

## Wiltshire Council

### Cabinet

27 September 2022

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

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

**Key Decision:** Non-Key

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#### **Executive Summary**

This report informs members of the first quarterly revenue budget monitoring forecast position (as at 30 June 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 1 Revenue Budget Monitoring**

Quarter 1 budget monitoring forecasts are based on information known as at 30 June 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 budget set out the likely position of the Council's finances beyond 2022/23 with an estimated budget gap in year three (2024/25) of the MTFs with one-off funding from reserves used across the latter 2 years. 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 1 position forecasts an underlying overspend for the year of £12.350m with mitigations in place that result in a net overspend for the year of £6.020m. This overspend includes the estimated impact of the pay award for 2022/23. For Q1 the forecast was originally 4.5% which resulted in a pressure of £3.7m, however following the employers offer this forecast has now increased and adds a further £2.9m pressure to the forecast position presented. This estimate is based on the employers offer to the unions at the end of July to which the negotiations are still ongoing.

The Council prudently set aside nearly £9m in reserves to deal with the inflation pressure on a one off basis in this financial year. The reserve will be applied to ensure the Council balances the budget for the financial year. At this stage of the year therefore there are no further management action or proposals made for this variance other than those outlined in the report. Future reports will include recommendations if there is a further deterioration in the forecast adverse variance.

### **MTFS Update**

This report also includes a high-level update and outlines to members the latest position in respect to the Budget 2023/24 and the Medium-Term Financial Strategy following the setting of the 2022/23 budget in February 2022.

It sets out the changes in assumptions and funding since the budget was set, including an assessment of the ongoing impact of variances identified in the Q1 budget monitoring process that cannot be contained. It is estimated that, predominantly as a result of the current impact of inflation, the financial gap facing the authority over the next 3 years stands at around £45m.

It will also set out the high level timescales and key dates that will be required to set a balanced budget for the 2023/24 financial year.

### **Proposals**

Cabinet is asked to approve:

- a) the transfer of £0.110m into a SEN Inspection reserve, as detailed in paragraph 37;

Cabinet is asked to note:

- a) the current revenue budget is forecast to overspend by £6.020m by the end of the financial year and that this will be managed through the use of earmarked reserves;
- b) the current forecast savings delivery performance for the year;
- c) The £0.531m draw from the Transformation Reserve to fund transformation activity in 2022/23 in the Family and Children's Transformation (FACT) programme and Customer Experience programme;
- d) the updated position in respect of the current estimated financial gap for 2023/24;
- e) the key dates and timescales that are required to set a balanced budget.

### **Reason for Proposals**

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 1 (30 June 2022), including delivery of approved savings for the year.

To inform Cabinet on the current position for the setting of the 2023/24 budget, it begins the process and focus for setting plans and resources for providing the services and support that will be essential for delivering a financially sustainable council and effective, quality public services for the residents of Wiltshire.

**Terence Herbert**  
**Chief Executive**

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### Purpose of Report

1. To advise Members of the Revenue Budget Monitoring position Quarter 1 (30 June 2022) for the financial year 2022/23 with suggested actions as appropriate.
2. To inform Members of the latest assumptions for the 2023/24 budget and the updating of the Medium-Term Financial Strategy (MTFS) since the budget was set back at Full Council in February 2022.
3. To inform Members of the latest financial position leading into the setting of the 2023/24 budget and the key dates in that will ultimately lead to the proposal of a balanced budget for 2023/24.

### Relevance to the Council's Business Plan

4. 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.
5. 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 1**

6. The Council approved a net budget for 2022/23 of £417.703m at its meeting on 15 February 2022.
7. This is the first report for the financial year and includes a summary of the movements of the budget since the budget was set by Full Council in February 2022. This summary can be seen in Appendix A.
8. The following paragraphs focus on forecast outturn variances against the approved budget based on information as at 30 June 2022. They also 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.

9. The forecasts at this stage of the year are early and subject to movement during the year as more certainty arises and less estimation is required. They are however forecasts for known items and commitments and estimates on a forecast for the remainder of the financial year. The current economic position and volatility introduces additional risk that forecasts move during the year due to the significant changes that have been seen in inflation indices that have been seen since setting the budget.

## **Main Considerations for the Council**

### **Revenue Budget**

10. 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 1 below.

Table 1 – Forecast as at Quarter 1 2022/23 Summary Position

## Overview of Quarter 1 Monitoring

	Original Budget	Revised Budget	Forecast before Mgt & Other Actions	Variance before Mgt & Other Actions	Mgt & Other Actions	Forecast	Variance
	A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
<b>Corporate Director People</b>							
Living and Ageing Well	72.096	74.857	76.613	1.756	(0.911)	75.702	0.845
Whole Life Pathway	78.003	77.812	80.373	2.561	(0.989)	79.384	1.572
Education & Skills	22.728	23.155	25.434	2.279	(0.496)	24.938	1.783
Family & Children Services	62.175	60.954	61.011	0.057	(1.235)	59.776	(1.178)
<b>TOTAL PEOPLE</b>	<b>235.002</b>	<b>236.778</b>	<b>243.431</b>	<b>6.653</b>	<b>(3.631)</b>	<b>239.800</b>	<b>3.022</b>
<b>Corporate Director Resources</b>							
Finance	3.895	3.867	4.902	1.035	(0.159)	4.743	0.876
Assets & Commercial Development	16.261	15.545	16.294	0.749	-	16.294	0.749
ICT	11.595	11.614	11.997	0.383	(0.322)	11.675	0.061
Procurement & Commissioning	5.310	4.980	5.111	0.131	-	5.111	0.131
<b>TOTAL RESOURCES</b>	<b>37.061</b>	<b>36.006</b>	<b>38.304</b>	<b>2.298</b>	<b>(0.481)</b>	<b>37.823</b>	<b>1.817</b>
<b>Corporate Director Place</b>							
Highways & Transport	37.761	37.848	39.378	1.530	(1.680)	37.698	(0.150)
Economy & Regeneration	2.491	2.413	2.459	0.046	(0.056)	2.403	(0.010)
Planning	1.670	1.166	1.992	0.826	(0.071)	1.921	0.755
Environment	43.215	44.474	44.571	0.097	-	44.571	0.097
Leisure Culture & Communities	7.474	6.078	6.734	0.656	(0.145)	6.589	0.511
<b>TOTAL PLACE</b>	<b>92.611</b>	<b>91.979</b>	<b>95.134</b>	<b>3.155</b>	<b>(1.952)</b>	<b>93.182</b>	<b>1.203</b>
<b>Chief Executive Directorates</b>							
Public Health	1.597	1.403	1.379	(0.024)	(0.061)	1.318	(0.085)
Legal & Governance	7.482	9.410	9.577	0.167	(0.205)	9.372	(0.038)
HR&OD	5.468	2.336	2.233	(0.103)	-	2.233	(0.103)
Transformation & Business Change	-	1.246	1.049	(0.197)	-	1.049	(0.197)
Corporate Directors & Members	2.939	3.110	3.292	0.182	-	3.292	0.182
Commercial Savings	0.102	0.102	-	(0.102)	-	-	(0.102)
<b>TOTAL CEX DIRECTORATES</b>	<b>17.588</b>	<b>17.607</b>	<b>17.530</b>	<b>(0.077)</b>	<b>(0.266)</b>	<b>17.264</b>	<b>(0.343)</b>
<b>Corporate</b>							
Movement on Reserves	(1.138)	(1.138)	(1.138)	-	-	(1.138)	-
Capital Financing	26.841	26.841	24.439	(2.402)	-	24.439	(2.402)
Corporate Costs	3.113	3.755	3.952	0.197	-	3.952	0.197
Corporate Levies	6.625	5.875	5.501	(0.374)	-	5.501	(0.374)
Covid	-	-	-	-	-	-	-
<b>TOTAL CORPORATE</b>	<b>35.441</b>	<b>35.333</b>	<b>32.754</b>	<b>(2.579)</b>	<b>-</b>	<b>32.754</b>	<b>(2.579)</b>
<b>TOTAL GENERAL FUND</b>	<b>417.703</b>	<b>417.703</b>	<b>427.153</b>	<b>9.450</b>	<b>(6.330)</b>	<b>420.823</b>	<b>3.120</b>
<b>Funding</b>							
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)	-
<b>TOTAL FUNDING</b>	<b>(417.703)</b>	<b>(417.703)</b>	<b>(417.703)</b>	<b>-</b>	<b>-</b>	<b>(417.703)</b>	<b>-</b>
Additional Pay Award	-	-	2.900	2.900	-	2.900	2.900
<b>TOTAL VARIANCE</b>	<b>(0.000)</b>	<b>0.000</b>	<b>12.350</b>	<b>12.350</b>	<b>(6.330)</b>	<b>6.020</b>	<b>6.020</b>

11. Overall, the quarter 1 report forecasts a potential year end underlying overspend of £12.350m and a net overspend of £6.020m. However, this is before the finalisation of the pay award for 2022/23 and the forecast included within this report reflects a position of the employers offer made at the end of July. This is the first report of the year 2022/23 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.

