

Wiltshire Council

Cabinet

29 November 2022

Subject: Financial Year 2022/23 - Quarter Two Revenue Budget Monitoring

Cabinet Member: Cllr Nick Botterill – Cabinet Member for Finance, Development Management and Strategic Planning

Key Decision: Non-Key

Executive Summary

This report informs members of the 2nd quarterly revenue budget monitoring forecast position (as at 30 September 2022) for the financial year 2022/23. It also provides an update on the MTFS and budget gap for the financial year 2023/24.

Quarter 2 Revenue Budget Monitoring

Quarter 2 budget monitoring forecasts are based on information known as at 30 September 2022. These are early forecasts and will be subject to movement during the year as more certainty arises and less estimation is required, particularly on areas such as demand and inflationary pressures.

The Net Budget set by Full Council for 2022/23 is £417.703m, and this budget was set recognising the one-year nature of the government funding and the uncertainty of future reform. The 2022/23 budget ensured that vital services to the residents, businesses and communities of Wiltshire continue to be provided during the ongoing pandemic, as well as delivering on the commitments as set out in the new Business Plan.

The quarter 2 position forecasts an underlying overspend for the year of £13.401m with one off mitigations in place that result in a net overspend for the year of £3.755m. No proposals are made for this variance however the next quarterly report will provide a more certain forecast and will lead into the final year end position and set out recommendations for any adverse or favourable variance, with the fall back being the utilisation of the reserve held for inflation pressures being experienced during 2022/23.

Proposal(s)

Cabinet is asked to approve:

- a) the transfer of an additional £0.826m from the Transformation Reserve.

- b) the transfer from the Latent Demand reserve, as detailed in the reserve paragraphs, the timing and value of which span this and the next financial year.
- c) the transfer of the £3.330m of BT Gainshare monies to the Transformation Reserve.

Cabinet is asked to note:

- a) the current revenue budget is forecast to overspend by £3.755m by the end of the financial year.
- b) the current forecast savings delivery performance for the year.

Reason for Proposal(s)

To inform effective decision making and ensure sound financial management as part of the Councils overall control environment.

To inform Cabinet on the forecast revenue financial position of the Council for the financial year 2022/23 as at quarter 2 (30 September 2022), including delivery of approved savings for the year.

Terence Herbert
Chief Executive

Wiltshire Council

Cabinet

29 November 2022

Subject: Financial Year 2022/23 - Quarter Two Revenue Budget Monitoring

Cabinet Member: Cllr Nick Botterill – Cabinet Member for Finance, Development Management and Strategic Planning

Key Decision: Non-Key

Purpose of Report

1. To advise Members of the Revenue Budget Monitoring position 2022/23 Quarter 2 (30 September 2022) for the financial year 2022/23 with suggested actions as appropriate.

Relevance to the Council's Business Plan

2. Budget monitoring and reporting supports effective decision making and the alignment of resources and financial performance to the Council's priorities and objectives as laid down in the Business Plan.
3. Providing updates on the medium term financial strategy and budget for future years supports effective decision making and the alignment of resources to the Council's priorities and objectives as laid down in the Business Plan.

Background

REVENUE BUDGET MONITORING 2022/23 – QUARTER 2

4. The Council approved a net budget for 2022/23 of £417.703m at its meeting on 1 February 2022.
5. This is the second report for the financial year and includes a summary of the movements to the original budget since it was set by Full Council in February 2022. This summary can be seen in Appendix A.
6. The following paragraphs focus on forecast year end variances against the approved budget based on information as at 30 September 2022. They also continue to set out the underlying pressure currently estimated within the service areas mainly as a result of the significant increases in inflation, and the assessed impact of this on the budgets. Mitigating management action is being taken and this is detailed so that the forecasts include the underlying pressure and the net position following the mitigations.

7. The forecasts at this stage of the year still contain uncertainty and are subject to movement during the rest of the financial year. They are forecasts for known items and commitments and estimates on a forecast for the remainder of the financial year. The current economic position and volatility continues to expose council services and the financial position to additional risk that forecasts may move in future periods due to the significant changes seen in inflation indices.

Main Considerations for the Council

Revenue Budget

8. Since the quarter 1 report the Council has continued to manage its overall financial position effectively with the forecast overspend now reduced by £2.265m to £3.755m as at quarter 2. Table 1 below shows the movement in variance from quarter 1 to quarter 2.

Table 1 – Movement in Forecast from Quarter 1 to Quarter 2

	<i>Revised Budget</i>	<i>Forecast Q2</i>	<i>Variance Q2</i>	<i>Variance Q1</i>	<i>Movement since Q1</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Corporate Director People					
Living and Ageing Well	71.509	72.749	1.240	1.245	(0.005)
Whole Life Pathway	81.217	83.288	2.071	1.862	0.209
Education & Skills	23.324	24.300	0.976	1.993	(1.017)
Family & Children Services	60.777	60.950	0.173	(0.748)	0.921
TOTAL PEOPLE	236.827	241.287	4.460	4.352	0.108
Corporate Director Resources					
Finance	3.792	4.646	0.854	1.016	(0.162)
Assets & Commercial Development	15.489	16.412	0.923	0.789	0.134
Information Services	11.467	11.230	(0.237)	0.221	(0.458)
Procurement & Commissioning	4.838	5.223	0.385	0.221	0.164
TOTAL RESOURCES	35.586	37.511	1.925	2.247	(0.322)
Corporate Director Place					
Highways & Transport	37.854	37.415	(0.439)	0.080	(0.519)
Economy & Regeneration	2.334	2.278	(0.056)	0.010	(0.066)
Planning	1.167	2.798	1.631	0.895	0.736
Environment	44.474	43.847	(0.627)	0.147	(0.774)
Leisure Culture & Communities	6.218	6.518	0.300	0.951	(0.651)
TOTAL PLACE	92.047	92.856	0.809	2.083	(1.274)
Chief Executive Directorates					
Public Health	1.414	1.059	(0.355)	(0.065)	(0.290)
Legal & Governance	9.456	9.427	(0.029)	0.152	(0.181)
HR&OD	3.337	3.156	(0.181)	(0.013)	(0.168)
Transformation & Business Change	0.392	0.271	(0.121)	(0.197)	0.076
Corporate Directors & Members	3.212	3.411	0.199	0.040	0.159
Commercial Savings	-	-	-	-	-
TOTAL CEX DIRECTORATES	17.811	17.324	(0.487)	(0.083)	(0.404)
Corporate					
Movement on Reserves	(1.138)	(1.138)	-	-	-
Capital Financing	26.841	24.245	(2.596)	(2.402)	(0.194)
Corporate Costs	3.854	3.958	0.104	0.197	(0.093)
Corporate Levies	5.875	5.415	(0.460)	(0.374)	(0.086)
TOTAL CORPORATE	35.432	32.480	(2.952)	(2.579)	(0.373)
TOTAL GENERAL FUND	417.703	421.458	3.755	6.020	(2.265)

9. The following elements of this report reflect the management responsibility in line with the current management hierarchy. The breakdown of the projected year end position is set out in table 2 below.

Table 2 – Forecast as at Quarter 2 2022/23 Summary Position

Overview of Quarter 2 Monitoring

	Original Budget	Revised Budget	Forecast before Management & Other Actions	Variance before Management & Other Actions	Management & Other Actions	Forecast	Variance
	A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Corporate Director People							
Living and Ageing Well	72.096	71.509	73.949	2.440	(1.200)	72.749	1.240
Whole Life Pathway	78.003	81.217	83.961	2.744	(0.673)	83.288	2.071
Education & Skills	22.728	23.324	24.652	1.328	(0.352)	24.300	0.976
Family & Children Services	62.175	60.777	62.211	1.434	(1.261)	60.950	0.173
TOTAL PEOPLE	235.002	236.827	244.773	7.946	(3.486)	241.287	4.460
Corporate Director Resources							
Finance	3.895	3.792	5.031	1.239	(0.385)	4.646	0.854
Assets & Commercial Development	16.261	15.489	16.578	1.089	(0.166)	16.412	0.923
Information Services	11.595	11.467	12.051	0.584	(0.821)	11.230	(0.237)
Procurement & Commissioning	5.310	4.838	5.223	0.385	-	5.223	0.385
TOTAL RESOURCES	37.061	35.586	38.883	3.297	(1.372)	37.511	1.925
Corporate Director Place							
Highways & Transport	37.761	37.854	40.109	2.255	(2.694)	37.415	(0.439)
Economy & Regeneration	2.491	2.334	2.542	0.208	(0.264)	2.278	(0.056)
Planning	1.670	1.167	3.042	1.875	(0.244)	2.798	1.631
Environment	43.215	44.474	44.296	(0.178)	(0.449)	43.847	(0.627)
Leisure Culture & Communities	7.474	6.218	7.086	0.868	(0.568)	6.518	0.300
TOTAL PLACE	92.611	92.047	97.075	5.028	(4.219)	92.856	0.809
Chief Executive Directorates							
Public Health	1.597	1.414	1.092	(0.322)	(0.033)	1.059	(0.355)
Legal & Governance	7.482	9.456	9.729	0.273	(0.302)	9.427	(0.029)
HR&OD	5.468	3.337	3.342	0.005	(0.186)	3.156	(0.181)
Transformation & Business Change	-	0.392	0.319	(0.073)	(0.048)	0.271	(0.121)
Corporate Directors & Members	3.041	3.212	3.411	0.199	-	3.411	0.199
TOTAL CEX DIRECTORATES	17.588	17.811	17.893	0.082	(0.569)	17.324	(0.487)
Corporate							
Movement on Reserves	(1.138)	(1.138)	(1.138)	-	-	(1.138)	-
Capital Financing	26.841	26.841	24.245	(2.596)	-	24.245	(2.596)
Corporate Costs	3.113	3.854	3.958	0.104	-	3.958	0.104
Corporate Levies	6.625	5.875	5.415	(0.460)	-	5.415	(0.460)
TOTAL CORPORATE	35.441	35.432	32.480	(2.952)	-	32.480	(2.952)
TOTAL GENERAL FUND	417.703	417.703	431.104	13.401	(9.646)	421.458	3.755
Funding							
General Government Grants	(49.261)	(49.261)	(49.261)	-	-	(49.261)	-
Council Tax	(309.942)	(309.942)	(309.942)	-	-	(309.942)	-
Business Rates Retention Scheme	(58.500)	(58.500)	(58.500)	-	-	(58.500)	-
TOTAL FUNDING	(417.703)	(417.703)	(417.703)	-	-	(417.703)	-

