

Wiltshire Council

Cabinet

7 February 2017

Subject: **Revenue Budget Monitoring Period 9 2016/2017**

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

Key Decision: **No**

Executive Summary

This report advises members of the revenue budget monitoring position as at the end of Period 9 (end of December 2016) for the financial year 2016/2017 with suggested actions as appropriate. Overall the majority of services net spend are in line with budget profiles and forecasts. There are some services which have identified variances, details of these areas are included in the report and have been reported throughout the year. Officers have already identified savings and are continuing to identify further compensating actions to bring the remaining £0.597 million back in line to report a balanced budget by 31 March 2017.

Overall the period 9 report identifies potential cost pressures of £0.597 million. That is 0.2% of net expenditure, and is in line with or below other pressures at other similar sized councils nationally. This pressure is a reflection of the reduction in government funding set against a continued increase in demand, especially in care, and the National Living Wage..

The purpose of budget monitoring is to identify risks in order to allow management to address risks. An updated position will be reported to Cabinet in the outturn revenue budget monitoring report to Cabinet in June. The early identification of potential issues is part of sound and prudent financial management.

The year-end general fund reserve balance assumes £1m drawdown to fund pressures, leaving a closing balance of £11.206 million. The level is still in line with the Council's financial plan and recommendations by the Section 151 Officer.

Proposals

Cabinet is asked to note the outcome of the period 9 (end of December) budget monitoring.

Reason for Proposal

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

Carolyn Godfrey
Corporate Director



Wiltshire Council

Cabinet

7 February 2017

Subject: **Revenue Budget Monitoring Period 9 2016/2017**

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

Key Decision: **No**

Purpose of Report

1. To advise members of the revenue budget monitoring position as at the end of period 9 (end of December 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

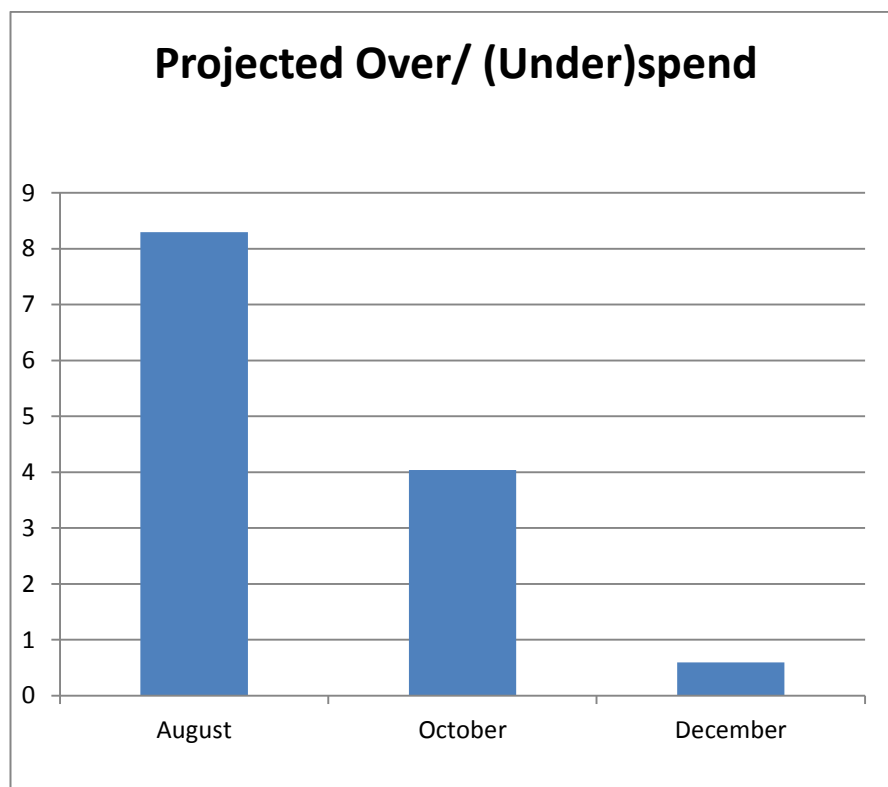
3. The projected year end position before further compensating actions for the relevant accounts is set out as follows:

	Revised Budget Period 9 £ m	Profiled Budget to date £ m	Actual to date £ m	Projected Position for Year £ m	Projected Overspend/ (Underspend) £ m	Overspend/ (Underspend) reported at period 7 £ m	Movement since period 7 £ m
General Fund Total	313.585	324.726	317.843	314.182	0.597	4.040	(3.443)
Housing Revenue Account	(0.975)	(11.103)	(11.007)	(0.975)	0	0	0

- Budget expenditure is not always spent in equal amounts each month. The profiled budget above shows the anticipated budget at the end of period 9. The main variance between the revised budget at period 9 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

- 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.
- The graph below shows how the forecast outturn position has improved during budget monitoring reports to Cabinet this year. The graph shows a clear improvement in the position towards the end of the financial year.



- 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.
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8. The period 9 report shows more detailed information and includes a number of smaller variances. Full details of service area figures are included in Appendix C. The figures in period 9 are current position after any approved recovery actions have been actioned.
9. 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

10. There have been a number of budget movements in the period. These are due to budget virements and structural changes, including slowing down of spend and recruitment since the report for budget setting in February 2016. A full trail is shown in appendix A.
11. 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. There are no large virements to report in this period.