12. As reported as part of setting the budget in February 2022 the Pay award was budgeted for at 2%. Based on the increasing cost of living seen nationally it is likely that the actual increase will be in excess of this amount with indications

estimating the increase to be in the region of 9-10% over the next 2 years (2022/23 and 2023/24). The working forecast at quarter one was originally updated and as a result of this, the assumed pay award has been recast across services and calculated using a 4.5% increase.

13. National negotiations are currently underway with the Unions and the offer from employers to the unions was for a £1,925 increase on every spinal point, which roughly equates to a 6.5% increase on the Councils wage bill. For the purposes of the Q1 forecast a 4.5% increase has been used in the service variances and this pressure has been included within service pressures below and will be referred to as the Pay award pressure.
14. It is estimated that the employers offer will add a further £2.9m pressure to the forecast and increases the underlying overspend to £12.350m and is included separately in overview table above and will be picked up formally in the Q2 report and reflected in service variances. The Council holds nearly £9m in reserve to deal with the pressure anticipated from the pay award for 2022/23 as well as higher than budgeted contract inflation.
15. 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 are unlikely to deliver the full forecasted savings this year as negotiations continue with the unions, these saving have been allocated out to services and are reported on below and will be referred to as the Terms and Conditions pressure.

## CORPORATE DIRECTOR - PEOPLE

Table 2 – Forecast as at Quarter 1 2022/23 Corporate Director People Position

		<i>Original Budget</i>	<i>Revised Budget</i>	<i>Forecast before Mgt &amp; Other Actions</i>	<i>Variance before Mgt &amp; Other Actions</i>	<i>Mgt &amp; Other Actions</i>	<i>Forecast</i>	<i>Variance</i>
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D (C-B)</b>	<b>E</b>	<b>F (C+E)</b>	<b>G (F-B)</b>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>Corporate Director People</b>								
Living and Ageing Well	Gross Income	109.301 (37.205)	110.120 (35.263)	111.916 (35.303)	1.796 (0.040)	(0.911)	111.005 (35.303)	0.885 (0.040)
	<b>Net Exp</b>	<b>72.096</b>	<b>74.857</b>	<b>76.613</b>	<b>1.756</b>	<b>(0.911)</b>	<b>75.702</b>	<b>0.845</b>
Whole Life Pathway	Gross Income	88.080 (10.077)	103.902 (26.090)	115.361 (34.988)	11.459 (8.898)	(0.989)	114.372 (34.988)	10.470 (8.898)
	<b>Net Exp</b>	<b>78.003</b>	<b>77.812</b>	<b>80.373</b>	<b>2.561</b>	<b>(0.989)</b>	<b>79.384</b>	<b>1.572</b>
Education & Skills	Gross Income	132.942 (110.214)	134.491 (111.336)	136.889 (111.455)	2.398 (0.119)	(0.496)	136.393 (111.455)	1.902 (0.119)
	<b>Net Exp</b>	<b>22.728</b>	<b>23.155</b>	<b>25.434</b>	<b>2.279</b>	<b>(0.496)</b>	<b>24.938</b>	<b>1.783</b>
Families & Children Services	Gross Income	67.546 (5.371)	66.369 (5.415)	66.077 (5.066)	(0.292) 0.349	(1.235)	64.842 (5.066)	(1.527) 0.349
	<b>Net Exp</b>	<b>62.175</b>	<b>60.954</b>	<b>61.011</b>	<b>0.057</b>	<b>(1.235)</b>	<b>59.776</b>	<b>(1.178)</b>
<b>TOTAL PEOPLE</b>	<b>Gross Income</b>	<b>397.869 (162.867)</b>	<b>414.882 (178.104)</b>	<b>430.243 (186.812)</b>	<b>15.361 (8.708)</b>	<b>(3.631) -</b>	<b>426.612 (186.812)</b>	<b>11.730 (8.708)</b>
	<b>Net Exp</b>	<b>235.002</b>	<b>236.778</b>	<b>243.431</b>	<b>6.653</b>	<b>(3.631)</b>	<b>239.800</b>	<b>3.022</b>

## **Living and Ageing Well: Budget £74.857m – £0.845m overspend**

16. Overall Living and Ageing Well are projecting a £0.845m net overspend. This overspend includes £0.349m of savings now assessed as not deliverable, £0.200m for spot to block placement conversions for older people and £0.148m of the £2.900m saving for the Improved Better Care Fund to support social care, reduce pressure on the NHS & support the care market. The service will continue to look at how these may be achieved through other means.
17. The variance before management action is £1.756m due to the additional inflationary pressures seen by the service, this has impacted the home care market due to rising fuel prices and the inflationary pressures generally across the care market due to cost of living increases and 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 to manage inflation to as close to that budgeted as possible and meet budgetary pressures has reduced this pressure by (£0.911m) to the net overspend position reported above.
18. The budget was set on the basis of needing to provide 994 care home placements at an average weekly price of £999 for residential care, and £937 per Nursing Care. As of the end of June there were 984 people in a care home, with average prices of £804 for residential care, and £887 for Nursing care.
19. Although there has been a reduction in the number of people supported in a care home, there has been an increase in the number of people supported at home, from a budgeted 1,509 to 1,560 at the end of June, with average costs of supporting people at home at £357 per week, up from £292 per week from what was originally budgeted for.
20. Within this the Reablement budget is projecting a net overspend of £0.118m. The variance before management action is £0.428m due to the inflationary pressures on services, in addition the pressure from the additional estimated pay award above the 2% budgeted and the Terms and Conditions pressure. However, this has been fully mitigated by the service resulting in the net position of an overspend of £0.118m. The net overspend is mainly due to recruitment difficulties and 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. It is anticipated this will resolve when the T&C's discussions reach a conclusion.

## **Whole Life Pathway: Budget £77.812m – £1.572m overspend**

21. Overall, the Whole Life Pathway Budget is projecting a £1.572m overspend. This overspend includes £1.500m of savings assessed as no longer able to be delivered for the improved use of care cube £0.500m, Good Lives Alliance £0.250m, spot to block placement conversion – working age £0.250m and Under 65 high cost placement action plan £0.500m. Commissioning and the service, will continue to look at how these may be achieved through other means.
22. The variance before management action is £2.561m due to the additional inflationary pressures seen by the service, 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. Management action to manage inflation to as close to that budgeted as possible and meet budgetary pressures has reduced this pressure by (£0.989m) to the net overspend position reported above.

23. The Learning Disabilities and Autism Service (LDAS) budget is forecasting a £3.189 million overspend. £1.500m of this is due savings assessed as no longer able to be delivered 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.
24. The cost of living crisis continues to exert pressure on the LDAS budget which has seen a number of pressures due to inflation. As a result of fuel inflation a 3.25% uplift has been agreed on the passenger transport costs. Despite this uplift the service still expects to meet the savings target. Due to the current volatility of the fuel market the risk of further increases remains high. This is being closely monitored by both the LDA and passenger transport services. The variance before management action is an overspend of £3.650m but the service is managing a number of these pressures by managing inflation to as close as possible to that budgeted resulting in the net overspend of £3.189m.
25. The Community Support budget is projecting a (£0.238m) underspend. This is as a result of additional Continuing Health Care income to that budgeted and a number of staff vacancies. The service is managing the pressures as a result of the additional estimated pay award and the Terms and Conditions savings. Also included within this budget are the costs of support to refugees, this includes the Homes for Ukraine funding from the DLUHC of £5.873m 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 required in 2023/24 to continue this programme and to support housing and costs of staffing across the council to support this scheme.
26. The Mental Health budget is forecasting a (£1.379m) underspend. This is made up of several variances within the service, the largest being £1.183m underspend on the adults of working age mental health care budget as there has been a decrease in packages over the last month. The service is also forecasting an over recovery of income amounting to (£0.812m), this is predominantly due to contributions from the ICB (Integrated Care Board) towards care costs of section 117 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 variance before management action of (£1.079m). The service has worked to reduce this pressure by (£0.299m) to the net overspend position reported above by managing inflation to as close as possible to that budgeted.

