

**Wiltshire Council**

**Cabinet**

**13 September 2016**

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Subject: **Revenue Budget Monitoring Period 4 2016/2017**

Cabinet Member: **Cllr Dick Tonge – Finance**

Key Decision: **No**

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**Executive Summary**

This report advises members of the revenue budget monitoring position as at the end of Period 4 (end of July 2016) for the financial year 2016/2017 with suggested actions as appropriate.

The forecasts indicate an £8.300 million overspend with management action identified to date. This is 2.6% of the Council's net budget. The purpose of budget monitoring is to identify such risks in order to allow management to address issues. Action is currently being taken to identify areas where savings can be made and a balanced budget is being achieved. An updated position will be reported to Cabinet in the next revenue budget monitoring report (Period 7 to Cabinet in December).

If action is taken then a balanced budget can be achieved by 31 March 2017. If this is not the case then there will be a drawdown from reserves. Therefore every action should be taken to reduce unnecessary spend to avoid the use of reserves.

The year-end general fund reserve balance with no drawdown to fund overspends would be £12.206 million. 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 4 (end of July) budget monitoring and to approve all budget amendments outlined in the report.

**Reason for Proposal**

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

**Carolyn Godfrey Corporate Director**

## 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 4 (end of July 2016) for the financial year 2016/2017 with suggested actions as appropriate.

### Background

2. The Council set the 2016/2017 budget at its meeting on 23 February 2016. 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 is set out as follows:

	<b>Revised Budget Period 4 £m</b>	<b>Profiled Budget to date £m</b>	<b>Actual Net Spend to date £m</b>	<b>Projected Spend Position for Year £m</b>	<b>Projected Overspend/ (Underspend) at Period 4 £m</b>
<b>General Fund Total</b>	313.585	189.261	136.247	321.885	8.300
<b>Housing Revenue Account</b>	(0.975)	(4.669)	(5.556)	(0.975)	0.000

4. Budget expenditure is not always spent in equal amounts each month. The profiled budget above shows the anticipated budget at the end of period 4. The main variance between the revised budget at period 4 and the profiled budget is due to a phasing of grant income due to be received by schools in 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 risen quicker than 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. As part of this review these reports exclude commitments in the actual spend column, to better show a consistent position. However, known commitments are taken into account in calculating the projected position for the year.
7. The period 4 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C. The figures in period 4 are current position after any approved recovery actions have been actioned.
8. As in previous reports, this report will target large variances and the managerial actions arising to ensure a balanced budget at year end. As last year, Budget Monitoring reports to members will be taken to Cabinet to cover the periods 4, 7, 9 and year end outturn.

## **Budget Movements in Period**

9. There have been a number of budget movements in the period. These are due to budget virements and structural changes since the report for budget setting in February 2016. A full trail is shown in appendix A.
10. Further details of major virements in the period are included in appendix B. This includes a virement that has reallocated budget across all council services following a review of projected outturn for the year.
11. During the year the whole reporting structure for Adult Social Care has been reviewed. This report reflects the updated reporting structure.

## **General Fund Monitoring Details**

12. Overall the majority of services net spend are in line with budget profiles and forecasts. There are some services which have identified larger variances at this stage of the year than originally planned. Details of these areas are included below. Associate Directors are identifying compensating actions to bring these back in line.
13. Overall the period 4 report identifies potential cost pressures of £8.300 million.

## **Children's Social Care**

14. Children's Social Care budgets are projected to overspend by £1.800 million. The key risks continue to be costs of placements for looked after children and the costs of agency staff within social work teams.
15. To mitigate the costs of agency staff during the year, reliance on agency staff at management level has been reduced and the numbers of agency social workers across the teams also continues to reduce. It is not anticipated that there will be significant external pressures during the year that would impact on staffing and therefore require the reduction in agency staff to be reversed. However the continued costs, of agency staff albeit reduced, contributes to the overspend.
16. The number of Looked After Children continue to be below average compared with other authorities but numbers have increased by 10% in the current financial year and this places additional pressure on the placement budget. Work is continuing to review the mix of placements for looked after children, and in particular the numbers of children placed in residential care settings. It is anticipated that we can reduce the number of placements in children's homes by a further 25% by the end of the financial year; this will reduce the level of overspend, however the number of children who remain in external placements will continue to be significant. Service management are working with the Corporate Procurement Unit to continue to ensure that placements are effectively procured in line with regional average prices.