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 have already identified nearly £8 million of savings and are continuing to identify further compensating actions to bring the remaining £0.597 million forecast overspend back in line to report a balanced budget by 31 March 2017.
 13. Overall the period 9 report identifies potential cost pressures of £0.597 million. That is 0.2% of net expenditure, and is in line with / below other overspend projections at other similar sized councils nationally. This is a reflection of the reduction in government funding set against a continued increase in demand, especially in care.
 14. The main pressures continue to arise, as they are nationally, from care. There are also a small number of areas facing unforeseen pressures and new requirements to be funded. To respond senior officers have been taking and assessing actions to address this forecast and manage within resources. As a result, the following further key actions have been taken:
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- **Slowdown spend and divert underspending**

15. Services have been assessing their spend to assess what elements of spend are critical to the ongoing maintenance of performance. As a result a number of actions have been taken, including: reducing the number of credit cards and petty cash; restricting the number of authorisers of spend; reducing the number of printers available; managing and profiling maintenance programmes; managing vacancies.
16. As a result a number of services are now forecasting an underspend to offset pressures in other areas. Some of the other reasons for this are also set out in the following paragraphs.

- **Use of reserves**

17. The risk assessment presented to Council in February 2016 identified a number of potential calls on the Council's General Fund Reserves. It is likely that £0.600 million provided for Children's Care and £0.400 million for other savings not delivered (3% as per paragraph 30 for more details) will be required to be drawn down by 31 March 2017 and this has been included in the Period 9 forecast, and reflected in the reserves assessment that follows in this report.

- **Adults Social Care Spend**

18. There has been an increase in Adult Social Care costs arising from pressures relating to the increased complexity and costs of care. This forecasts an overall net pressure of £0.968 million, with costs in specialist care continuing to rise, and further affects of the National Living Wage and contract prices, as well as numbers and complexity of placements giving rise to pressures across adult social care. This forecast is after accounting for nearly £1.8m of one off savings identified in previous months. As such it is recognised that the service needs to identify further savings going into 2017/18 to manage longer term cost pressures. This task is recognised in the Council's budget proposals on the same Cabinet agenda as this item.

- **Children's Social Care**

19. Children's Social Care budgets are projected to overspend, before applying any general fund reserve, by £1.819 million (£1.977 million at Period 7). As reported last quarter, the key risks continue to be high cost placements for a cohort of looked after children. Strategic plans to address this pressure are beginning to show impact. Whilst agency spend in social work teams continues to be a pressure there has been a significant reduction in the numbers of agency staff across the service.
 20. The number of Looked After Children also continues to be below average compared with other authorities and work is continuing to help to mitigate these costs where possible. The numbers of looked after children and scarcity of placements is a national issue. The strategies employed by the council are helping keep the costs below the average of neighbouring authorities.
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- **0-25 Service: Disabled Children & Adults**

21. The 0-25 SEND Service is currently projected to overspend by £2.501 million (£2.329 million at Period 7). As reported last quarter, the key pressure continue to be the number and cost of packages of care and pressure on SEN transport budgets for home to school transport. The local authority has a statutory duty to provide this support and plans are in place to ensure that costs are mitigated where possible. A cross service improvement plan is being implemented to ensure service delivery and financial obligations are considered.

- **Legal & Governance**

22. Legal & Governance is currently projecting a net overspend of £0.335 million. This is on line with the forecast at Period 7. However, there continues to be a high demand for legal services across the council. Officers are taking action to manage down demand levels to mitigate this issue. This pressure has been reflected in the proposals to set the 2017/18 base budget.

Restructure & Contingency

23. This heading includes a range of corporate and cross cutting savings and is currently projecting a net underspend of £2.914 million compared to an overspend of £0.686 million forecast at Period 7. This reduction has been achieved following a review of savings to be delivered, and placing an emphasis on ensuring corporate actions on items such as procurement savings were delivered. Whilst some savings, such as Schools Trading, may not be delivered the current forecasts is only 3% of all savings, and where these will not be fully delivered in 2016/17 work is ongoing to deliver these savings in 2017/18. As such it is likely that circa £0.4 million of general fund reserves will be required if no other savings are realised.

Housing Revenue Account Monitoring Update

24. Budget figures on the Housing Revenue Account (HRA) have been reviewed as part of the regular budget monitoring process.

25. The HRA is currently projecting a balanced position.

Reserves

26. The table below provides the projected position for the year as at period 7 on the general fund balance held by the Council. This reflects the potential draw down of £1 million as discussed in the period 7 report relating to greater demand in SEND services in year than forecast and the need to subsidise delivery of savings proposals that have been delayed. The latest forecast on general fund balances currently stands at £12.206 million at 31 March 2017.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2016		(12.206)
Projected overspend at period 9	0.597	
Recovery plans	(0.597)	
Potential draw from reserves (per period 7 report)	1.000	
Total Forecast movement		1.000
Forecast Balance 31 March 2017		(11.206)

27. At present it is assumed that all other areas currently overspending will be on line by the year end following management action. A review of the assessment of need has been undertaken by the Section 151 Officer to link all the General Fund balances to risk.

Overall Conclusions

28. This report has identified a shortfall if no further action is taken on the general fund budget of £0.597 million at period 9 due to cost pressures / shortfalls in income. Officers are currently taking action to address this and further monitoring and outturn reports will be brought to Cabinet.
29. The early identification of potential issues is part of sound and prudent financial management. Action to address this year's forecast should be taken where officers have the delegated powers to do so and this is underway.

Implications

30. This report informs member's decision making.

Overview & Scrutiny Engagement

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

Safeguarding Implications

32. 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.
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Public Health Implications

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

Corporate Procurement Implications

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

Equalities and diversity impact of the proposals

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

Environmental and Climate Change Considerations

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

Risks Assessment

37. 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

38. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report. Further management action is required to deliver a balanced budget by 31 March 2017.

Legal Implications

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

Proposals

40. Cabinet is asked to note the outcome of the period 9 (end of December) budget monitoring.

Reasons for Proposals

41. 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
- Appendix D: Forecast Variance Movements