## **Families & Children Services: Budget £60.954m – £1.178m underspend**

27. 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.
28. This is a demand driven service area. The anticipated latent demand of children in care, post pandemic, has not yet to come to fruition. This is in part, because of our successful prevention and early support services preventing such escalation of need together with other schemes aimed at mitigating cost pressures. These 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 all contributed to containing demand and cost pressure. The forecast position is that placement savings will be achieved and there is a small favourable variance which includes forecasting an increase for all in house carers 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.
29. 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 23. We have 28 unaccompanied asylum-seeking young people who are care leavers. Based on our quota of 0.07% of Wiltshire’s population we should be taking 78 from the National Transfer Scheme (NTS) scheme so we can expect a further 55, 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.
30. The budgeted number of children in care for 2022-23 financial year is 434. The actual number of children in care is 425 (June 2022) and forecast estimate of children in care for the remainder of the year is lower than budgeted, at 431. Lower than planned numbers of children in care are as a result of our successful ‘stronger families’ team working intensively with families to prevent them coming into our care, as well as our 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.
31. 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.
32. SEN social care external placement budgets are forecasting an underspend of £0.556m due to both current and anticipated numbers of disabled children in our care and those with special educational needs and disability. At the time of setting the budget, the average unit cost was calculated at £708 per week. The overall average as at quarter 1 is £786 –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.

33. The lower than planned numbers of children in care placements mitigate against the increased weekly prices due to complexity of need, market sufficiency and national inflationary pressures felt by providers.
34. The national social work recruitment and retention challenge is being felt in Wiltshire and there are forecasted underspends in service teams. Recruitment campaigns are on-going and 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 in the support and safeguarding service, and the children in care teams of £0.677m, including the pay award. In order to reduce the overall cost pressure, use of agency staff has been kept to a minimum to date however, there are concerns that if future recruitment campaign success is limited, 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.
35. A number of small variances comprise the balance of the forecast underspend.
36. The Transformational Board has approved a drawdown from the transformation reserve totalling £0.910m over three years in order to prioritise and facilitate the Families and Children Transformation (FACT) programme of work. Cabinet are asked to approve a drawdown of £0.297m for the 2022-23 financial year.

**Education & Skills (School Effectiveness, SEN & Inclusion): Budget £23.155m – £1.783m overspend**

37. The services in this area fulfil numerous statutory duties with a mixture of local authority and dedicated schools grant (DSG) funding. The majority local authority funded services are forecast to largely be aligned with budget – the forecast underspend in service teams of (£0.171m) includes the 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.
38. All 5-16-year-old school children with an Education, Health and Care Plan (EHCP) are entitled to free school transport. The forecast variance before management actions for school transport for learners with an EHCP is £2.010m overspent due to more children than planned on transport. This is mitigated by savings achieved of £0.150m following re-contracting, leading to the total forecast overspend after management actions of £1.860m.

	Total Budget £	Average Annual Cost per learner £	Number of SEN Learners claiming transport
Planned	13.069m	9,269	1,410
Forecast	14.929m	9,267	1,611
Forecast Variance	1.860m	- 2	201*

\*Forecast includes provision for an additional 80 new learners from September 2022.

39. In preparation for the anticipated SEN Inspection early in 2023 a quality assurance and readiness role is currently being advertised. The response will need to continue into the next financial year and Cabinet are asked to approve that £0.110m is moved to an ear marked reserve to fund this work for SEN & Inclusion to continue the work in 2023/24.
40. The DfE have asked Council's to passport a small number of COVID grants to schools, including mass testing and recovery premiums to secondary and special schools.

## CORPORATE DIRECTOR – RESOURCES

Table 3 - Forecast as at Quarter 1 2022/23 Corporate Director Resources Position

		<i>Original Budget</i>	<i>Revised Budget</i>	<i>Forecast before Mgt &amp; Other Actions</i>	<i>Variance before Mgt &amp; Other Actions</i>	<i>Mgt &amp; Other Actions</i>	<i>Forecast</i>	<i>Variance</i>
		<b>A</b> £m	<b>B</b> £m	<b>C</b> £m	<b>D (C-B)</b> £m	<b>E</b> £m	<b>F (C+E)</b> £m	<b>G (F-B)</b> £m
<b>Corporate Director</b>								
Finance	Gross	82.469	82.441	83.576	1.135	(0.161)	83.415	0.974
	Income	(78.574)	(78.574)	(78.674)	(0.100)	0.002	(78.672)	(0.098)
	<b>Net Exp</b>	<b>3.895</b>	<b>3.867</b>	<b>4.902</b>	<b>1.035</b>	<b>(0.159)</b>	<b>4.743</b>	<b>0.876</b>
Assets & Commercial Development	Gross	33.117	33.101	34.706	1.605		34.706	1.605
	Income	(16.856)	(17.556)	(18.412)	(0.856)		(18.412)	(0.856)
	<b>Net Exp</b>	<b>16.261</b>	<b>15.545</b>	<b>16.294</b>	<b>0.749</b>	<b>-</b>	<b>16.294</b>	<b>0.749</b>
ICT	Gross	12.016	12.035	12.312	0.277	(0.322)	11.990	(0.045)
	Income	(0.421)	(0.421)	(0.315)	0.106		(0.315)	0.106
	<b>Net Exp</b>	<b>11.595</b>	<b>11.614</b>	<b>11.997</b>	<b>0.383</b>	<b>(0.322)</b>	<b>11.675</b>	<b>0.061</b>
Procurement & Commissioning	Gross	17.069	7.152	7.283	0.131		7.283	0.131
	Income	(11.759)	(2.172)	(2.172)	-		(2.172)	-
	<b>Net Exp</b>	<b>5.310</b>	<b>4.980</b>	<b>5.111</b>	<b>0.131</b>	<b>-</b>	<b>5.111</b>	<b>0.131</b>
<b>TOTAL RESOURCES</b>								
	Gross	144.671	134.729	137.877	3.148	(0.483)	137.394	2.665
	Income	(107.610)	(98.723)	(99.573)	(0.850)	0.002	(99.571)	(0.848)
	<b>Net Exp</b>	<b>37.061</b>	<b>36.006</b>	<b>38.304</b>	<b>2.298</b>	<b>(0.481)</b>	<b>37.823</b>	<b>1.817</b>

### Finance: Budget £3.867m – £0.876m overspend

41. Finance is forecasting a variance of £1.035m before management action. £0.970m of this pressure is on Benefit Subsidy as a result of people being placed in supported living accommodation. 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.

42. In addition, there is a £0.165m of pressure as a result of the Pay award assumption this is being offset by maximising 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.

43. Vacancies are being held and are forecast to continue to be held across the service to further reduce the variance to a overspend of £0.876m.

#### **Assets & Commercial Development: Budget £15.545m – £0.749m overspend**

44. Assets & Commercial Development are reporting a £0.749m overspend, which is largely due to the impact of inflation on maintenance contracts and the energy markets.

45. 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. Based on 2021/22 usage this is now forecast to create an overspend on electricity of £0.450m and gas £0.230m.

46. A £0.450m pressure is forecast on maintenance contracts from inflation on services and materials and £0.107m in relation to the Pay award pressure.

47. These pressures are being offset in the main by one off income from the NHS for the use of City Hall of £0.270m and a saving on Covid cleaning of £0.085m as levels have been reduced back to standard.

#### **ICT: Budget £11.614m – £0.061m overspend**

48. Digital and IT are reporting a variance of £0.383m overspend before management action, £0.101m forecast for Pay award pressure, £0.104m for Terms & Conditions pressure and £0.178m for inflation pressure on Microsoft Enterprise & Select Agreement at 12.5%.