10. Overall, the quarter 2 report identifies a potential year end forecast underlying overspend of £13.401m and a net overspend of £3.755m. This is the second report of the year 2022/23 and shows an improved forecast financial position and details of the significant variances within service areas are included below. There are some variances that affect all service areas, and an explanation is given below for these.

11. As part of setting the budget in February 2022 the Pay award was budgeted for at 2%. The working forecast at quarter 1 was updated based on the national employers offer to the unions which has now been agreed. This offer is a fix increase of £1,925 for every pay point which averages out across the whole council as a 6.6% increase overall. At quarter 1 the forecasts in service represented a 4.5% increase and the balance of the increase was shown as a £2.9m pressure as an overall corporate pressure. The forecast for the pay pressure is now all included within services and any pressure that is not

containable within the service budgets is referred to as the Pay award pressure. Due to the on-going recruitment difficulties faced in some services areas, this pressure is mitigated by additional amounts than originally forecast in the previous budget monitoring report as vacancies continue to be held longer than anticipated.

12. The 2022/23 budget also included a saving of £2.458m that was budgeted to be delivered from changes to Terms and Conditions. £1.709m of this has been achieved following the agreement of all 3 unions to freeze increments for 2 years, and changes to the over-time policy. However, changes to the unsocial hours, standby and callout policies totalling £0.749 remain under negotiation and are unlikely to deliver the full forecasted savings this year. These savings have been allocated out to services and are reported below and are referred to as the Terms and Conditions pressure.

CORPORATE DIRECTOR - PEOPLE

Table 3 – Forecast as at Quarter 2 2022/23 Corporate Director People Position

		<i>Original Budget</i>	<i>Revised Budget</i>	<i>Forecast before Management & Other Actions</i>	<i>Variance before Management & Other Actions</i>	<i>Management & Other Actions</i>	<i>Forecast</i>	<i>Variance</i>
		A	B	C	D (C-B)	E	F (C+E)	G (F-B)
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Corporate Director People								
Living and Ageing Well	Gross	109.301	104.311	105.136	0.825	(1.200)	103.936	(0.375)
	Income	(37.205)	(32.802)	(31.187)	1.615	-	(31.187)	1.615
	Net Exp	72.096	71.509	73.949	2.440	(1.200)	72.749	1.240
Whole Life Pathway	Gross	88.080	128.636	141.470	12.834	(0.673)	140.797	12.161
	Income	(10.077)	(47.419)	(57.509)	(10.090)	-	(57.509)	(10.090)
	Net Exp	78.003	81.217	83.961	2.744	(0.673)	83.288	2.071
Education & Skills	Gross	132.942	139.543	141.001	1.458	(0.352)	140.649	1.106
	Income	(110.214)	(116.219)	(116.349)	(0.130)	-	(116.349)	(0.130)
	Net Exp	22.728	23.324	24.652	1.328	(0.352)	24.300	0.976
Families & Children Services	Gross	67.546	66.293	67.844	1.551	(1.261)	66.583	0.290
	Income	(5.371)	(5.516)	(5.633)	(0.117)	-	(5.633)	(0.117)
	Net Exp	62.175	60.777	62.211	1.434	(1.261)	60.950	0.173
TOTAL PEOPLE	Gross	397.869	438.783	455.451	16.668	(3.486)	451.965	13.182
	Income	(162.867)	(201.956)	(210.678)	(8.722)	-	(210.678)	(8.722)
	Net Exp	235.002	236.827	244.773	7.946	(3.486)	241.287	4.460

Living and Ageing Well: Budget £71.509m – £1.240m overspend

13. Living and Ageing Well are projecting a £1.240m net overspend. This includes £0.310m of unachievable savings, £0.200m for spot to block placement conversions for older people and terms and conditions savings of £0.110m. The service will continue to look at how these may be achieved through other means.

14. The underlying overspend is £2.440m due to the additional inflationary pressures seen by the service, there are inflationary pressures generally across the care market due to cost of living increases and the use of agency staff by providers due to recruitment issues. Also, the pressures from the additional estimated pay award above the 2% budgeted and the Terms and Conditions pressures. Management action has reduced this pressure by £1.200m to the net overspend position reported above.

15. There are a number of variances in the budget, but the majority of the underspend position is in the budget for the expected hospital discharge pressures on business as usual post covid and its associated funding. However this isn't anticipated to be fully utilised this year as the Better Care Fund is mitigating these pressures through non recurrent funding
16. Within this the Reablement budget is projecting a net underspend of £0.097m. The reablement service continues to have recruitment difficulties, therefore the ongoing need to use locums required to cover long standing vacancies. The service needs to continue using locums to maintain safe levels of qualified staff. However it is now also proving difficult to recruit locums, hence the projected underspend position. It is anticipated this will resolve when the T&C's discussions reach a conclusion.
17. As the Council moves forward with making payments to care providers gross of client contributions there will be increased risk exposure to debts that were previously collected by care providers. In addition, there is some uncertainty in the overall recoverability of some debts associated with Adult Social Care and work is progressing through elements of the Adults Transformation Programme to review and assess the debts and also the control processes to ensure we mitigate the risks as far as possible. As such an additional risk factor has been included within the forecasts as a prudent approach while the debts and processes are reviewed and validation of the financial position assessed.

Whole Life Pathway: Budget £81.217m – £2.071m overspend

18. Overall, the Whole Life Pathway Budget is projecting a £2.071m overspend. This overspend includes £1.483m of unachievable savings for the improved use of Care Cubed of £0.500m, the Good Lives Alliance contract of £0.115m, spot to block placement conversion – working age £0.250m and Under 65 high cost placement action plan £0.500m and terms and conditions savings of £0.118m. Commissioning and the service, will continue to look at how these may be achieved through other means.
19. The underlying overspend is £2.744m due to the additional inflationary pressures seen by the service such as inflationary pressures across the care market due to cost of living increases and use of agency staff by providers due to recruitment issues. In addition, the service is facing pressures from the additional estimated pay award above the 2% budgeted and the Terms and Conditions pressures. Management action has reduced this pressure by £0.673m to the net overspend position reported above.
20. The Learning Disabilities and Autism Service (LDAS) budget is forecasting a £3.370 million overspend. £1.365m of this is due unachievable savings as detailed above. The service is awaiting a decision on a number of Continuing Health Care cases which if agreed would improve the forecast position. Further analysis will take place to forecast the impact of this as soon as it is known. The customers that are being referred to the service are increasing in complexity with a notable increase in the people who have autism and mental health needs which adds to the budgetary pressures.

21. The Community Support budget is projecting a £0.170m underspend. This is as a result of additional Continuing Health Care income to that budgeted and a number of staff vacancies. Also included within this budget are the costs of support to refugees, this includes the Homes for Ukraine funding from the DLUHC which is now estimated to be £12.485m to support local authorities to provide wrap-around support to individuals and families to rebuild their lives and fully integrate into communities. Any unspent funding at outturn will be requested to be set aside at the end of the year as it will be required in 2023/24 to continue this programme and to support housing and costs of staffing across the council to support this scheme.
22. The budget is forecasting a £1.365m underspend. This is made up of several variances within the service, the largest being £1.1090m underspend on the adults of working age mental health care budget as there has been a decrease in packages. The service is also forecasting an increase in income predominantly due to contributions from the ICB (Integrated Care Board) towards care costs of S117 jointly funded clients which is in excess of that budgeted for. There are inflationary pressures across the care market due to cost of living increases and use of agency staff by providers due to recruitment issues. In addition, the pressures from the additional estimated pay award above the 2% budgeted and the Terms and Conditions pressures resulting in a gross position of £1.165m. The service has worked to reduce this pressure by £0.201m to the net overspend position reported above.

