

Wiltshire Council

Cabinet

11 February 2014

Subject: **Revenue Budget Monitoring Period 9 2013/2014**

Cabinet Member: **Councillor 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 9 (end of December 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.

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 £2 million.

On 20 January 2014, the council received approval of its request from central government for a £2.8 million capitalisation directive to capitalise expenditure relating the voluntary redundancy scheme. This is included in these figures.

Overall therefore the forecasts suggest a £0.449 million overspend if no further action is taken. This is 0.1% of the Council's net budget. 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 £11.3 million at the start of April 2014. 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 9 (end of December 2013) budget monitoring and approve the transfer of £1.5 million from Earmarked Reserves to the General Fund.

Reason for Proposal

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

Michael Hudson
Associate Director, Finance

Wiltshire Council

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PURPOSE OF REPORT

1. To advise members of the revenue budget monitoring position as at the end of Period 9 (end of December 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 9 £ m	Profiled Budget to Period 9 £ m	Actual and committed to date £ m	Projected Position for Year £ m	Projected Over/ (Under)spend £ m
General Fund Total	340.518	428.004	349.267	340.967	0.449
Housing Revenue Account	(0.631)	(10.796)	(10.589)	(2.631)	(2.000)

4. Budget expenditure is not always spent in equal amounts each month. The profiled budget above shows the anticipated budget required at the end of period 9. The main variance is large amount of grant income is received in schools period 12.

GENERAL FUND MONITORING UPDATE

5. 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.
6. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountants regularly, on a risk based approach.
7. The period 9 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C.
8. There have been a number of structural changes since the report for period 7. Full details of these structural changes and virements in the period are included in appendices A and B.
9. As in previous reports, this report will target large variances and the managerial actions arising to help to ensure a balanced budget at year end.

GENERAL FUND MONITORING 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 Directors are seeking compensating actions to bring these back in line.
11. There continues to be pressures within budgets for services for people with disabilities. The Learning Disabilities budget is projected to overspend by £2.3 million whilst the budget for the 0-25 SEND (Special Educational Needs and Disability) Service is projected to overspend by £1million. Overspends have arisen as a result of demand for packages of care which are often high cost.
12. Budgets for increased packages of care for Older People and Other Vulnerable Adults are projected to overspend by £1.8 million which is an improvement of £0.865 million on the position previously reported to Cabinet. Mitigating actions are being put in place to balance by the end of the year.
13. The spend on Children's services, including disability, is projected to exceed the budget by £2.4 million. This takes in to account a transfer from reserves of £1.4 million as previously agreed. Recovery actions have been taken within Children's Services to mitigate the overspend and these include the maximisation of the use of grants including Troubled Families Grant and Dedicated Schools Grant and reducing non-essential spend.

14. Strategic Property Services is forecast to be £0.500 million overspent. This is an improvement on the position reported in period 7, and this represents work undertaken to deliver the £0.250 million recovery plan reported in period 7.
15. ICT is showing an underspend of £1.3 million. Since last period reporting a joint review has been undertaken of this area with ICT and finance to review the most cost effective way of financing the IT acquisitions. This has resulted in expenditure being capitalised to free revenue budget in the year.
16. Capital financing is forecast to be £2.0 million underspent at the year end, this is an extra £0.5 million underspend since period 7. The Council is forecasting to have extra capital receipts in the year, so negating the requirement to borrow as much as expected. Additionally there is extra reprogramming in the capital programme reported in the quarterly capital report elsewhere on this agenda, which means less cost of borrowing in the year.
17. Restructure and Contingency shows an underspend of £1.362 million. This has improved by £1.4 million since the period 7 report. On 20 January 2014, the council received approval of its request from central government for a £2.8 million capitalisation directive to capitalise expenditure relating the voluntary redundancy scheme. This is included in these figures.
18. Of the £9.3 million of savings to be found in the Redundancy and Contingency therefore £7.3 million has been delivered. There are plans in place to make the remaining £2 million from stopping spend on non-essential items. The savings identified are continually being reviewed for robustness and to look for other potential savings.
19. A review of balance sheet and reserves has been undertaken, and this has identified some areas of savings that can be released from the balance sheet and Earmarked Reserves. Therefore, included in the savings identified is £1.5 million release of Earmarked reserves. This is £0.5 million from each of the insurance reserve, the PFI reserve and the transformation reserve. A financial assessment by the section 151 officer has indicated this is affordable. As normal, earmarked reserves will be further reviewed as part of the final accounts closedown process. Members are asked to approve this use of earmarked reserves.
20. Overall, therefore, the period 9 report identifies potential cost pressures of £0.449 million, this compares to potential cost pressures of £5.684 reported at period 7.
21. 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.