49. Management action has been taken to reduce this to a net variance of £0.061m overspend. Support contract with Microsoft and Azure have been reviewed and restructured to manage the inflation pressure.

50. Further savings have been achieved on the corporate Network totalling £0.266m, these will be one off and recurring savings. 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.

51. 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 £4.980m – £0.131m overspend

52. Procurement & Commissioning are reporting an overspend of £0.131m as a result of the Pay award pressure.

### CORPORATE DIRECTOR – PLACE

Table 4 - Forecast as at Quarter 1 2022/23 Corporate Director Place Position

		<i>Original Budget</i>	<i>Revised Budget</i>	<i>Forecast before Mgt &amp; Other Actions</i>	<i>Variance before Mgt &amp; Other Actions</i>	<i>Mgt &amp; Other Actions</i>	<i>Forecast</i>	<i>Variance</i>
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D (C-B)</b>	<b>E</b>	<b>F (C+E)</b>	<b>G (F-B)</b>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>Corporate Director Place</b>								
Highways & Transport	Gross Income	51.086 (13.325)	51.153 (13.305)	53.763 (14.385)	2.610 (1.080)	(1.180) (0.500)	52.583 (14.885)	1.430 (1.580)
	<b>Net Exp</b>	<b>37.761</b>	<b>37.848</b>	<b>39.378</b>	<b>1.530</b>	<b>(1.680)</b>	<b>37.698</b>	<b>(0.150)</b>
Economy & Regeneration	Gross Income	4.000 (1.509)	3.996 (1.583)	4.027 (1.568)	0.031 0.015	(0.056)	3.971 (1.568)	(0.025) 0.015
	<b>Net Exp</b>	<b>2.491</b>	<b>2.413</b>	<b>2.459</b>	<b>0.046</b>	<b>(0.056)</b>	<b>2.403</b>	<b>(0.010)</b>
Planning	Gross Income	8.450 (6.780)	7.946 (6.780)	8.579 (6.587)	0.633 0.193	(0.071)	8.508 (6.587)	0.562 0.193
	<b>Net Exp</b>	<b>1.670</b>	<b>1.166</b>	<b>1.992</b>	<b>0.826</b>	<b>(0.071)</b>	<b>1.921</b>	<b>0.755</b>
Environment	Gross Income	52.633 (9.418)	53.220 (8.746)	54.788 (10.217)	1.568 (1.471)		54.788 (10.217)	1.568 (1.471)
	<b>Net Exp</b>	<b>43.215</b>	<b>44.474</b>	<b>44.571</b>	<b>0.097</b>	<b>-</b>	<b>44.571</b>	<b>0.097</b>
Leisure Culture & Communities	Gross Income	15.000 (7.526)	20.039 (13.961)	20.695 (13.961)	0.656 -	(0.145)	20.550 (13.961)	0.511 -
	<b>Net Exp</b>	<b>7.474</b>	<b>6.078</b>	<b>6.734</b>	<b>0.656</b>	<b>(0.145)</b>	<b>6.589</b>	<b>0.511</b>
<b>TOTAL PLACE</b>								
	<b>Gross Income</b>	<b>131.169</b> <b>(38.558)</b>	<b>136.354</b> <b>(44.375)</b>	<b>141.852</b> <b>(46.718)</b>	<b>5.498</b> <b>(2.343)</b>	<b>(1.452)</b> <b>(0.500)</b>	<b>140.400</b> <b>(47.218)</b>	<b>4.046</b> <b>(2.843)</b>
	<b>Net Exp</b>	<b>92.611</b>	<b>91.979</b>	<b>95.134</b>	<b>3.155</b>	<b>(1.952)</b>	<b>93.182</b>	<b>1.203</b>

53. As shown above the £44.375m of Place & Environment revised budget is derived from income, the table below breaks this down further by department.

Table 5 – Place Income Budgets by Department

<b>Service</b>	<b>Fees &amp; Charges, Other Income</b>	<b>Grants, Contributions, Recharges</b>	<b>Total Income Budgets</b>	<b>Total Income Forecast</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Highways &amp; Transport</b>				
Local Highways	(0.214)	(0.014)	(0.227)	(0.246)
Highways Operations	(3.273)	(0.002)	(3.275)	(4.461)
Car Parking	(8.257)	-	(8.257)	(8.004)
Passenger Transport	(0.421)	(1.125)	(1.545)	(2.176)
	<b>(12.165)</b>	<b>(1.140)</b>	<b>(13.305)</b>	<b>(14.887)</b>
<b>Economy &amp; Regeneration</b>				
Economic Regeneration	-	(0.109)	(0.109)	(0.123)
Enterprise Network	(1.244)	-	(1.244)	(1.215)
Major Projects	(0.023)	(0.207)	(0.230)	(0.230)
	<b>(1.267)</b>	<b>(0.316)</b>	<b>(1.583)</b>	<b>(1.568)</b>
<b>Planning</b>				
Development Management	(4.540)	-	(4.540)	(4.540)
Spatial Planning	-	(0.050)	(0.050)	(0.050)
Building Control & Planning Tech Service	(1.156)	-	(1.156)	(1.058)
Land Charges	(1.034)	-	(1.034)	(0.939)
	<b>(6.730)</b>	<b>(0.050)</b>	<b>(6.780)</b>	<b>(6.587)</b>
<b>Environment</b>				
Natural & Historic Environment	(0.053)	(0.017)	(0.070)	(0.070)
Waste Management	(7.720)	(0.003)	(7.723)	(9.211)
Public Protection	(0.934)	(0.020)	(0.953)	(0.937)
	<b>(8.707)</b>	<b>(0.040)</b>	<b>(8.746)</b>	<b>(10.218)</b>
<b>Leisure Culture &amp; Communities</b>				
Libraries Heritage & Arts	(0.421)	(0.239)	(0.659)	(0.635)
Leisure Operations	(11.779)	(1.522)	(13.301)	(13.058)
	<b>(12.200)</b>	<b>(1.761)</b>	<b>(13.961)</b>	<b>(13.693)</b>
<b>TOTAL Place</b>	<b>(41.069)</b>	<b>(3.306)</b>	<b>(44.375)</b>	<b>(46.953)</b>

54. 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 Qtr1 the majority of the forecasts have been forecast on Budget or in line with 2021/22 outturn unless the actual position for Qtr1 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 £37.848m – £0.150m underspend**

55. Highways and Transport service are managing significant inflation pressure with an average 6% (excluding fuel inflation pressure) higher increases on contracts than budgeted for as part of the 2022/23 budget. The position before management action is a £1.520m overspend, this is made up of £0.780m pressure from Highways contract inflation, £0.280m pay award pressure, £0.700m Passenger Transport inflation pressure (includes fuel pressure) £0.250m pressure on car parking income and savings targets no longer assessed as being deliverable of £0.100m. These pressures are being offset by increased Income on Street works of £0.590m. One off Management actions as described below have then been taken to reduce this to a net underspend position of £0.150m.

56. Car parking saving proposals have all been implemented with the exception of increasing tariffs which has been delayed and is planned to be actioned for September, overall a reduction in usage has been seen which is generating a forecast underachievement of income of £0.250m. Street works income has been forecast at the same level as achieved in 2021/22 which would see an overachievement of income of £0.590m, this income is difficult to forecast as it depends on the amount of work undertaken on the Highways by utilities and contractors, however there is nothing to indicate that the level will drop so the position has been forecast forward, the MTFs for 2023/24 has also been increased to reflect the improved position.
57. 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 £0.780m on revenue for 2022/23. This has been managed down to budget by a reduction in service largely as contractors are still experiencing issues as a result of COVID so are actually unable to deliver 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. 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.
58. 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 had 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. These pressures are currently forecast to be £0.7m above base budget for 2022/23 however as this position was forecast at the end of 2021/22 financial year grant and an EMR were set aside in order to provide one off assistance in 2022/23. Therefore, the service will be drawing this pressure from reserves for 2022/23.
59. The inflation pressure will be an ongoing issue for Highways & Transport so will need to be factored into the MTFs if service is to be maintained at agreed levels, as part of budget setting for 2023/24 services will need to be reviewed and rescope to see what is deliverable within the Councils affordability envelope. The Highways term maintenance contract is currently out for tender with a new contract due to start in April 2023, this causes additional uncertainty for future years and may result in increased prices.
60. 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.
61. The pay award pressure totals £0.280m for Highways & Transport, this is being managed down by holding vacant posts and saving in supplies & services.



