactive maintenance required will rise further over the winter months leading to a higher than forecast position.

Economy & Enterprise Projected balanced

50. The service is reporting a balanced budget.
51. The service is seeking ways of achieving the 2% Net budget savings target.

Development Services £0.050 million net underspend projected before action

52. The service has no change to report and is still on target for an overall underspend of £0.050 million, meeting the 2% Net budget saving target for 2012/2013 and contributing to balancing the council's forecast overspend.
53. Development control is forecasting an overachievement of income which is offsetting overspends in building control and land charges. These services continue to work hard to combat these issues and manage the overall budget. Income received for September and October is down against profile however we continue to forecast optimistically.
54. The date for the proposed central government fee increase of 15% has now been confirmed as the 22nd November 2012.

Highways Strategic Services £0.164 million net underspend projected before action

55. The service previously reported net overspend forecast of £0.100 million has improved significantly so that the service is now reporting a £0.164 million net underspend.
56. As previously reported there is an anticipated overspend on street lighting energy costs, although the forecast overspend has reduced from £0.400 million to £0.264 million due to clarification of the energy prices related to the second half of the financial year. The underlying reason for overspend is the time required for consultation before changing the service, the result of which will be reported to cabinet in December.
57. The remainder of the underspend is due to vacancy management within the service.

58. The majority of the increase in income is due to development supervision fees, an increase of £0.100 million on Period 5 to £0.150 million.

Passenger Transport (including Education Transport and Public Transport)
£0.049 million overspend projected before action

59. The public and education transport budgets are forecasting a combined overspend with a slight increase of £0.049 million from the last report. A £0.068 million underspend on public transport relating to concessionary fares and a £0.117 million overspend on education, relating to a forecast shortfall on 16+ income and a small overspend on education transport contracts, giving a net overspend of £0.049 million overall.

Waste £0.180 million overspend projected before action

60. The waste management budget is currently forecasting an overspend of £0.180 million against the previously reported balanced budget. This comprises a number of factors. The limited market and reduction in demand for wood waste to energy from waste has resulted in an increase in the gate fee which we pay under the Hills landfill and recycling contract. The service has generated £0.115 million less income from chargeable services to date than forecast for the current financial year. Following a ruling by HMRC based on advice from the Environment Agency, street sweepings can no longer be used to produce low grade compost, but have to be landfilled at the higher Landfill Tax rate of £64 per tonne (total impact £0.128 million)
61. Further detailed work will be done to review assumptions made on income from commercial waste and recycling collection services to inform the next budget monitoring report. Landfill Tax will vary due to a number of factors including the impact of the new recycling services. As data is now available for the first six months of the financial year the projections on Landfill Tax will also be reviewed for the next reporting period.

Public Health and Public Protection Projected balanced

62. Overall the service is forecasting on budget.
63. The service continue to manage spend on supplies and services carefully in order to achieve a 2% saving on discretionary spend and to manage the under achievement on Pest Control as reported last reporting period.

64. The Department of Health is due to publish the public health allocations on 14th December 2012. Work on the transition continues with public health staff due to relocate to County Hall in December.

Digital Inclusion Projected balanced

65. This area is reporting a balanced position for the year.

Corporate Directors Projected balanced

66. This is unchanged from the last report and is forecasting a balanced budget with spend to date in line with the profiled budget.

Corporate £0.050 million net overspend projected before action

67. Capital financing is showing an underspend of £1.500 million in line with period 5 budget reporting. This is due to the re-programming of capital expenditure since budget setting. This area will be reviewed as part of the budget setting process to reflect current spend trends in future periods.
68. 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 is 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.
69. 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

70. 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

71. The tables below provide the forecast as at period 7 on the general fund balance held by the council. The latest forecast on general fund currently stands at £12.445 million at 31 March 2013.

72. A draw from reserves of £1.600 million is being forecast to cover the additional spending on Looked After Children. The position will be reviewed in following months and updated to members in future reports.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2012		(14.145)
Planned contribution in 2012/2013	0	
Draw from reserves for Looked After Children	1.700	
Total Forecast movement		0
Forecast Balance 31 March 2013		(12.445)

73. At present 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

74. This report has identified an overspend / shortfall on the balanced general fund budget of £1.989 million for period 7 due to cost pressures / shortfalls in income. This is an increase of £0.016 million on the balance reported at period 5.
75. 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

76. This report informs member's decision making.

Risks assessment

77. 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

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

Financial implications

79. 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

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

Proposals

81. Members are asked to note the outcome of the period 7 (end of October) budget monitoring.

Reasons for proposals

82. 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
Budget Monitoring Cabinet Period 5 23 October 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