Families & Children Services: Budget £66.292m – £0.173m overspend

23. This service protects, cares for and supports vulnerable children and families with the greatest needs, including children in care, disabled children, and those at risk of harm.
24. This is a demand driven service area. The anticipated volume of latent demand of children in care, post pandemic, has not yet to come to fruition. The budgeted number of children in care for 2022/23 financial year is 434. The actual number of children in care is 435 (September 2022). Commissioners are reporting that the marketplace is struggling to meet children's needs and as a result, small numbers of children are in higher cost placements than necessary to meet their needs.
25. The ability to retain stable numbers of children we support, unlike some other councils is as result of our successful prevention and early support services preventing such escalation of need and other schemes to mitigate cost pressures. This also includes the successful stronger families' team working intensively with families to prevent children coming into care, as well as the effective support service which offers families a service at an early help level, preventing escalation into statutory services. This service commenced at the end of 2017 and was predicted to have this impact. Other mitigation programmes include the "move forward" programme, enabling children to move from costly residential care to foster care or semi-independence, and investment in the sufficiency of Wiltshire placements through 'fostering excellence', which have contained demand and cost pressure. The forecast

position is that savings will be achieved and there is a small adverse variance which includes forecasting an increase for all in house carers, special guardians and adoption allowances to better reflect current inflationary pressures. This forecast position is subject to change if demand increases or, the marketplace continues to be unable to offer suitable placements which leads to an increase in costly residential provision being required.

26. In addition, the national social work recruitment and retention challenge is being felt in Wiltshire and there are forecasted underspends in service teams. A specific workforce strategy is in place and remains a priority. As part of this campaign, Wiltshire is committed to “growing its own” social workers so a greater number of staff on the ASYE (assessed and supported year in employment) for newly qualified social workers have been employed this year, a by-product of this approach is that these staff are at the beginning of their careers and there are economic benefits. These factors lead to a forecast underspend across all teams of £0.270m, including the current forecast pay award assumptions. In order to reduce the overall cost pressure, fixed term family support workers are being used which means use of agency staff has been kept to a minimum to date however, there are concerns that if future recruitment campaign success is limited, or our ability to retain is hindered due to us continuing to place ourselves outside of the market competition for experienced social workers, agency staff will need to be considered for key posts which will increase costs. The vacancies are helping to mitigate the increased pay inflation pressure for 2022/23 financial year.
27. The Council is committed to providing placements for unaccompanied asylum-seeking children, current numbers of these young people being under 18 years of age are 42. Since April 2022, 24 young people have been mandated and 16 have been spontaneous arrivals. We have 42 unaccompanied asylum-seeking young people who are care leavers. Based on our quota of 0.1% of Wiltshire’s population we should be taking 106 from the National Transfer Scheme (NTS) scheme so we can expect a further 64, however this will increase as our current cohort turn 18 yrs old. Timing is unclear at this point. This is in addition to any spontaneous arrivals. Regional arrangements may change in this and the next few financial years.
28. New Home Office guidance for unaccompanied minors travelling from Ukraine, means that they will be eligible for a private fostering service up until they are 18 (the mainstream service is up to 16). This is in addition to the estimated 20 already anticipated from the national scheme (grant funding is available to contribute to cover costs). Support for this group will be absorbed into current teams wherever possible to do so.
29. SEN social care external placement budgets are forecasting an underspend of £0.040m due to both current and anticipated numbers of disabled children in our care and those with special educational needs and disability. Current budgeted unit cost is £737 per week across all types of placement. The overall average as at quarter 2 is £822 –There are two underlying reasons for the cost pressures, some children are presenting with more complex needs as a result of the pandemic and additionally, there is pressure for placements for children in a marketplace which has been impacted by the pandemic in both unit price and availability. The demand for placements, however, is lower than

anticipated including planned transitions of young people to access adult services and this is driving the forecast underspend.

30. Overall, the lower than planned numbers of childrens placements mitigate against the increased weekly prices due to complexity of need, market sufficiency and national inflationary pressures felt by providers.

31. A number of small other variances comprise the balance of the forecast overspend.

Education & Skills (School Effectiveness, SEN & Inclusion): Budget £23.214m – £0.976m overspend

32. The services in this area fulfil numerous statutory duties with a mixture of local authority and dedicated schools grant (DSG) funding. The majority of the local authority funded services are forecast to largely be aligned with budget – the forecast underspend in service teams of (£0.130m) includes the current additional pay inflation estimate but relates part year vacant posts across the service. Some of these posts have been held vacant to offset reduced trading income. These vacancies are helping to mitigate the increased pay inflation pressure for 2022/23 financial year.

33. Where eligible, 5-16-year-old school children with an Education, Health and Care Plan (EHCP) can take up free school transport. The forecast expenditure for school transport for learners with an education health and care plan (EHCP) is £1.000m overspent. This overspend includes travel savings achieved of £0.150m following re-contracting and 1,543 learners accessing transport at an average annual cost of £9,118, leading to the forecast overspend of £1.000m.

34. A number of small other variances including lower than planned traded income levels and additional grants secured comprise the balance of the forecast overspend.

CORPORATE DIRECTOR – RESOURCES

Table 4 - Forecast as at Quarter 2 2022/23 Corporate Director Resources
Position

		Original Budget	Revised Budget	Forecast before Management & Other Actions	Variance before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Corporate Director Resources								
Finance	Gross Income	82.469 (78.574)	82.366 (78.574)	83.718 (78.687)	1.352 (0.113)	(0.385)	83.333 (78.687)	0.967 (0.113)
	Net Exp	3.895	3.792	5.031	1.239	(0.385)	4.646	0.854
Assets & Commercial Development	Gross Income	33.117 (16.856)	33.294 (17.805)	34.915 (18.337)	1.621 (0.532)	(0.166)	34.749 (18.337)	1.455 (0.532)
	Net Exp	16.261	15.489	16.578	1.089	(0.166)	16.412	0.923
Information Services	Gross Income	12.016 (0.421)	11.888 (0.421)	12.418 (0.367)	0.530 (0.054)	(0.821)	11.597 (0.367)	(0.291) 0.054
	Net Exp	11.595	11.467	12.051	0.584	(0.821)	11.230	(0.237)
Procurement & Commissioning	Gross Income	17.069 (11.759)	6.756 (1.918)	7.141 (1.918)	0.385 -	-	7.141 (1.918)	0.385 -
	Net Exp	5.310	4.838	5.223	0.385	-	5.223	0.385
TOTAL RESOURCES		Gross Income 144.671 (107.610)	134.304 (98.718)	138.192 (99.309)	3.888 (0.591)	(1.372) -	136.820 (99.309)	2.516 (0.591)
		Net Exp	37.061	35.586	38.883	3.297	(1.372)	37.511 1.925

Finance: Budget £3.792m – £0.854m overspend

35. Overall, the Finance forecast has improved by £0.162m from the variance reported in Quarter 1. Finance is forecasting a variance of £1.239m before management action, as previously reported this is due to the pressure on Pay award which has increased to £0.287m in line with new Pay award pressure allocation to service and a pressure of £0.970m on Benefit Subsidy as a result of people being placed in supported living accommodation with non-registered providers. The Council is only able to claim the rent element from Government and has to cover the cost of support. Supported Living is used to support vulnerable people, including those with Drug and Alcohol addictions and help them transition back into the community.

36. These pressures are being offset by maximising the allocation of grant income in relation to Energy Rebate administration. A grant of £0.198m was received from Government for administering the scheme and the service have managed the delivery of this scheme effectively. Vacancies are being held and are forecast to continue to be held across the service to further reduce the variance to a overspend of £0.854m.

Assets & Commercial Development: Budget £15.489m – £0.923m overspend

37. Assets & Commercial Development are reporting a £0.923m overspend, this has increased by £0.174m since quarter 1, is largely as a result of the revised pay award pressure allocation to service and increased inflation pressure on maintenance contracts.

38. As seen nationally, energy prices have significantly increased. The budget was set with a forecast increase of 35% for electricity and 60% for gas for commodity prices. However actual increases have far exceeded those original forecasts, in part due to non-commodity prices which could not be hedged and were unknown at budget setting. The forecast for quarter 2 is an overspend on electricity of £0.250m, gas £0.240m and Biomass fuel £0.098m. Electricity

forecast has improved by £0.200m from quarter 1 due to PCRPs efficiency works, biomass boiler operations and actual consumption being less than forecast.

39. An increased pressure of £0.750m is forecast on maintenance contracts from inflation on services and materials and as a result of several major breakdowns and repairs in quarter 2. The pressure on pay budgets has increased to £0.175m as a result of the revised pay award assumptions.

40. These pressures are being offset in the main by one off income, significantly from the NHS for the use of City Hall of £0.270m and £0.162m compliance scheme income. A saving on Covid cleaning of £0.116m has also been achieved as levels have been reduced back to standard.