62. Overall the variance has been managed down to an underspend position of £0.150m.

### **Economy & Regeneration: Budget £2.413m – £0.010m underspend**

63. Economy & Regeneration are forecasting a variance of £0.046m overspend before management action, this is due to the Pay award pressure. Management action has been taken to reduce this overspend variance to a forecast £0.010m underspend by holding vacancies until September 2022 and maximising staff charges to capital programmes where appropriate.

64. 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 £1.166m – £0.755m overspend**

65. 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.

66. As at Quarter 1 Development Management Income is forecast online, actual income received for Quarter 1 is showing less than expected however the service does not follow an average profile and large planning applications and peaks in activity have a large impact. Therefore, based on last year's outturn position and that there is no industry information to support a turn down in activity the forecast has been set online. This will be closely monitored and is a risk area for the service.

67. Building Control and Local Land Charges is forecast to underachieve Income budgets by £0.193m, this forecast is based on outturn position for 2021/22 and the actual level received for Quarter 1.

68. The service is forecasting a net £0.379m overspend on salaries. This is in part due to the pay award pressure of £0.178m 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.

69. In addition, an overspend on appeals costs (agency workers and counsel advice) is also forecast of £0.192m. This is a risk area for the service and is likely to increase throughout the year as more appeals are made by developers.

## Environment: Budget £44.474m – £0.097m overspend

70. Environment services is forecasting a Net £0.097m overspend, however included within this are significant variances on Gross and Income budgets.
71. The increasing inflation rate has a significant impact on the Waste Contracts, the service is currently forecasting a £1.28m pressure for contract inflation with CPI rates forecast at 9% for July 2022 when the majority of inflation is contractually due to be applied.
72. This pressure is being offset by a forecast overachievement on Income of £1.49m. As reported in 2021/22 outturn position the service saw a significant increase across recycling materials, this is forecast to continue and is supported by the actuals seen in the first quarter 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, 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.
73. 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, an outcome is not yet known.
74. 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.

Tables 6 – Waste Contract Budget vs Actual

Budget:	Service:	Contractor:	Tonnes				£/Tonne *			
			Budget setting F'cast (T)	Current Yr End F'cast (T)	Var (T)	Var (%)	£/Tonne (Budget Setting)	£/Tonne (Forecast)	Var (£)	Var (%)
Lot1	Provision and operation of Waste Transfer Stations (WTS), a Materials Recovery Facility (MRF) and two Household Recycling Centres (HRCs)	Hills	86,300	85,150	-1,150	-1.30%	£63.20	£67.56	£4.36	6.90%
Lot 3	Composting services	Hills	39,200	40,206	1,006	2.60%	£34.80	£36.63	£1.83	5.30%
Lot 4	Treatment & disposal of residual waste (inc street sweepings)	Hills	23,000	22,258	-742	-3.20%	£34.37	£35.42	£1.05	3.00%
Landfill Tax	Tax payable on all waste sent to landfill	N/A	35,800	34,971	-829	-2.30%	£98.60	£98.60	£0.00	0.00%
Lakeside	Energy from waste landfill diversion contract.	Hills	50,000	50,000	0	0.00%	£132.25	£134.32	£2.07	1.60%
MBT	Mechanical biological treatment (MBT) Landfill diversion contract.	Hills	60,000	59,901	-99	-0.20%	£151.78	£155.26	£3.49	2.30%

75. Environment Services is currently forecasting an overspend on pay budgets of £0.181m. £0.075m is in relation to the pay award pressure and £0.106m 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.
76. The climate programme Solar Together is forecast to generate £0.060m income in March 2022/23 as the Council receives £75 per installation.

## **Leisure Culture & Communities: Budget £6.078m – £0.511m overspend**

77. Leisure Culture & Communities is reporting a Gross overspend position of £0.656m, there are three main pressures driving this position. The Pay award pressure of £0.393m, £0.232m Terms and Conditions pressure and inflation pressure on supplies contract, Chemicals seeing a 90% increase from September 2022.
78. The service has taken action to manage £0.145m of the pressure by holding vacancies where appropriate, bulk buying supplies to lock in lower prices and focusing on essential spend. This has reduced the variance to a Net position of £0.511m.
79. Leisure Operations Income is currently forecast online, at 80% of pre COVID-19 levels. Actuals for the first quarter are behind profile but the service are working hard to promote the centres and at this stage are forecasting to be on track by the end of the financial year. The service is continuing to harmonise the inhouse and insourced centres taking forward best practice and learning.
80. Melksham Campus will open on the 1 August 2022. Budgets are being finalised but will need to be assessed based on the first few months of trading.
81. 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. A Cabinet paper setting out the strategic direction will be presented to Cabinet.

## **CHIEF EXECUTIVE DIRECTORATES**

Table 5 - Forecast as at Quarter 1 2022/23 Chief Executive Directorates Position

		<i>Original Budget</i>	<i>Revised Budget</i>	<i>Forecast before Mgt &amp; Other Actions</i>	<i>Variance before Mgt &amp; Other Actions</i>	<i>Mgt &amp; Other Actions</i>	<i>Forecast</i>	<i>Variance</i>
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D (C-B)</b>	<b>E</b>	<b>F (C+E)</b>	<b>G (F-B)</b>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
<b>Chief Executive Directorates</b>								
Public Health	Gross Income	18.220 (16.623)	18.504 (17.101)	18.480 (17.101)	(0.024) -	(0.061)	18.419 (17.101)	(0.085) -
	<b>Net Exp</b>	<b>1.597</b>	<b>1.403</b>	<b>1.379</b>	<b>(0.024)</b>	<b>(0.061)</b>	<b>1.318</b>	<b>(0.085)</b>
Legal & Governance	Gross Income	10.080 (2.598)	12.072 (2.662)	12.326 (2.749)	0.254 (0.087)	(0.205)	12.121 (2.749)	0.049 (0.087)
	<b>Net Exp</b>	<b>7.482</b>	<b>9.410</b>	<b>9.577</b>	<b>0.167</b>	<b>(0.205)</b>	<b>9.372</b>	<b>(0.038)</b>
HR&OD	Gross Income	9.290 (3.822)	5.660 (3.324)	5.795 (3.562)	0.135 (0.238)	-	5.795 (3.562)	0.135 (0.238)
	<b>Net Exp</b>	<b>5.468</b>	<b>2.336</b>	<b>2.233</b>	<b>(0.103)</b>	<b>-</b>	<b>2.233</b>	<b>(0.103)</b>
Transformation & Business Change	Gross Income	-	1.718 (0.472)	1.302 (0.253)	(0.416) 0.219	-	1.302 (0.253)	(0.416) 0.219
	<b>Net Exp</b>	<b>-</b>	<b>1.246</b>	<b>1.049</b>	<b>(0.197)</b>	<b>-</b>	<b>1.049</b>	<b>(0.197)</b>
Corporate Directors & Members	Gross Income	2.953 (0.014)	3.124 (0.014)	3.306 (0.014)	0.182 -	-	3.306 (0.014)	0.182 -
	<b>Net Exp</b>	<b>2.939</b>	<b>3.110</b>	<b>3.292</b>	<b>0.182</b>	<b>-</b>	<b>3.292</b>	<b>0.182</b>
Commercial Savings	Gross Income	0.102 -	0.102 -	- -	(0.102) -	-	- -	(0.102) -
	<b>Net Exp</b>	<b>0.102</b>	<b>0.102</b>	<b>-</b>	<b>(0.102)</b>	<b>-</b>	<b>-</b>	<b>(0.102)</b>
<b>TOTAL CEX DIRECTORATES</b>	<b>Gross Income</b>	<b>40.645</b> <b>(23.057)</b>	<b>41.180</b> <b>(23.573)</b>	<b>41.209</b> <b>(23.679)</b>	<b>0.029</b> <b>(0.106)</b>	<b>(0.266)</b> <b>-</b>	<b>40.943</b> <b>(23.679)</b>	<b>(0.237)</b> <b>(0.106)</b>
	<b>Net Exp</b>	<b>17.588</b>	<b>17.607</b>	<b>17.530</b>	<b>(0.077)</b>	<b>(0.266)</b>	<b>17.264</b>	<b>(0.343)</b>

### Public Health: Budget £1.403m – £0.085m underspend

82. Public Health are forecasting an underspend of £0.085m. This is due to a number of small underspends across the service 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.

