

Wiltshire Council

Cabinet

17 December 2013

Subject: **Revenue Budget Monitoring Period 7 2013/2014**

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 7 (end of October 2013) for the financial year 2013/2014 with suggested actions as appropriate.

Savings plans, including the voluntary redundancy programme, are on target or have been delivered already. There has been additional spending in Children's Social Care to reflect the continuing costs of looking after children taken into care. This will be funded, in part, from general fund reserves, as provided in the financial plan, to maintain safeguarding of children as a key priority for Wiltshire Council.

Overall therefore the forecasts suggest a £5.684 million overspend if no further action is taken. This is 1.7% of the Council's net budget. The purpose of budget monitoring is to identify such risks in order to allow management to address issues. A forecast overspend is not unusual at this time of the year and action will be taken to correct that ensured a balanced budget at year end. Action is currently being assessed to identify areas where savings can be made and progress suggests that the full amount will be managed within budget. To date this work has identified ways to save £3.568 million, leaving £2.116 million to be found. An updated position will be reported to Cabinet in the next quarter.

The year-end general fund reserves balance is projected to be £7.840 million, rising to £11.3m at the start of April 2013. This is in line with the council's financial plan and recommendations by the Section 151 Officer.

Proposal

That Cabinet note the outcome of the period 7 (end of October) 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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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 7 (end of October 2013) for the financial year 2013/2014 with suggested actions as appropriate.

Background

2. The Council set the 2013/2014 budget at its meeting on 26 February 2013. 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, without and with current actions is set out as follows:

	Revised Budget Period 7 £ m	Profiled Budget to date £ m	Actual and committed to date £ m	Projected Position for Year £ m	Projected Over/ (Under)spend £ m	Actions being taken to recover to date £m	Remainder saving to be identified £m
General Fund Total	340.518	366.090	334.106	346.202	5.684	(3.568)	2.116
Housing Revenue Account	(0.631)	(8.508)	(7.272)	(2.131)	(1.500)	N/A	N/A

General Fund Monitoring Update

4. 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 changed from the last 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. There have been a number of structural changes since the report for period 5. Full details of these structural changes and virements in the period are included in appendices A and B.
8. Budget Monitoring reports to members are taken to Cabinet quarterly in September, December, March and June. To improve clarity, the reports will target large variances and the managerial actions arising to help to ensure a balanced budget at year end.

General Fund Monitoring Details

9. 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 Directors are seeking compensating actions to bring these back in line.
10. There are also pressures within the Learning Disability budget, which is projected to overspend by £1.5 million. More detailed work has identified that part of this overspend (approx £0.8 million) relates to the costs of new care packages for 18 to 25 year olds. Cost pressures for this age group need to be reflected within the overall 0-25 SEN and Disabilities (SEND) Service which will reduce the overspend against adult services but will not resolve the overall corporate cost pressure against care packages for children and adults with disabilities.
11. Budgets for packages of care for Older People and Other Vulnerable Adults are also forecast to overspend. This is due to an increase in the numbers of packages of care. In order to mitigate this overspend all high cost packages of care are being reviewed. A project has also been put in place to prioritise reviews of care packages to ensure that funding for health needs are appropriately reflected.
12. The spend on Children's services is projected to exceed the budget by £2.4 million. This is after taking in to account the transfer of £1.4 million from reserves. The remaining pressure of £1.5 million continues to be due to additional costs of staffing within social work teams to support case loads and pressure for placements for looked after children. There is also an overspend of £0.6 million on care packages for children & young people with disabilities.

Recovery actions are being developed across children's services to mitigate some of these pressures.

13. Strategic Property Services is forecast to be £0.750 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. In addition other unbudgeted pressures including later opening of facilities have fallen on the Property budgets. There is a recovery plan in place to mitigate £0.250 million of these pressures.
14. Restructure and Contingency shows an overspend of £0.851 million. This has improved by £3.4 million since period 5 report. This is mainly presentational due to the Voluntary Redundancy scheme that was held corporately in period 5, being moved to the service lines now that specific posts are known and those budgets reduced.
15. Of the £8.0 million of savings to be found in corporate items £4.4 million is being delivered and plans in place to deliver the remainder. The savings identified are continually being reviewed for robustness and to look for other potential savings.
16. Capital financing is forecast to be £1.5 million underspent at the year end, as per period 5. This is partly due to a high level of reprogramming of expenditure actioned at the end of 2012/2013 and anticipated reprogramming from 2013/2014 into 2014/2015. This reduced spend means there is no planned requirement to borrow funds during 2013/2014, reducing the revenue costs of servicing the debt.
17. Overall, therefore, the period 7 report identifies potential cost pressures of £5.684 million, this compares to potential cost pressures of £2.067 reported at period 5.
18. Management action is being taken in all areas to address this position, such as in Property above. In addition most services are challenging and reducing their spend on non-essential expenditure to deliver 95% of net service budgets. Adult Social Care services are working with health partners to address the continued cost of demographic and complexity cost pressures. To date all of this work has identified ways to save £3.568 million, leaving £2.116 million to be found. That is similar to this time last year. Based on progress to date, review of prior year spend and income trends, at this stage based on current data therefore it is forecast that a balanced budget will be achieved by 31 March 2014.