ICT: Budget £11.467m – £0.237m underspend

41. ICT are reporting an overspend of £0.584m before management action, £0.248m forecast for revised Pay award assumptions, £0.104m for Terms & Conditions pressure, £0.178m for inflation pressure on Microsoft Enterprise & Select Agreement at 12.5% and forecast reduced income of £0.054m.

42. Management action has been taken to reduce this to a net underspend of £0.237m. The support contract with Microsoft and Azure were reviewed and restructured to manage the inflation pressure, the Microsoft Enterprise Agreement has been renewed during quarter 2 and overall, these items now deliver a net saving of £0.256m for 2022/23.

43. Further savings have been achieved on the corporate Network totalling £0.312m, these will be one off and recurring savings and are being used to offset other pressures on applications and support contracts. BT invoices have been reviewed and challenged and refunds and ongoing reductions agreed where we have been charged incorrectly and tariffs have been changed to ensure we have the best deals.

44. Through a combination of holding vacancies and difficulty recruiting the pay award pressure, including T&C's is forecast to be reduced to £0.123m, a saving of £0.229m.

45. An ongoing risk for the service is inflation on software licences and hardware maintenance support contracts as they come up for renewal, this will need to be reviewed and managed as it arises but is a risk given the level inflation is running at.

Procurement & Commissioning: Budget £4.838m – £0.207m overspend

46. Procurement & Commissioning are reporting an overspend of £0.207m as a result of the revised Pay award assumptions.

CORPORATE DIRECTOR – PLACE

Table 5 - Forecast as at Quarter 2 2022/23 Corporate Director Place Position

		Original Budget	Revised Budget	Forecast before Management & Other Actions	Variance before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Corporate Director Place								
Highways & Transport	Gross Income	51.086 (13.325)	51.158 (13.304)	54.428 (14.319)	3.270 (1.015)	(1.731) (0.963)	52.697 (15.282)	1.539 (1.978)
	Net Exp	37.761	37.854	40.109	2.255	(2.694)	37.415	(0.439)
Economy & Regeneration	Gross Income	4.000 (1.509)	3.917 (1.583)	3.977 (1.435)	0.060 0.148	(0.264)	3.713 (1.435)	(0.204) 0.148
	Net Exp	2.491	2.334	2.542	0.208	(0.264)	2.278	(0.056)
Planning	Gross Income	8.450 (6.780)	7.947 (6.780)	9.195 (6.153)	1.248 0.627	(0.244)	8.951 (6.153)	1.004 0.627
	Net Exp	1.670	1.167	3.042	1.875	(0.244)	2.798	1.631
Environment	Gross Income	52.633 (9.418)	53.220 (8.746)	54.832 (10.536)	1.612 (1.790)	(0.449)	54.383 (10.536)	1.163 (1.790)
	Net Exp	43.215	44.474	44.296	(0.178)	(0.449)	43.847	(0.627)
Leisure Culture & Communities	Gross Income	15.000 (7.526)	20.030 (13.812)	21.387 (14.301)	1.357 (0.489)	(0.568)	20.819 (14.301)	0.789 (0.489)
	Net Exp	7.474	6.218	7.086	0.868	(0.568)	6.518	0.300
TOTAL PLACE		Gross Income 131.169 (38.558)	136.272 (44.225)	143.819 (46.744)	7.547 (2.519)	(3.256) (0.963)	140.563 (47.707)	4.291 (3.482)
	Net Exp	92.611	92.047	97.075	5.028	(4.219)	92.856	0.809

47. As shown above the £44.225m of Place & Environment revised budget is derived from income, the table below breaks this down further by department.

Table 6 – Place Income Budgets by Department

Service	Department	Fees & Charges, Other Income	Grants, Contributions, Recharges	Total Income Budgets
Highways & Environment	Highways	-3.487	-0.016	-3.503
	Car Parking	-8.257	0.000	-8.257
	Passenger Transport	-0.421	-1.124	-1.545
		-12.165	-1.140	-13.305
Economy & Regeneration	Enterprise Network	-1.244	0.000	-1.244
	Major Projects	-0.023	-0.207	-0.230
	Economic Regeneration	0.000	-0.109	-0.109
		-1.267	-0.316	-1.583
Planning	Building Control	-1.156	0.000	-1.156
	Development Management	-4.540	0.000	-4.540
	Local Land Charges	-1.034	0.000	-1.034
	Spatial Planning	0.000	-0.050	-0.050
		-6.730	-0.050	-6.780
Environment	Public Protection	-0.934	-0.019	-0.953
	Natural & Historic Environment	-0.053	-0.017	-0.070
	Waste	-7.720	-0.003	-7.723
		-8.707	-0.039	-8.746
Leisure Culture & Communities	Leisure	-12.809	-0.338	-13.147
	Libraries & Heritage	-0.432	-0.233	-0.665
		-13.241	-0.571	-13.812
TOTAL PLACE		-42.110	-2.116	-44.226

48. Fees & Charges income is difficult to forecast as it is influenced by so many different factors outside of the Council's control and can fluctuate. For Qtr2 the

majority of the forecasts have been forecast on Budget or in line with 2021/22 outturn unless the actual position over the first half of the year was significantly over or under profile and there was evidence to suggest it will not stabilise, further detail is included below for these areas.

Highways & Transport: Budget £37.854m – £0.439m underspend

49. The Highways and Transport service is managing significant inflation pressures with an average 6% (excluding fuel inflation pressure) higher increases on contracts than budgeted for as part of the 2022/23 budget. The quarter 2 net position has improved by £0.288m from that reported in quarter 1, largely due to further contract savings on the Streetscene contract due to mobilisation of the new contract and suspension of work.
50. The position before management action is a net £2.255m overspend. This is also higher than reported in quarter 1 due to further pressures in Passenger Transport services and changes in pay award assumptions. The pressure can be broken down as £0.567m pressure from Highways contract inflation, £0.468m pay award pressure, £1.642m Passenger Transport inflation pressure (including fuel pressure) as well as support and retendered prices for Bus Network, £0.276m pressure on car parking income and savings targets no longer assessed as being deliverable of £0.100m. Offsetting these pressures are forecast £0.442m additional Streetworks income and £0.357m other income.
51. These pressures are being offset by a range of one off management measures, £0.372m staff savings from holding vacancies and maximising capitalisation, £0.719m reduction in contract spend and supplies, £0.640m drawdown from ear marked reserves and £0.963m use of grant and developer contributions.
52. Car parking saving proposals have all been implemented with increased tariffs actioned at the end of quarter 2. Overall a reduction in usage has been seen which is generating a forecast underachievement of income at quarter two of £0.276m.
53. Streetworks income has been forecast slightly lower for quarter 2 based on the actuals received in the first two quarters and is now showing an overachievement of income of £0.442m. This income is difficult to forecast as it depends on the amount of work undertaken on the highway by utilities, developers and contractors. The MTFs for 2023/24 was increased in line with 2021/22 outturn position to reflect the improved position. The other income variance of £0.372m relates to a range of fees and charges across the service, the majority of which are deemed to be one off in nature or volatile so have not been built into the MTFs, for example £0.093m relates to a developer payment for the hire of street lighting.
54. Highways contract inflation is running on average at 13%, as part of budget setting the average % inflation uplift applied was 6% for Highways and Transport which is generating significant pressure for the service. Inflationary increases are agreed on individual contracts and applied when due. It is forecast the pressure for 2022/23 will be circa £0.567m on Highways

revenue. This has been managed in part by a reduction in service largely as contractors are still experiencing issues as a result of COVID so are actually unable to deliver some services at budgeted level, issues include a shortage of drivers and resources, this is in part down to a buoyant construction sector attracting skilled operatives and difficulty with procuring equipment and machinery. In addition, further savings have been forecast in quarter 2 on the Streetscene contract as work has been suspended and as we go through contract mobilisation, with the new contract due to start in December 2022. The service is working with contractors to deliver to 2022/23 budget, prioritising essential and critical works and working to the contractors' capacity; overall, there will be a reduction in the level of services provided for 2022/23.

55. Passenger Transport contracts are also presenting with significant inflation pressure, this is compounded by the super inflation seen on fuel at circa 30% and falling patronage. In order to keep services running and prevent bus service sections being deregistered, the Council has had to step in and provide support where routes have become commercially unviable. An inflation increase, directly linked to fuel is also being provided to contractors to help ease the immediate pressure and ensure services are not handed back. For quarter 2 additional pressures have been included to reflect the significant price increases for retendered contracts in year. These pressures are currently forecast to be £1.642m above base budget for 2022/23; however, as this position was forecast at the end of 2021/22 financial year grant and an EMR was set aside in order to provide one off assistance in 2022/23. Therefore, the service will be drawing this pressure from reserves and maximising grant and S106 contributions for 2022/23 to come in on budget.
56. The inflation pressure will be an ongoing issue for Highways & Transport so will need to be factored into the MTFS if the service is to be maintained at agreed levels. As part of budget setting for 2023/24 services will need to be reviewed and rescoped to see what is deliverable within the Council's affordability envelope. The Highways term maintenance contract has been retendered and a new contract will start in April 2023, this will result in increased prices and has been factored into the MTFS.
57. The £0.100m undeliverable saving is in relation to the savings proposal to charge for advertising on Bus Shelters. This proposal has now been linked to the Bus Service Improvement Plan (BSIP) and so will be delayed until 2023/24. Mitigating one off savings below are being used to offset this pressure until it is delivered.
58. The pay award pressure has increased due to the revised pay award assumptions to £0.500m for Highways & Transport, this is being managed down by holding vacant posts and capitalising where appropriate resulting in a saving of £0.372m.
59. Overall the variance has been managed down to an underspend position of £0.439m.