83. At the end of the last financial year and in accordance with government guidance, a specific reserve of £4.4m was set up in relation to remaining Contain Outbreak Management Fund (COMF) grant which was aimed at containing the spread of the virus. Services have been asked to submit bids to the Director of Public Health in September for prioritisation and allocation.

### Legal & Governance: Budget £9.410m – £0.038m underspend

84. Legal and Governance are forecasting a Gross variance of £0.167m overspend this is from the pay award pressure of £0.254m, which has been offset by a forecast of additional income on Registration services of (£0.087m). 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 1<sup>st</sup> quarter of the year.

85. Management action has been taken to reduce the Gross Variance to a Net variance of (£0.038m) 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 £2.336m – £0.103m underspend**

86. 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 £1.246m – £0.197m underspend**

87. 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. Where salary cost pressure has arisen from 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.

88. The Transformational Board has approved a drawdown from the transformation reserve totalling £0.849m over three years in order to prioritise and facilitate the Customer Experience programme of work. Cabinet is asked to approve a drawdown of £0.234m for the 2022/23 financial year.

**Corporate Directors and Members: Budget £3.110m – £0.182m overspend**

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

**Commercial Savings: Budget £0.102m – £0.102m underspend**

90. The Commercial Savings target for 2021/22 was overachieved by £0.102m, this saving is recurring and can now be reflected in the MTFS for 2023/24.

**CORPORATE EXPENDITURE**

Table 7 - Forecast as at Quarter 1 2022/23 Corporate Position

		<i>Original Budget</i>	<i>Revised Budget</i>	<i>Forecast before Mgt &amp; Other Actions</i>	<i>Variance before Mgt &amp; Other Actions</i>	<i>Mgt &amp; Other Actions</i>	<i>Forecast</i>	<i>Variance</i>
		<b>A</b>	<b>B</b>	<b>C</b>	<b>D (C-B)</b>	<b>E</b>	<b>F (C+E)</b>	<b>G (F-B)</b>
		<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>			<i>£m</i>
<b>Corporate</b>								
Movement on Reserves	Gross Income	(1.138)	(1.138)	(1.138)	-		(1.138)	-
		-	-	-	-		-	-
	<b>Net Exp</b>	<b>(1.138)</b>	<b>(1.138)</b>	<b>(1.138)</b>	<b>-</b>	<b>-</b>	<b>(1.138)</b>	<b>-</b>
Financing & Investment Income & Expenditure	Gross Income	26.991	26.991	27.180	0.189		27.180	0.189
		(0.150)	(0.150)	(2.741)	(2.591)		(2.741)	(2.591)
	<b>Net Exp</b>	<b>26.841</b>	<b>26.841</b>	<b>24.439</b>	<b>(2.402)</b>	<b>-</b>	<b>24.439</b>	<b>(2.402)</b>
Corporate Costs	Gross Income	3.113	3.755	3.952	0.197		3.952	0.197
		-	-	-	-		-	-
	<b>Net Exp</b>	<b>3.113</b>	<b>3.755</b>	<b>3.952</b>	<b>0.197</b>	<b>-</b>	<b>3.952</b>	<b>0.197</b>
Corporate Levies	Gross Income	7.664	7.664	8.158	0.494		8.158	0.494
		(1.039)	(1.789)	(2.657)	(0.868)		(2.657)	(0.868)
	<b>Net Exp</b>	<b>6.625</b>	<b>5.875</b>	<b>5.501</b>	<b>(0.374)</b>	<b>-</b>	<b>5.501</b>	<b>(0.374)</b>
<b>TOTAL CORPORATE</b>	<b>Gross Income</b>	<b>36.630</b>	<b>37.272</b>	<b>38.152</b>	<b>0.880</b>	<b>-</b>	<b>38.152</b>	<b>0.880</b>
		<b>(1.189)</b>	<b>(1.939)</b>	<b>(5.398)</b>	<b>(3.459)</b>	<b>-</b>	<b>(5.398)</b>	<b>(3.459)</b>
	<b>Net Exp</b>	<b>35.441</b>	<b>35.333</b>	<b>32.754</b>	<b>(2.579)</b>	<b>-</b>	<b>32.754</b>	<b>(2.579)</b>

**Financing & Investment Income & Expenditure: Budget £26.841m – £2.402m underspend**

91. The final value of capital spend funded by borrowing figure for 2021/22 sets the minimum revenue provision charge for year 2022/23. Due to the 2021/22 year end underspend position there is a £1.197m saving in 2022/23.

92. 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 £1.386m. 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.

**Corporate Costs: Budget £3.755m – £0.197m overspend**

93. An overspend 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. In addition, the 2021/22 recurring savings target in relation to the purchase of annual leave is forecast to underachieve based on 2021/22 outturn position. A review is underway to address this. These areas will be monitored throughout the year and the MTFs will need to be updated for 2023/24 if the position remains unchanged.

**Corporate Levies: Budget £5.975m – £0.374m underspend**

94. A forecast overachievement of income is forecast for renewable energy Business rates of £0.868m, and this has been updated 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.

## **COLLECTION FUND**

95. The Collection Fund is the ring-fenced fund which comprises all income and expenditure for both the Council Tax and Business Rates.
96. 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 (DSG) – Total Grant £424.824m - £8.356m forecast net overspend**

97. The forecast variance for dedicated schools grant (DSG) is a net £8.356m 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 1 2021-22 was 4,220; quarter 1 in 2022-23 is 4,446; an increase of 226 plans (5.3%.)
98. 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 £1082m and high needs block supplementary funding of £325m for 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.
99. 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. The Council has submitted both a consultation response and separate written response.
100. 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 £33.765m. 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.
101. 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 and has been awarded £0.045m to facilitate this. In addition, the DfE have appointed Newton and SEN advisers to work with officers to review the recovery plan and provide support and guidance.

**DSG Reserve (held in the council's balance sheet)**

	Early Years £m	All Other Blocks £m	Total DSG Reserve £m
Balance brought forward from 2021-22	(1.692)	27.665	25.973
Early Years previous year adjustment	(0.564)		-0.564
Forecast Variance (all blocks) for 2022-23	(0.074)	8.430	8.356
Forecast DSG Deficit carried forward 2023-24	<b>(2.330)</b>	<b>36.095</b>	<b>33.765</b>

102. 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.
103. 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.
104. 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. Our local authority position is that we simply cannot sustain the DSG deficit.
105. 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. 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**

106. 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.
107. 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 1 2022-23 is shown in the table below, these assessments are included in the General Fund figures set out in this report.

108. Of the £24.825m savings targets £11.331m (45.6%) are assessed as having been delivered as at the end of June. £21.004m (84.6%) is forecast to be achieved by the end of the year 2022-23. This leaves £3.821m (15.4%) 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.
109. 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 8 – 2022/23 Savings Delivery

**Wiltshire Council - Savings Tracking 2022-23**

**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)
People	Living and Ageing Well	5.299	3.058	4.840	0.459
	Whole Life Pathway	3.359	0.380	1.741	1.618
	Families & Children's	2.093	0.601	1.406	0.687
	Education & Skills	0.725	0.213	0.579	0.146
<b>People Total</b>		<b>11.476</b>	<b>4.252</b>	<b>8.566</b>	<b>2.910</b>
Resources	Finance	0.181	0.022	0.171	0.010
	Assets & Commercial Development	0.837	0.482	0.630	0.207
	Information Services	0.535	0.307	0.431	0.104
	Procurement & Commissioning	1.549	1.362	1.503	0.046
<b>Resources Total</b>		<b>3.102</b>	<b>2.173</b>	<b>2.735</b>	<b>0.367</b>
Place	Highways & Transport	2.364	0.654	2.199	0.165
	Economy & Regeneration	0.344	0.305	0.344	-
	Planning	0.437	0.229	0.437	-
	Environment	1.478	0.688	1.378	0.100
	Leisure Culture & Communities	1.057	0.226	0.777	0.280
<b>Place Total</b>		<b>5.680</b>	<b>2.102</b>	<b>5.135</b>	<b>0.545</b>
Chief Executive	Public Health	0.061	0.061	0.061	-
	HR&OD	1.493	0.959	1.493	-
	Legal & Governance	0.545	0.457	0.545	-
	Corporate Directors & Members	0.339	-	0.339	-
<b>Chief Executive Total</b>		<b>2.438</b>	<b>1.477</b>	<b>2.438</b>	<b>-</b>
Corporate	Capital Financing	1.030	0.250	1.030	-
	Corporate Costs	1.100	1.077	1.100	-
<b>Corporate Total</b>		<b>2.130</b>	<b>1.327</b>	<b>2.130</b>	<b>-</b>
<b>Grand Total</b>		<b>24.826</b>	<b>11.331</b>	<b>21.004</b>	<b>3.822</b>
<b>%age Total Target</b>		<b>100.0%</b>	<b>45.6%</b>	<b>84.6%</b>	<b>15.4%</b>

**CAPITAL RECEIPTS FLEXIBILITIES 2022/23**

110. 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.