Housing Revenue Account Monitoring Update

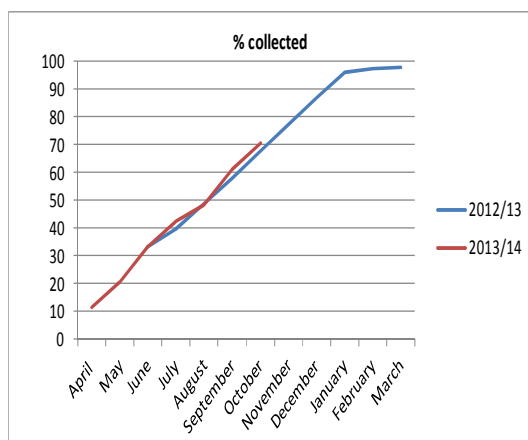
19. Budget figures on the Housing Revenue Account have been reviewed as part of the regular monitoring process.
20. The HRA is forecast to be £1.500 million underspent on its revenue budgets. This is primarily caused by an underspend on the repairs and maintenance function. Income received from Rents and other charges are also higher than budgeted.

Debt Management

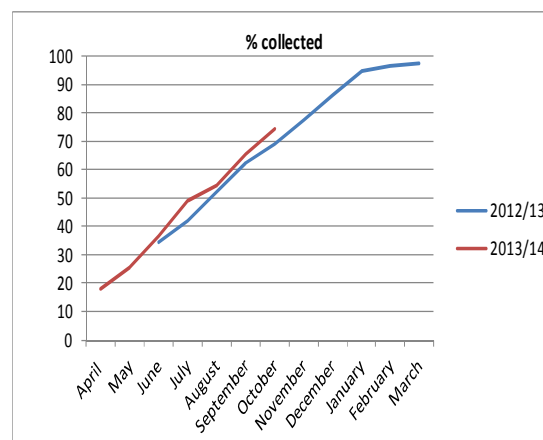
21. A review of the Council's sundry debt (excluding Council Tax and Business Rates shown below) shows that 24.0% of debt is greater than 12 months old. This compares to 23.7% as reported at the end of July 2013 per the period 5 report. Action is being taken to recover all debt and provision is allowed in exceptional cases.

Unpaid Debt to End of October 2013	£ million
Total debt outstanding	11.640
Value of debt over 1 year old	2.790

22. In addition to sundry debt, the Council collects Council Tax and National Non-Domestic Rates (NNDR). The latest monitoring for these items 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.



Council Tax



NNDR

23. Given that this year saw the introduction of the Local Council Tax Reduction scheme and a continued pressure for business cashflows this is a positive achievement. We will continue to monitor this and assess the impact on the Collection Fund.

Reserves

24. 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 balances currently stands at £7.840 million at 31 March 2014.
25. The draw from reserves of £1.400 million towards the additional spending on Children's Social Care was approved by Cabinet in the period 5 report.
26. A technical draw from reserves is required as part of the voluntary redundancy scheme. This is due to the full year effect of savings occurring in two financial years. This will be repaid to reserves from salary savings in the 2014/2015 financial year, meaning reserves will be £11.240 million on 1st April 2014.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2013		(12.640)
Planned contribution in 2013/14	0.000	
Draw from reserves for Children's Social Care	1.400	
Technical Draw from reserves for Voluntary Redundancy Repaid 1 April 2014	3.400	
Total Forecast movement		4.800
Forecast Balance 31 March 2014		(7.840)
Reverse Technical Draw		(3.400)
Revised Opening recast Balance 1 April 2014		(11.240)

27. 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

28. This report has identified a shortfall if no further action is taken on the general fund budget of £5.684 million at period 7 (£2.067 million reported at period 5) 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 2013/2014, but it is forecast the budget will be balanced by 31st March 2014.

29. 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

30. This report informs member's decision making.

Risks assessment

31. 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

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

Financial implications

33. 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 2014.

Legal Implications

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

Public Health Implications

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

Environmental Implications

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

Safeguarding Implications

37. Safeguarding remains a key priority for the Council and this report reflects the additional investment for 2013/2014 to support the ongoing spend in looked after children and safeguarding.

Background Papers and Consultation

Unpublished background papers: None

Published papers:

2011/2015 Business Plan

2012/2015 Financial Plan

Budget Monitoring Period 5 2013/14 Cabinet 24 September 2014

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Appendices:

Appendix A: Revenue Budget Movements 2013/2014

Appendix B: Major Virements between Service Area from revised original budget

Appendix C: Revenue Budget Monitoring Statements

Appendix D: Forecast Variance Movements