## **0-25 Service: Disabled Children & Adults**

17. The 0-25 SEND Service is currently projected to overspend by £1.300 million. This overspend is primarily due to continued growth in the number and cost of packages of care and pressure on SEN transport budgets for home to school transport. The growth in numbers of care packages and in transport costs was anticipated at budget setting and the budget was increased in line with estimated costs, however activity and costs have exceeded the initial estimates. This is in terms of the volume of children meeting the criteria for transport because eligibility for Education Health Care Plans now extends beyond nineteen years of age and because of more local college provision in place of residential college provision. Whilst the shift to more local provision has significantly reduced costs to the Dedicated Schools Budget it has impacted on transport costs. Overall costs to the SEND Service including the DSG funded elements have been reduced. There has also been an increase in complexity of need which impacts on the type of transport used and the need for personal assistants.
18. To mitigate costs, work continues to take place to review all journeys, investigate the potential for more effective utilisation of transport between children's and adult's services and to support parents to provide transport where possible through fuel allowances.

## **Legal & Governance**

19. Legal & Governance is currently projecting a net overspend of £0.560 million.
20. This overspend is mainly due to a continuing high demand for legal services across the council, which has largely been met in-house to minimise external legal spend. The resulting pressures on in-house capacity are in turn having an adverse impact on the achievement of income targets. Officers are taking action to manage down demand levels to mitigate this issue.

## **Capital Financing**

21. Capital Financing is currently projecting a net overspend of £2.000 million.
22. As discussed in the budget setting report to Cabinet in February 2016, this is due to pressure on the revenue costs of the capital programme. The budget will be reviewed to look for opportunities to reprioritise, re-profile and better manage cash over borrowing to fund schemes. This will allow capital financing costs to be reduced wherever possible. This work is currently underway and will return to Cabinet in the future.

## **Restructure & Contingency**

23. This heading includes a range of corporate and cross cutting savings and is currently projecting a net overspend of £2.150 million.
24. Not all of the corporate savings have yet been delivered and plans are in place to deliver the remainder. The savings identified are continually being reviewed for robustness and to look for additional potential savings.

## **Housing Revenue Account Monitoring Update**

25. Budget figures on the Housing Revenue Account (HRA) have been reviewed as part of the regular budget monitoring process.
26. The HRA is currently projecting a balanced position.

## **Reserves**

27. The table below provides the projected position for the year as at period 4 on the general fund balance held by the Council. The latest forecast on general fund balances currently stands at £12.206 million at 31 March 2017.

<b>General Fund Reserve</b>	<b>£ million</b>	<b>£ million</b>
Balance as at 1 April 2016		(12.206)
Projected overspend at period 4	8.300	
Service Recovery Plans	(8.300)	
Total Forecast movement		0.000
<b>Forecast Balance 31 March 2017</b>		<b>(12.206)</b>

28. 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**

29. This report has identified a shortfall if no further action is taken on the general fund budget of £8.300 million at period 4 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 2016/2017.
30. 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**

31. This report informs member's decision making.

### **Overview & Scrutiny Engagement**

32. Regular reports are taken to Overview & Scrutiny relating to the Council's financial position

### **Safeguarding Implications**

33. Safeguarding remains a key priority for the Council and this report reflects the additional investment support the ongoing spend in looked after children and safeguarding.

### **Public Health Implications**

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

### **Corporate Procurement Implications**

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

## **Equalities and diversity impact of the proposals**

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

## **Environmental and Climate Change Considerations**

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

## **Risks Assessment**

38. 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.

## **Financial implications**

39. 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 2017 following mitigating management action.

## **Legal Implications**

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

## **Proposals**

41. Cabinet is asked to note the outcome of the period 4 (end of July) budget monitoring and to approve all budget amendments outlined in the report.

## **Reasons for Proposals**

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

## **Background Papers and Consultation**

None

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**Appendices:**

Appendix A: Revenue Budget Movements 2016/2017

Appendix B: Major Virements between Service Areas from Original budget

Appendix C: Revenue Budget Monitoring Statements