111. 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. The programmes of work and plans are being costed and an update on the use of the regulation and funding will be included within the next budget monitoring report.

## **RESERVES POSITION AND FORECAST**

112. 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.
113. 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.
114. During the financial year 2021/22 and as part of the final year end Revenue Outturn reporting £5.355m has been 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 has been agreed by Transformation Executive Board and a request included within this report to approve this is made.
115. Requests are also made within this report for setting aside some funding in new reserves and are included in the service paragraphs above, for SEN Inspection and Climate Initiatives. These requests will provide funding to support priority services for the council and continue the work in these areas during 2023/24.
116. 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. The original Latent Demand reserve balance of £7.895m is preserved and available for demand that presents over and above the metrics included in the budget. £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.

## MEDIUM TERM FINANCIAL STRATEGY AND BUDGET 2023/24 UPDATE

117. The budget set by Full Council in February 2022 balanced the current 2022/23 financial year successfully with a Net Budget of £417.703m and set out the budget for the following 2 years. The budget recognised the one-off nature of the funding from government and uncertainty of future reform. The budget set out the likely position of the Council's finances beyond this year and although the estimated budget gap was fully mitigated in the second year, with £9.1m use of one-off reserves, an estimated gap in the final year of the MTFS of £10.7m remained following £7.4m use of one-off reserves.
118. It is now right to start to formally review the assumptions within the estimates and it is even more important to do this early, considering the financial position highlighted in the budget monitoring position reported in the above paragraphs, and underlying pressures particularly due to the cost of living crisis and the significantly increasing inflation.
119. The table below provides the MTFS position that was reported to Council in February 2022 when the budget was approved. It shows the budget gap and remaining gap at the time estimated at £10.705m by the end of the MTFS period in 2024/25.

<b>MTFS Model</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Net Service Spend</b>	<b>417.703</b>	<b>434.782</b>	<b>455.478</b>
Council Tax Requirement	-275.755	-285.756	-296.180
Social Care Levy	-35.437	-38.565	-38.565
Collection Fund (surplus) / deficit	1.250	1.250	0.000
Business Rates	-58.500	-58.500	-58.500
Specific Grants	-49.261	-44.109	-44.110
<b>Total Funding</b>	<b>-417.703</b>	<b>-425.680</b>	<b>-437.355</b>
<b>GAP</b>	<b>0</b>	<b>9.102</b>	<b>18.123</b>
<b>Proposed use of Budget Equalisation reserve</b>		<b>-9.102</b>	<b>-7.418</b>
<b>Gap remaining</b>		<b>0</b>	<b>10.705</b>

120. Whilst the above table and MTFS that was approved in February 2022 reflected a balanced position for the financial year 2023/24 the position included the use of one-off funding from reserves to achieve this balanced budget. The most sensible and prudent approach is to balance the budget with on-going funding which would mean that £9.102m gap should be addressed early and ideally as part of the 2023/34 budget setting process.
121. As part of the quarterly budget monitoring process an assessment of the assumptions used within the medium-term financial planning model has been made and updates made to both the assumptions and amounts within the model. The forecast budget gap for the next financial year (2023/24) is now £15.6m as shown in the table below and an explanation of the movements is included in the below paragraphs.

## MTFS SUMMARY HIGH LEVEL REVIEW Q1 2022/23

	2022/23	2023/24	2024/25	2025/26	Total
	£'m	£'m	£'m	£'m	£'m
<b>Approved MTFS 2022/23 Budget Setting:</b>					
Spending	417.7	434.8	446.4		
Funding	(417.7)	(425.7)	(437.4)		
<b>Annual Gap Before use of Budget Equalisation Reserve</b>	<b>-</b>	<b>9.1</b>	<b>9.0</b>	<b>9.0</b>	<b>27.1</b>
Proposed one off use of Budget Equalisation Reserve for balancing 2023/24		(9.1)	9.1		-
One off Use of Budget Equalisation Reserve for part balancing 2024/25			(7.4)	7.4	-
<b>BUDGET GAP FEB 2022</b>	<b>-</b>	<b>0.0</b>	<b>10.7</b>	<b>16.4</b>	<b>27.1</b>
<b>Adjustments coming through from High Level MTFS Review</b>					
<b>Contract Inflation</b>					
Increase in CPI assumptions from 4% to avg of 7.5% from April 2022	6.4				21.7
Increase in CPI assumption from 2% to avg of 5% from April 2023 on revised base		11.9			
Increase in CPI assumption remains at 2% from April 2024 but on revised base			3.4		
<b>Pay Award</b>					
Increase in Pay Award from 2% to 4.5% from April 2023 on revised base	3.7				6.1
Increase in Pay Award from 2% to 4.5% from April 2022 on revised base		2.7			
Increase in Pay Award remains at 2.5% from April 2024 but on revised base			(0.3)		
<b>Demand</b>					
Increase Growth Assumptions in line with Outturn	1.8	1.0	0.5		3.3
Capital Financing adjusted to reflect Capital Programme re-profile for 2022/23 Q1		(3.6)	(0.7)		(4.3)
<b>Increase Income assumptions in line with Outturn 2021/22 and Q1 Forecast 2022/23</b>	<b>(3.1)</b>				<b>(3.1)</b>
<b>Funding - Upping of Govt Specific Grants (Services Grant &amp; SBRR Multiplier comp)</b>		<b>(5.2)</b>			<b>(5.2)</b>
<b>Revision to the Bottom Line MTFS July 2022</b>	<b>8.8</b>	<b>6.8</b>	<b>2.9</b>	<b>-</b>	<b>18.5</b>
<b>Annual Funding Gap</b>	<b>8.8</b>	<b>6.8</b>	<b>13.6</b>	<b>16.4</b>	<b>45.6</b>
<b>Cumulative Funding Gap</b>		<b>15.6</b>	<b>29.2</b>	<b>45.6</b>	

122. The assumption made on government funding at the time the MTFS and budget was approved was one based on funding reforms being implemented for the 2023/24 financial year. It has been announced that reform will not now be delivered during 2022/23 and the additional grants announced in the funding settlement for 2022/23 can now be assumed to continue into 2023/24. These additional specific grants include the Services Grant and the Business Rates Multiplier compensation grant and total £5.2m, which has a favourable impact on the budget.
123. Significant pressure is being forecast as a result of the 'hyper-inflation' seen nationally since the budget was set. The original assumption when setting the budget for 2022/23 was that inflation indices at the time would be applicable and a cost added in line with a 4% inflation increase for 2022/23 dropping to 2% for the following years of the MTFS. The latest assessment across services is an average inflation increase of 7.5% for 2022/23 dropping to 5% for 2023/24 is more likely. These increases see a pressure of £6.4m in 2022/23 and £11.9m in 2023/24, increasing the overall base budget by an additional £18.3m.
124. During the budget setting process an assessment of the likely national pay award was made, and an increase of 2% was assumed for the current year's budget and the 2023/24 budget. It is likely that the increase for both these years will be in excess of this amount with indications estimating the increase to be in the region of 9-10% over the 2 years (2022/23 and 2023/24). As a result of this, the assumed pay award has been recast and calculated using 4.5% for both 2022/23 and 2034/24. This results in a pressure of £3.7m and £2.7m respectively.
125. As part of the final year end financial position for 2021/22 financial year additional demand was seen, mainly in SEN transport and additional SEN provision. The

impact of this is a base budget pressure in 2022/23 of £1.8m and £1m in 2023/24 which adversely affects the budget gap.