Economy & Regeneration: Budget £2.334m – £0.056m underspend

60. Economy & Regeneration are forecasting an underlying full year variance of £0.208m overspend, this is due to the Pay award pressure and changes in capitalisation of salaries. Management action has been taken to reduce this overspend variance to a forecast £0.056m underspend by holding vacancies.
61. Wiltshire Towns recovery budget of £1m is forecast to be on budget, though it is noted that £0.800m of that expenditure is small grant awards to external agencies and this may therefore be subject to variance. Grant award periods will run from October-March and will be monitored. Wiltshire Towns Programme also has an ear-marked reserve, current forecasts are that the full reserve will not be required to be drawn down in 2022/23 as recruiting to vacant posts for the programme is proving to be challenging.

Planning: Budget £1.167m – £1.631m overspend

62. As part of budget setting for 2022/23 Development Management Income budgets for fees and charges were increased back to pre-COVID-19 levels. Building Control and Local Land Charges were increased to 98% of pre-COVID-19 levels. The Fees & Charges income budgets total £6.730m.
63. As at Quarter 2 Development Management income is forecast to underachieve by £0.502m, this is a change from quarter 1 which was reported online and is based on the actuals to date continuing to be under profile.
64. Building Control and Local Land Charges is forecast to underachieve income budgets by £0.176m, this forecast shows a slight improvement since quarter 1 and reflects actuals received to date.
65. The service is forecasting a net £0.392m overspend on salaries. This is in part due to the pay award pressure of £0.300m and also due to Development Management having to use Agency staff due to difficulties recruiting and retaining experienced staff. This issue has been compounded as lack of resources and increased activity at the end of 2021/22 has led to a backlog which is now requiring additional Agency staff to reduce. The marketplace has become extremely competitive, and this issue is being seen nationally across the industry, the service is working with HR to try to agree a long term strategy for staff recruitment and retention. Vacancies are being held where possible in Building Control and Land Charges to help mitigate the situation.
66. In addition, an overspend on appeals and legal costs (agency workers and counsel advice) is also forecast of £0.598m. This continues to be a risk area for the service.

Environment: Budget £44.474m – £0.627m underspend

67. Environment services is forecasting a net £0.627m underspend, this is an improved position from quarter 1 and is due to increased income (primarily from recyclable materials through the Lot 1 waste management contract) and less waste tonnages/different treatment streams than forecast. As previously advised included within this are significant variances on Gross (expenditure) and Income budgets.
68. The increasing inflation rate has a significant impact on the Waste Contracts, the service is currently forecasting a £1.448m pressure for contract inflation with CPI rates at 10.1% for July 2022 when the majority of inflation is contractually due to be applied. It should be noted that for most of the waste contracts, the indexation is not an automatic uplift but subject to the contractor evidencing their increased costs, and any claim capped at CPI. A saving of £0.646m is being achieved as a result of less tonnages and different waste stream treatments.
69. The remaining pressure is being offset by a forecast overachievement on income of £1.79m. As reported in 2021/22 outturn position the service saw a significant increase across recycling materials sales, this is forecast to continue and is supported by the actuals seen in the first two quarters of 2022/23. Recycling material income is notoriously volatile and has been particularly influenced through changing economic climate. However, industry intelligence is that, whilst prices have peaked and will likely come down for some materials during 2022/23, prices are not expected to fall to the levels experienced in 2020/21. This will need to be closely monitored and is a risk area for the service. The forecast increased Income has been factored into the updated 2023/24 MTFS.
70. The Saving proposal for £0.100m to introduce a charge at Household Recycling Centres for the disposal of non-household Waste has been put on hold in response to the Government public consultation on proposals to prevent councils from applying charges for "DIY waste" at Household Recycling Centres. The closing date for consultation responses was the 4 July 2022, and an outcome is not yet known.
71. The table below shows the forecast tonnages and rates for the significant Waste contracts against the budgeted position, these are the main cost drivers for the Waste service.

Service:	Tonnes				£/Tonne *				Budget Forecast Variance Due to Price/Tonnes £'m
	Budget setting F'cast (T)	Current Yr End F'cast (T)	Var (T)	Var (%)	£/Tonne (Budget Setting)	£/Tonne (Forecast)	Var (£)	Var (%)	
Provision and operation of Waste Transfer Stations (WTS), a Materials Recovery Facility (MRF) and two Household Recycling Centres (HRCs)	86,300	78,744	-7,556	-8.8%	£ 63.20	£ 68.32	£5.12	8.1%	-0.177
Composting services	39,200	37,661	-1,539	-3.9%	£ 34.80	£ 36.96	£2.16	6.2%	-0.158
Treatment & disposal of residual waste (inc street sweepings)	23,000	18,941	-4,059	-17.6%	£ 34.37	£ 37.31	£2.94	8.5%	0.025
Tax payable on all waste sent to landfill	35,800	33,066	-2,734	-7.6%	£ 98.60	£ 98.60	£0.00	0.0%	-0.323
Energy from waste landfill diversion contract.	50,000	50,000	0	0.0%	£ 132.25	£ 131.18	£-1.06	-0.8%	-0.196
Mechanical biological treatment (MBT) Landfill diversion contract.	60,000	57,909	-2,091	-3.5%	£ 151.78	£ 164.72	£12.95	8.5%	0.464

* £/T excludes income

72. Environment Services is currently forecasting an overspend on pay budgets of £0.328m. £0.164m is in relation to the pay award pressure and £0.164m is in relation to not being able to deliver against the 6.5% vacancy factor target. This will be continually monitored, and any new vacancy's will be assessed and held where possible.

Leisure Culture & Communities: Budget £6.078m – £0.300m overspend

73. Leisure Culture & Communities is reporting a net variance before management action of £0.868m, there are three main pressures driving this position. The Pay award pressure of £1.095m, this has increased since quarter 1 due to changes in pay award assumptions and also includes assumptions around pay harmonisation, £0.232m Terms and Conditions pressure and inflation pressure of £0.031m on supplies contract, Chemicals seeing a 90% increase from September 2022. This is being offset by a forecast overachievement of income of £0.489m which is based on the performance seen in the first two quarters.

74. The service has taken action to manage this pressure by holding vacancies, the saving for this has increased since quarter 1 as the service have had difficulties recruiting so is forecasting a saving of £0.329m. There is also a significant saving on supplies & services from bulk buying supplies to lock in lower prices and focusing on essential spend of £0.271m. This has reduced the variance to a Net position of £0.300m.

75. Leisure Operations Income is currently forecast to overachieve the budget which was set at 80% of pre COVID-19 levels. The forecast is based on the performance in the first two quarters continuing. At present the service have not seen any decline in membership or income, but this is a risk with the current cost of living pressure and competition.

76. Savings targets are on track overall, mitigating one off savings from holding vacancies across the service have been actioned while longer term sustainable restructures have taken place to deliver permanent savings. The Savings target for £0.048m for smaller Libraries has been reprofiled to the end of the year and has been highlighted as significant risk, this will be picked up through the 2023/.24 budget setting process.

CHIEF EXECUTIVE DIRECTORATES

77. Table 7 - Forecast as at Quarter 2 2022/23 Chief Executive Directorates Position

		Original Budget	Revised Budget	Forecast before Management & Other Actions	Variance before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Chief Executive Directorates								
Public Health	Gross	18.220	22.385	22.063	(0.322)	(0.033)	22.030	(0.355)
	Income	(16.623)	(20.971)	(20.971)	-	-	(20.971)	-
	Net Exp	1.597	1.414	1.092	(0.322)	(0.033)	1.059	(0.355)
Legal & Governance	Gross	10.080	12.118	12.531	0.413	(0.302)	12.229	0.111
	Income	(2.598)	(2.662)	(2.802)	(0.140)	-	(2.802)	(0.140)
	Net Exp	7.482	9.456	9.729	0.273	(0.302)	9.427	(0.029)
HR&OD	Gross	9.290	6.382	6.391	0.009	(0.186)	6.205	(0.177)
	Income	(3.822)	(3.045)	(3.049)	(0.004)	-	(3.049)	(0.004)
	Net Exp	5.468	3.337	3.342	0.005	(0.186)	3.156	(0.181)
Transformation & Business Change	Gross	-	0.392	0.319	(0.073)	(0.048)	0.271	(0.121)
	Income	-	-	-	-	-	-	-
	Net Exp	-	0.392	0.319	(0.073)	(0.048)	0.271	(0.121)
Corporate Directors & Members	Gross	3.055	3.226	3.425	0.199	-	3.425	0.199
	Income	(0.014)	(0.014)	(0.014)	-	-	(0.014)	-
	Net Exp	3.041	3.212	3.411	0.199	-	3.411	0.199
TOTAL CEX DIRECTORATES								
	Gross	40.645	44.503	44.729	0.226	(0.569)	44.160	(0.343)
	Income	(23.057)	(26.692)	(26.836)	(0.144)	-	(26.836)	(0.144)
	Net Exp	17.588	17.811	17.893	0.082	(0.569)	17.324	(0.487)

Public Health: Budget £1.414m – £0.355m underspend

78. Public Health are forecasting an underspend of £0.355m on the council budget funded services. This is due to a number of small underspends across the service as part of an exercise to improve efficiencies in part offset by the additional estimated pay award and the Terms and Conditions pressure. In 2022/23 the Public Health Grant is £18.015m. This is being fully spent on activities such as the Public Health Nursing service, Drug and Alcohol Substance Misuse services, Sexual Health services, Domestic Abuse services for Wiltshire and a wide range of health improvement services such as health improvement coaches. Public Health have £0.062m of staff related savings in 2022/23 of which all are forecast to be achieved.