22. Based on progress to date, a 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

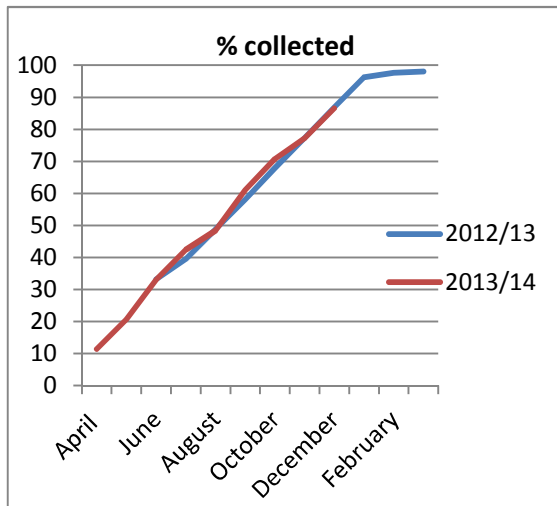
23. Budget figures on the Housing Revenue Account have been reviewed as part of the regular monitoring process.
24. The HRA is forecast to be £2.000 million underspent on its revenue budgets. This is primarily caused by an underspend on the repairs and maintenance function which has been caused by performance issues with the contractors appointed to undertake works on both Revenue and Capital maintenance and Voids repairs. Discussions have taken place with contractors and recovery plans are in place to ensure this issue does not reoccur in 2014/2015.

DEBT MANAGEMENT

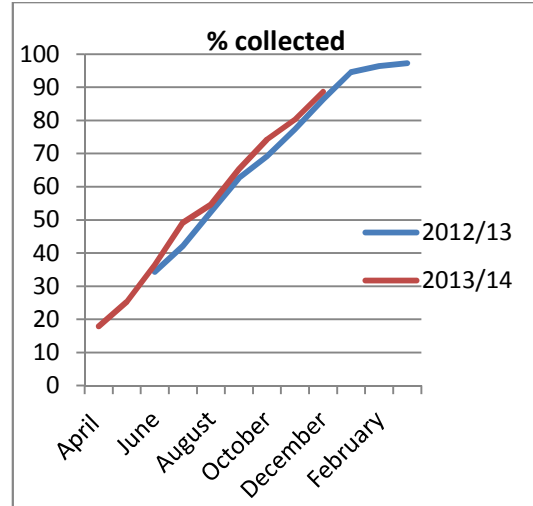
25. The following table includes Council's main areas of debt. This table will be expanded in the next monitoring report for outturn. This will include details of aged debt and description of the areas of debt.

Type of Debt	Net Debit raised for year £ million	Unpaid Debt to End of December 2013 £ million	Value of debt over 1 year old £ million	Bad Debt provision brought forward £ million
Council Tax	256.175	12.01	5.883	2.498
NNDR	142.336	4.354	1.837	1.151
General Fund	NA	12.905	2.888	2.892

26. 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.



Council Tax



NNDR

RESERVES

27. 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.
28. 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 1 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)

29. 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

30. This report has identified a shortfall if no further action is taken on the general fund budget of £0.449 million at period 9 (£5.684 million reported at period 7) 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 31 March 2014.
31. 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

32. This report informs member's decision making.

Risks assessment

33. 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

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

Financial implications

35. 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

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

Public Health Implications

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

Environmental Implications

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

Safeguarding Implications

39. 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

2011/2015 Business Plan
2012/2015 Financial Plan
Budget Monitoring Period 7 2013/14 Cabinet 17 December 2013

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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