126. The value of capital spend funded by borrowing that is set within the Capital Programme has a direct impact on revenue as it sets the minimum revenue provision (MRP) charge for the following financial year. Due to the assessment of the Capital Programme during 2021/22 there has been re-profiling of schemes funded by borrowing and the MRP for 2023/24 can be reduced by £3.6m as a result.
127. Included in the Q1 budget monitoring position additional income is forecast above that assumed in the budget. Although forecasting in this area is difficult it is assumed that £3.1m of this will be on-going and has been included as an increase in income in the base budget for 2022/23 which has a direct impact on the future years budgets and reduces the budget gap.
128. The Q1 Budget Monitoring position is showing a net forecast variance for 2022/23 of £6.020m, this is lower than the pressure presented in the MTFS of £8.8m as it is the position after management and other actions and includes one off items. Only actions that result in a permanent change have been updated in the MTFS. The management and other actions are all described under the service narrative above, examples of one of actions include holding vacancies, use of one off grant, reduction in services etc. while these are being used in 2022/23 to mitigate the base pressures, they are not maintainable and/or do not have approval for a permanent update to the MTFS.
129. The above paragraphs set out the progress of the MTFS and impact on the budget gap and assumptions will continue to be updated as we progress through the budget setting process. The key date above all else is the Council Meeting on 21 February 2023, and prior to that the Cabinet meeting on 31 January 2023 which will set out the Cabinet's final budget proposals in order to set a balanced budget. Papers will be made available early to allow consultations and scrutiny to take place during January.

#### **Budget 2023/24 Key Timescales:**

<b>Activity / Meeting</b>	<b>Date</b>
Cabinet – Draft Budget Proposals published	Early January 2023
Overview & Scrutiny Management Committee	24 January 2023
Statutory consultation with Businesses	January 2023
Cabinet – Final Budget Proposals	31 January 2023
Overview & Scrutiny Management Committee	7 February 2023
Full Council Budget & Council Tax setting	21 February 2023

#### **Overview and Scrutiny Engagement**

130. This report will be considered by the Financial Planning Task Group on 9 September 2022 and Overview and Scrutiny Management Committee on 21 September 2022.

#### **Safeguarding Implications**

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

#### **Public Health Implications**

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

#### **Procurement Implications**

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

#### **Equalities Impact of the Proposal**

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

#### **Environmental and Climate Change Considerations**

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

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

136. 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.

137. There is a statutory requirement to set a balanced budget. To delay this update report would introduce additional risk to the ability to delivery to this requirement.

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

138. 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.

139. This report marks the start of the setting of the next financial year budget, part of that process will set out the risks facing the Council, quantify them financially and then also advise on the level of reserves that should be held to deal with those risks.

140. The rate of inflation increases is a significant risk for the budget setting for the next financial year and well documented within this first budget monitoring report. This position will be regularly reviewed as we lead into the formal budget setting for the 2023/24 financial year.

141. Risks associated with service delivery will be raised as and when proposals are brought forward.

#### **Financial Implications – Section 151 Officer Commentary**

142. This report is the first report for the 2022/23 financial year and the forecast for the financial year as at quarter 1 indicates an underlying pressure on the base budget of £12.350m which is partly mitigated by items of a one-off nature, through management action. This includes an estimate on the pay award for 2022/23, and although the negotiations continue the employers offer can now be used as the minimum level of cost that will be experienced in the Councils budget. This will be formally reported by services in the Q2 report.
143. 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.
144. This will only cover one year, and it remains to be seen what Government will do in funding inflationary pressures for 2023/24 onwards; nationally it is believed the cost of inflation is around a £3.6bn unbudgeted pressure to the Local Government sector.
145. The MTFs has been updated in light of the exceptional levels of inflation and reflects an increase in the financial gap the Council will have to close in order to balance its budget in future years. 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.
146. There is a significant level of uncertainty and risk contained within this forecast. Whilst officers have worked hard to ensure the significant savings programme of £25m in this financial year is achieved, with % of being delivered high, there is the possibility that further savings not yet delivered fail to be delivered either at all or by their original time frame.
147. In addition, the management action contained in the report centres mainly around holding vacancies and containing inflation to a lesser amount than either negotiated or the prevailing rate of CPI, even then the impact in 2022/23 is unlikely to be a full year impact but will inevitably mean a worsening position in later years. However, the latest Bank of England forecast expects CPI to peak around January 2023, potentially as high as 16%, only to fall back to around 11% at the end of the financial year (March 2023). There is a risk therefore that inflation levels cannot be contained as currently forecast.
148. Therefore, although there are no further management actions proposed at this time the Councils Corporate Leadership Team will be ensuring close scrutiny and challenge of the forecasts and management actions in the coming months. Should those indicate a deterioration in the adverse variance being reported at Q1, then further action will be taken before the Quarter 2 report. This is likely to focus on, but not limited to, further controls around recruitment and spending.

### **Legal Implications**

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

### **Workforce Implications**

150. 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.
151. Proposals around how the budget gap will be bridged and ultimately closed will be formulated over the coming weeks and months. These proposals will look at all avenues open to the Council and will inevitably look at the service the Council provides from a statutory and discretionary level as well the costs that fall within those services most notably third party spend and staffing. Changes to workforce will be minimised in so far as they can be with mitigations such as holding vacancies where possible. Any impact on the workforce will follow the council policies and will include union consultation when appropriate

### **Options Considered**

152. 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.
153. There is a statutory requirement to set a balanced budget. This report is an update report that outlines to members the latest position in respect to the Budget 2023/24 and the Medium-Term Financial Strategy following the setting of the 2022/23 budget in February 2022.

### **Conclusions**

154. 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.

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### **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](#)

## Appendix A – Revenue Budget Movements

	2022-23 Original Budget	Budget movements approved by CLT Q1	Revised Budget Q1
	£m	£m	£m
<b>Corporate Director People</b>			
Living and Ageing Well	72.096	2.760	74.856
Whole Life Pathway	78.004	- 0.192	77.812
Education & Skills	22.729	0.427	23.156
Family & Children Services	62.175	- 1.221	60.954
<b>Corporate Director Resources</b>			
Finance	3.895	- 0.028	3.867
Assets & Commercial Development	16.261	- 0.716	15.545
ICT	11.595	0.019	11.614
Procurement & Commissioning	5.309	- 0.330	4.979
<b>Corporate Director Place &amp; Environment</b>			
Highways & Transport	37.761	0.088	37.849
Economy & Regeneration	2.490	- 0.077	2.413
Planning	1.670	- 0.504	1.166
Environment	43.215	1.259	44.474
Leisure Culture & Communities	7.474	- 1.396	6.078
<b>Chief Executive Directorates</b>			
Public Health	1.597	- 0.194	1.403
Legal & Governance	7.482	1.928	9.410
HR&OD and Transformation	5.468	- 5.468	-
HR&OD	-	2.336	2.336
Transformation & Business Change	-	1.246	1.246
Corporate Directors & Members	3.041	0.171	3.212
Commercial Savings	-	-	-
<b>Corporate</b>			
Movement on Reserves	- 1.138	-	- 1.138
Capital Financing	26.841	-	26.841
Corporate Costs	3.113	0.642	3.755
Corporate Levies	6.625	- 0.750	5.875
<b>General Fund Budget</b>	<b>417.703</b>	<b>- 0.000</b>	<b>417.703</b>
<b>HRA Budget</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>417.703</b>	<b>- 0.000</b>	<b>417.703</b>
<b>WC Funding</b>			
General Government Grants	- 49.261	-	- 49.261
Council Tax	- 309.942	-	- 309.942
Business Rates Retention Scheme	- 58.500	-	- 58.500
<b>Total Funding</b>	<b>- 417.703</b>	<b>-</b>	<b>- 417.703</b>
<b>Total</b>	<b>0.000</b>	<b>- 0.000</b>	<b>- 0.000</b>