Legal, & Governance: Budget £9.410m – £0.029m underspend

79. Legal and Governance are forecasting a variance before management action of £0.273m overspend. This is from the pay award pressure of £0.413m which has increased since Quarter 1 due to the changes in pay award assumptions. This pressure is being offset in part by forecast additional income across the service, particularly on Registration services. Registration income budget was increased to 98% of Pre Covid-19 levels for 2022/23, the service is seeing strong demand and has exceeded profiled budget for the first half of the year.

80. Management action has been taken to reduce the variance to a net variance of (£0.029m) underspend by holding vacancies across the service where appropriate and reducing spend on professional fees and contracts. The forecast assumes some of these vacancies will be held for the rest of the financial year, this will need to be monitored to ensure the service has the capacity to deliver.

Human Resources & Organisational Development: Budget £3.336m – £0.181m underspend

81. A number of staff are redeployed to support capital programmes and transformational schemes key to the implementation of programmes of work such as EVOLVE. Where salary cost pressure has arisen from forecast pay award, which is higher than budgeted for, these have been absorbed and mitigated against by holding vacancies and wherever possible seconded posts have not been backfilled on a like for like basis.

Transformation & Business Change: Budget £0.392m – £0.121m underspend

82. This service brings together the systems thinking and programme office to create a transformation and business change service at the heart of supporting the delivery of the Council's business plan priorities. The team is largely funded from flexible use of capital receipts. Where salary cost pressure has arisen from the forecast pay award, which is higher than budgeted for, these have been absorbed and mitigated by the small number of vacancies in quarter 1 which have led to a forecast net underspend on salaries across the whole service.

83. The Transformational Board has agreed a drawdown from the transformation reserve totalling £1.322m over three years in order to prioritise and facilitate the Business Insights and Adults Transformation programmes of work. Cabinet are asked to approve an additional £0.826m transfer from the reserve in this financial year (2022/23) following the approval to transfer £0.531m at quarter 1. The cumulative impact over the 3 years is a total transfer of £3.081m.

Corporate Directors and Members: Budget £3.110m – £0.199m overspend

84. The overspend is due to the Pay Award pressure and non-delivery of the vacancy factor.

CORPORATE EXPENDITURE

Table 8 - Forecast as at Quarter 2 2022/23 Corporate Position

		Original Budget	Revised Budget	Forecast before Management & Other Actions	Variance before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E	F (C+E)	G (F-B) £m
Corporate Movement on Reserves	Gross Income	(1.138)	(1.138)	(1.138)	-		(1.138)	-
	Net Exp	(1.138)	(1.138)	(1.138)	-	-	(1.138)	-
Capital Financing	Gross Income	26.991	26.991	26.986	(0.005)		26.986	(0.005)
	Net Exp	(0.150)	(0.150)	(2.741)	(2.591)	-	(2.741)	(2.591)
		26.841	26.841	24.245	(2.596)	-	24.245	(2.596)
Corporate Costs	Gross Income	3.113	3.854	3.928	0.074		3.928	0.074
	Net Exp	-	-	0.030	0.030	-	0.030	0.030
		3.113	3.854	3.958	0.104	-	3.958	0.104
Corporate Levies	Gross Income	7.664	7.664	8.072	0.408		8.072	0.408
	Net Exp	(1.039)	(1.789)	(2.657)	(0.868)	-	(2.657)	(0.868)
		6.625	5.875	5.415	(0.460)	-	5.415	(0.460)
TOTAL CORPORATE	Gross Income	36.630	37.371	37.848	0.477	-	37.848	0.477
	Net Exp	(1.189)	(1.939)	(5.368)	(3.429)	-	(5.368)	(3.429)
		35.441	35.432	32.480	(2.952)	-	32.480	(2.952)

Financing & Investment Income & Expenditure: Budget £26.841m – £2.596m underspend

85. The final value of capital spend funded by borrowing figure for 2021/22 sets the minimum revenue provision charge for year 2022/23. As a result of the reduction in the 2021/22 capital programme year end financial position there is a £1.197m saving in 2022/23.

86. The Council took a treasury management decision to borrow £80m in March 2022 and based on the current cashflow forecast the council will not need to borrow again in 2022/23. As a result of this borrowing and the interest rates, interest payable is forecast to exceed budget by £1.326m. This is offset by a forecast overachievement of £2.591m on interest receivable due to the increased level of cashflow and increased interest rates, and this forecast also accounts for forecast loan interest from Stone Circle and Wiltshire College.

87. An underspend is forecast on asset disposal costs of £0.134m for quarter two based on actual activity to date and forecast to the end of the financial year.

Corporate Costs: Budget £3.854m – £0.104m overspend

88. A small overspend of £0.012m has been forecast on bank charges for 2022/23 due to the delay in achieving the full year of savings associated with obtaining PCI DSS compliance. An overspend has also been forecast on internal audit of £0.009m due to unforeseen inflationary increase and external audit fees of £0.100m due to additional work requirements to support the on going audits. This is being offset by a forecast overachievement of purchase of annual leave and National Insurance saving's on salary sacrifice schemes of £0.020m.

Corporate Levies: Budget £5.875m – £0.460m underspend

89. An overachievement of income is forecast for renewable energy Business rates of £0.868m, and this has been reflected in the MTFs for 2023/24 as the increased level of incoming is recurring. In 2022/23 this is offsetting a pressure of £0.394m for Pension deficit lump sum payment and £0.100m on the

Apprenticeship Levy and Flood Defence levy. For quarter 2 an underspend of £0.100m has also been forecast against Early Retirement pension costs.

COLLECTION FUND

90. The Collection Fund is the ring-fenced fund which comprises all income and expenditure for both the Council Tax and Business Rates.

91. The previous year's deficit will continue to be funded by the monies set aside in the Collection Fund Volatility reserve over the 3-year period 2021/22-2023/24 as originally planned, with the timing of the financial impact across the 3 years set out in the regulations set by government.

DEDICATED SCHOOLS GRANT – Total Grant £426.772m - £7.789m forecast net overspend

92. The forecast variance for dedicated schools grant (DSG) is a net £7.789m overspend. This is driven by demand from parents and schools for statutory support for vulnerable children with SEN & disability, reflected in increased numbers of education health and care plans (EHCPs.) The number of EHCPs at the end of quarter 2 2021-22 was 4,252; quarter 2 in 2022-23 is 4,613; an increase of 361 plans (8.5%).

93. The demand pressure and overspend is aligned with the national picture for many other local authorities and Government's acknowledgement of this is reflected in the national level additional funding for the 2022/23 high needs block of £1,082m and high needs block supplementary funding of £325m for the 2022-23 financial year. The 2022-23 allocation included increases of £4.897m and £2.415m respectively for Wiltshire. This has come some way to alleviating the pressure it will not however, assist with previous years overspends which are held in the DSG deficit reserve in the local authority's balance sheet. Lobbying continues to request support and additional funding at national level.

94. The DfE's SEN review was published in March 2022 and the financial implications of this are unclear at this stage although national bandings of support are proposed. Wiltshire has submitted both a consultation response and separate written response and the DfE is yet to publish its findings and recommendations.

95. The DSG is ringfenced and is separate to local authority budget. Any underspend or overspend is also ringfenced. At the beginning of the financial year, the DSG reserve balance had a deficit of £25.973m this is now forecast to be £33.198m. The local authority has a long-term recovery plan centred around inclusion which is being implemented in partnership with schools however the deficit lies with Wiltshire Council whilst the recovery plan is delivered. Additional funding is key to meeting the needs of Wiltshire pupils.

96. Prior to 2020/21 the DSG grant was treated as a usable reserve, when this went into deficit it was no longer appropriate for it to be treated as such, as negative cash reserves are not acceptable. In April 2020 Ministry of Housing,

Communities & Local Government (MHCLG) introduced new legislation to switch the DSG deficit reserve from usable to an unusable reserve and allowed the creation of an adjustment account on the balance sheet. In presenting the Better Value proposition DfE have only confirmed that the override will end on 31 March 2023. This provides no resolution to the negative reserve issue which was the subject of the override. The potential size of the deficit reserve for Council, at 31 March 2023, presents a financial stability issue for the 2023/24 financial year. As such we will continue to liaise with DLUHC and DfE to further understand how the DBV programme will impact on the accounting override. Our local authority position is that we simply cannot sustain the DSG deficit.

97. Councils nationally have an estimated £2.3 billion in high needs funding deficits. Those authorities with the most significant deficits, have been enrolled in the DfE “Safety Valve” programmes. Following the publication of the SEN Review the DfE have published a suite of reports and guidance to support local authority budget management and recovery plans. Wiltshire has been offered support in the second phase of the DfE’s “Developing Better Value” (DBV) programme. The Council is scheduled to be part of the DfE’s second phase of the DBV programme in January 2023 and has been awarded £0.045m to facilitate this. In addition, the DfE have appointed Newton, CIPFA and SEN advisers to work with officers to review the recovery plan and provide support and guidance. Officers have started preparatory work with Newton / CIPFA.

DSG Reserve (held in the council's balance sheet)	Early Years Ringfence (effective 01-04-22)	Schools Block, HNB & Central	Total 22/23 FY
	£m	£m	£m
Balance Brought Forward from 21/22		25.973	25.973
Early Years Adjustment 21/22 prior year	-0.564		-0.564
Forecast variance 22/23	-2.379	10.168	7.789
Estimated balance CFWD 2022	-2.943	36.141	33.198

98. Officers have taken every opportunity to take part in national and southwest comparator research which show the extent of the national and regional issue. Best practice and savings approaches are being shared with peers.

99. Wiltshire is taking steps to address the demand for specialist placements; significant Council investment in the System of Excellence and new Special School places in the north of the county, the 150-place free special school in the south, expansion of specialist places within our schools and the flexible use of capital receipts by the council to fund a series of projects to facilitate change both internally and to influence partners. These and the savings planned from them do not lead to a balanced position within the 10-year recovery period. Savings are limited by many external factors and include a parent’s legal right to state parental preference and recourse to a tribunal.

100. Officers are regularly meeting with school leaders to progress plans through the High Needs Recovery Group, reporting the position and recovery plan to Schools Forum. School Leaders have raised the profile of the funding

challenges with Wiltshire's MPs who have been supportive and in turn, raised with central government.

101. As the situation stands both locally and for most other local authorities, the pupil driven needs simply cannot be met without an appropriate level of funding.

SAVINGS DELIVERY 2022/23

102. For 2022/23 large savings were required to balance the revenue budget totalling £24.825m. These are already reflected in the revenue budget aligned to services and have to be met in full or they will result in an overspent position by the year end and will have a direct impact on the scale of savings to be delivered in future years. As such a significant risk remains should there be a shortfall in the saving achieved. It is therefore critical to continue robust monitoring of the revenue budget and reporting the achievement of the savings required.

103. Following detailed monitoring by each manager responsible for a revenue budget saving, it is possible to quantify the amount and status of savings and the inherent risks associated with them. The deliverability of these proposals is monitored and reported directly to the Corporate Leadership Team (CLT). The assessment on the deliverability of the savings at the end of quarter 2 2022/23 is shown in the table below, these assessments are included in the General Fund figures set out in this report.

104. Of the £24.825m savings targets £13.301m (53.6%) are assessed as having been delivered as at the end of September. £21.536m (86.7%) is forecast to be achieved by the end of the year 2022/23. This leaves £3.290m (13.3%) which are not currently forecast to be achieved by the end of the year. Alternative approaches and sources will have to be considered to bridge this gap before the year end.

105. The delivery of savings remains a focus for the Council and the status of the undelivered savings is considered as part of the future year financial planning processes to ensure the budget remains robust and deliverable and any undelivered saving adversely affects any budget gap in future years if not addressed or mitigated on an on-going basis.

Table 10 – 2022/23 Savings Delivery

Wiltshire Council - Savings Tracking 2022-23**Period - Sep (06)****Savings Targets, Full Year Forecasts and Actuals to Date Values £**

Corporate Director	Directorate	2022/23 Savings Target	Saving achieved to date £	Forecast Saving £	Difference between forecast and target
		£m	£m	£m	(-FAV /+UNFAV) £m
People	Living and Ageing Well	5.299	3.573	4.840	0.459
	Whole Life Pathway	3.359	0.657	1.740	1.619
	Families & Children's	2.093	1.413	1.984	0.109
	Education & Skills	0.725	0.353	0.719	0.006
People Total		11.476	5.996	9.283	2.193
Resources	Finance	0.181	0.032	0.181	-
	Assets & Commercial Development	0.837	0.652	0.825	0.012
	Information Services	0.535	0.307	0.431	0.104
	Procurement & Commissioning	1.549	1.408	1.503	0.046
Resources Total		3.102	2.399	2.940	0.162
Place	Highways & Transport	2.364	0.654	1.861	0.503
	Economy & Regeneration	0.344	0.305	0.344	-
	Planning	0.437	0.229	0.437	-
	Environment	1.478	0.688	1.333	0.145
	Leisure Culture & Communities	1.057	0.226	0.777	0.280
Place Total		5.680	2.102	4.752	0.928
Chief Executive	Public Health	0.061	0.061	0.061	-
	HR&OD	1.493	0.959	1.486	0.007
	Legal & Governance	0.545	0.457	0.545	-
	Corporate Directors & Members	0.339	-	0.339	-
Chief Executive Total		2.438	1.477	2.431	0.007
Corporate	Capital Financing	1.030	0.250	1.030	-
	Corporate Costs	1.100	1.077	1.100	-
Corporate Total		2.130	1.327	2.130	-
Grand Total		24.826	13.301	21.536	3.290
%age Total Target		100.0%	53.6%	86.7%	13.3%

CAPITAL RECEIPTS FLEXIBILITIES 2022/23

106. The government allows Local Authorities to fund transformational activity that is designed to deliver ongoing revenue savings and/or transform service delivery to reduce costs or reduce demand for services in the future. This is known as Capital Receipts flexibilities. It is important that any Local Authority using this flexibility is transparent in reporting its plans and the individual projects that are to be funded or part funded and report the previous years' activity and whether the planned savings and/or service transformation have been or are being delivered as planned.

107. At part of budget setting the council planned to use £1m of Capital Receipts to fund transformational activity across the council in areas of priority such as Adults Transformation, Family and Children's Transformation and Customer Experience. For this financial year this funding solution will be used to fund elements of the Transformation and Business Change team costs, supporting the transformation programmes across the council.

RESERVES POSITION AND FORECAST

108. Reserves are an important element of the Council's finances, and a sufficient level of balances should be held, to mitigate risks within the budget and operations of the Council.

109. The level of both general fund reserves and earmarked reserves held by the Council were increased as part of the final financial year end position for 2021/22 to help support the forecast future financial position, risks and expected demand the council faces. An additional contribution of £2.8m was made to the General Fund Reserve, increasing the balance to £21.056m. This was to provide additional resilience within the reserve to support the financial position in 2021/22 and to allow for financial risks and a lead in time for recovery.
110. In addition, £5.355m was also set aside in a Transformation reserve to provide funding for transformational activity across the council. The use of this reserve is overseen by the Transformation Executive Board, who agree the prioritisation of the activity and agree the funding. A request to draw down from Transformation reserve of £0.531m was approved as part of the quarter one budget monitoring report following agreement at the Transformation Executive Board. An additional £0.826m is now requested to be transferred from this reserve to support transformational activity across the council, as agreed by the Transformation Executive Board. The cumulative 3-year effect will be a transfer of £3.081m, which would leave £2.274m available in this reserve.
111. An element of the contractual arrangement with BT to deliver fibre broadband services across Wiltshire includes a gainshare arrangement. Under this arrangement there is a one-off windfall payment due to the council of £3.330m in this financial year. It is requested to transfer this one off gain into the transformation reserve to provide additional funding capacity to support the transformation across the council for the coming years that will be required to become more financially sustainable and to continue to deliver high quality, modern public services. This will therefore increase the forecast balance available less the commitments of funding over the next 3 years to £5.604m.
112. The significant aspects of financial risk within the budget for 2022/23 are in part mitigated by earmarked reserves set aside for both Latent Demand and Inflation. £7m has been set aside in a specific Inflation reserve as the council recognises the expectation that there will be pressure on the 2022/23 budget and £1.856m remains in the Pay Award reserve to support the expected pressure in these costs. If required to fund these pressures in this financial year a request will be made to draw the funding down at outturn.
113. The Latent Demand reserve balance of £7.895m has been available for demand that presents over and above the metrics included in the budget. Demand pressures are now starting to present in this year and are forecast to continue into the next financial. The Corporate Leadership Team are assessing the impact on the financial position as well as the best approach to fund these pressures and will be agreeing that some aspects of this demand should be funded by this reserve, as it has been set aside for this purpose.
114. The balance remaining on this reserve, following the anticipated transfer for funding, will be in the region of £3.8m which will continue to be available should any additional demand present either during the remainder of this year or next financial year.

115. A formal request will be presented as part of the next budget monitoring report to transfer funding from this reserve to fund pressures identified in services as a result of back log and demand for service, most notably Planning, Children's social care and Whole Life Pathway.

MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2023/24 UPDATE

116. As part of the quarter 1 budget monitoring report a high level update was presented in respect of the Budget 2023/24 and Medium Term Financial Strategy following a review of the underlying assumptions. This set out that there was an increased estimated budget gap over the next 3 years of around £45m that took into account the increasing inflationary pressures seen across services as well as some favourable changes such as assumptions on Government funding streams continuing.

117. The key timescales for setting the budget were also included that set out the meetings leading up to the Full Council meeting on 21 February 2023, with the budget papers due to be published early January to allow time for robust scrutiny processes, consultation and engagement.

118. The review on assumptions contained within the Councils MTFS was undertaken to ensure that they were robust and reflected the latest economic forecasts. Given the current economic climate these assumptions will continue to be refreshed until the last possible date before the budget proposals are published in January 2023.

119. The process for the Budget and MTFS is for the underlying overspend being forecast at quarter 1 to be funded, by using the anticipated increase in funding estimated in the MTFS. This position effectively funds the inflationary pressures being experienced by services during this current financial year.

120. Services have then been asked to bring forward saving proposals that consume all pressures after that date i.e. financial year 2023/24 and the following two financial years covering the period of the MTFS up to 2025/26.

121. The additional funding raised by changes in funding assumptions e.g. business rates, government grant and council tax, will be used to firstly to fund the increase in corporate costs e.g. the financing of the approved capital programme, as well as then directing the resources to deliver on the Councils priorities as set out in the Business Plan.

122. Cabinet have held a series of budget challenge sessions with the Corporate Leadership Team to understand the cost drivers, assumptions and their impact on service budgets and their delivery, as well as the saving proposals being put forward to deliver a balanced budget. These will now be continued to be worked on until published in January 2023.

123. Crucial to this is the Autumn Statement announcement by the Chancellor of the Exchequer on 17 November. At the time of writing this report the detail was still being awaiting on key funding streams directed towards Local Councils,

most notably on social care and business rates. Changes to Council Tax thresholds were also announced by the Government.

124. The Local Government Finance settlement is anticipated to be announced on 21 December, whereby outstanding detail on individual funding streams e.g. New Homes Bonus as well as new social care funding allocations are expected.

Overview and Scrutiny Engagement

125. Regular reports are taken to Overview & Scrutiny relating to the Council's financial position. This report is being considered at the meeting of Financial Planning Task Group on 25 November 2022.

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

Risks that may arise if the proposed decision and related work is not taken

131. 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 be used as a long-term sustainable strategy for financial stability.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

132. Ongoing 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. Risks associated with service delivery and the level of reserves will be raised as and when proposals are brought forward as part of the budget setting process.

Financial Implications – Section 151 Officer Commentary

133. This report is the second report for the 2022/23 financial year and, positively, is showing an improved forecast for the financial year since the quarter 1 report. The report indicates an underlying pressure on the base budget of £13.4m which continues to be mitigated by items of a one-off nature, through management action which are, in the main, reduced costs arising through holding vacancies and income.
134. The pay award for 2022/23 has recently been agreed and has been fully reflected within the forecasts. Overall, the impact will be to increase the Council pay bill by 6.6%. The Council had allowed for an element of this increase through a mix of a base budget increase of 2% and amount set aside in reserve to deal with the one off cost in this financial year, however the continuing difficulties in recruitment have meant that the rising underspends now projected have countered the increased costs in this financial year.
135. Given the current cost of living crisis and the levels of inflation since the budget was approved in February 2022 it was anticipated that the Councils budget would not be sufficient to cover the rising costs in this financial year. Prudently £9m has been set aside in earmarked reserves to deal with the increased cost in 2022/23. At present only £3.7m of this will now be needed to cover the forecast overspend.
136. However, this will only cover one year, and the impact of the inflation compounded from 2023/24 onwards means the latest financial gap, before the outcome of the Autumn Statement, any local decisions on funding and critically savings and efficiencies, stands at £31m. Again, the Council prudently holds a budget equalisation reserve of £16m to help balance the budget, but reserves are one off in their nature and the costs are ongoing.
137. There remains a level of uncertainty and risk contained within this forecast at the halfway stage of the financial year. Whilst officers have worked hard to ensure the significant savings programme of £25m in this financial year is achieved, with nearly 87% of savings forecast to be delivered, there is the possibility that further savings not yet delivered fail to be delivered either at all or by their original time frame, but where this arises mitigations to offset the impact are sought.
138. As previously mentioned, the management action contained in the report centres mainly around holding vacancies, containing inflation to a lesser amount than either negotiated or the prevailing rate of CPI and one-off income. The impact in 2022/23 is now unlikely to be a full year impact but will inevitably mean a worsening position in later years. With inflation now at 11.1% and expected to continue to remain around that level for the winter months, there is a risk that inflation levels cannot be contained as currently forecast.
139. With the improving position there are no further management actions proposed at this time, however the Councils Corporate Leadership Team will be ensuring close scrutiny and challenge of the forecasts and management actions in the coming months to continue the improvement in the Councils overall financial position.

Legal Implications

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

Workforce Implications

141. If the Council fails to take actions to address in-year forecast shortfalls, overspends or increases in its costs it may need to implement further spend controls, or if the position is deemed critical unplanned service rationalisation may be required. This could impact on the workforce, and may include changes to roles or redundancies. Ongoing 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.

Options Considered

142. Budget monitoring forms part of the financial control environment and it is important to provide reporting on all aspects of financial management and performance to Cabinet and the public, including delivery to plans, variances and risks and impacts.

Conclusions

143. The report supports effective decision making, ensures a sound financial control environment and ensures members are updated on the latest position for the budget for 2022/23 and informed of the proposed budget setting process timetable and an update on the latest position for the budget for 2023/24.

Andy Brown (Corporate Director Resources & Deputy Chief Executive (S.151 Officer))(S151 Officer) andy.brown@wiltshire.gov.uk

Report Authors:

Andy Brown, Sarah Rose, Leanne Sykes, Marie Taylor, Lizzie Watkin
Corporate Director Resources & Deputy Chief Executive (S.151 Officer), , Head of Finance - Environment, Head of Finance - Care, Assistant Director - Finance

18/11/2022

Appendices

Appendix A: Revenue Budget Movements

Background Papers

The following documents have been relied on in the preparation of this report:

Wiltshire Council's Financial Plan Update 2022/23, Medium Term Financial Strategy 2022/23-2024/25 - Full Council, 15 February 2022

[Agenda for Council on Tuesday 15 February 2022, 10.30 am | Wiltshire Council](#)

Financial Year 2022/23 – Quarter One Revenue Budget Monitoring – Cabinet 27 September 2023

[Agenda for Cabinet on Tuesday 27 September 2022, 10.00 am | Wiltshire Council](#)

Appendix A – Revenue Budget Movements

	2022-23 Original Budget	Budget movements approved by CLT Q1 / Q2	Revised Budget Q2
	£m	£m	£m
Corporate Director People			
Living and Ageing Well	72.096	- 0.587	71.509
Whole Life Pathway	78.004	3.213	81.217
Education & Skills	22.729	0.595	23.324
Family & Children Services	62.175	- 1.399	60.776
Corporate Director Resources			
Finance	3.895	- 0.103	3.792
Assets & Commercial Development	16.261	- 0.772	15.489
ICT	11.595	- 0.127	11.468
Procurement & Commissioning	5.309	- 0.472	4.837
Corporate Director Place & Environment			
Highways & Transport	37.761	0.093	37.854
Economy & Regeneration	2.490	- 0.077	2.413
Planning	1.670	- 0.503	1.167
Environment	43.215	1.259	44.474
Leisure Culture & Communities	7.474	- 1.255	6.219
Chief Executive Directorates			
Public Health	1.597	- 0.183	1.414
Legal & Governance	7.482	1.974	9.456
HR&OD and Transformation	5.468	- 5.468	-
HR&OD	-	2.336	2.336
Transformation & Business Change	-	1.392	1.392
Corporate Directors & Members	3.041	0.171	3.212
Commercial Savings	-	-	-
Corporate			
Movement on Reserves	- 1.138	-	- 1.138
Capital Financing	26.841	-	26.841
Corporate Costs	3.113	0.663	3.776
Corporate Levies	6.625	- 0.750	5.875
General Fund Budget	417.703	- 0.000	417.703
HRA Budget	-	-	-
Total	417.703	- 0.000	417.703
WC Funding			
General Government Grants	- 49.261	-	- 49.261
Council Tax	- 309.942	-	- 309.942
Business Rates Retention Scheme	- 58.500	-	- 58.500
Total Funding	- 417.703	-	- 417.703
Total	0.000	- 0.000	-