

## **Wiltshire Council**

### **Cabinet**

**13 December 2016**

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Subject: **Revenue Budget Monitoring Period 7 2016/2017**

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

Key Decision: **Yes**

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#### **Executive Summary**

This report advises members of the revenue budget monitoring position as at the end of Period 7 (end of October 2016) for the financial year 2016/2017 with suggested actions as appropriate.

The forecasts indicate an £4.040 million overspend with management action identified to date. This is 1.3% of the Council's net budget or 0.5% of the Council's gross budget. The purpose of budget monitoring is to identify such risks in order to allow management to address issues. Action is currently being taken to identify areas where savings can be made and a balanced budget is being achieved. An updated position will be reported to Cabinet in the next revenue budget monitoring report (Period 9 to Cabinet in February).

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

The year-end general fund reserve balance with no drawdown to fund overspends would be £12.206 million. It is expected that some of the reserves will need to be drawn down as set out in this report, however, 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 7 (end of October) budget monitoring and to approve all budget virements outlined in the report.

Cabinet are asked to approve the increase in leisure fees and charges as set out at Appendix E from 1 February 2017.

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**Reason for Proposal**

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

**Carolyn Godfrey, Corporate Director**

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### Purpose of Report

1. To advise members of the revenue budget monitoring position as at the end of period 7 (end of October 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 7 £ m	Profiled Budget to date £ m	Actual to date £ m	Projected Position for Year £ m	Projected Overspend/ (Underspend) £ m	Overspend/ (Underspend) reported at period 4 £ m	Movement since period 4 £ m
<b>General Fund Total</b>	313.585	262.340	247.824	317.625	4.040	8.300	(4.260)
<b>Housing Revenue Account</b>	(0.975)	(8.719)	(7.880)	(0.975)	0	0	0

4. Budget expenditure is not always spent in equal amounts each month. The profiled budget above shows the anticipated budget at the end of period 7. The main variance between the revised budget at period 7 and the profiled budget is due to a phasing of grant income due to be received by schools in period 12.

### **General Fund Monitoring Update**

5. Finance has continued to monitor budgets, with budget managers, with a focus on the budgets assessed to be subject to a higher risk of volatility due to factors such as changes in demand or assumptions. This has identified the areas where costs have risen quicker than forecast.
6. Budget monitoring is an ongoing process and budgets and expenditure are reviewed between budget managers and accountants regularly, on a risk based approach. As part of this review these reports exclude commitments in the actual spend column, to better show a consistent position. However, known commitments are taken into account in calculating the projected position for the year.
7. The period 7 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 7 are current position after any approved recovery actions have been actioned.
8. As in previous reports, this report will target large variances and the managerial actions arising to ensure a balanced budget at year end. As last year, Budget Monitoring reports to members will be taken to Cabinet to cover the periods 4, 7, 9 and year end outturn.

### **Budget Movements in Period**

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

## General Fund Monitoring Details

12. Overall the majority of services net spend are in line with budget profiles and forecasts. There are some services which have identified larger variances at this stage of the year than originally planned. Details of these areas are included below. Associate Directors have already identified over £4 million of savings since period 4 and are continuing to identify further compensating actions to bring the remaining £4.040 million forecast overspend back in line to report a balanced budget by 31 March 2017.
13. Overall the period 7 report identifies potential cost pressures of £4.040 million. That is 1.3% 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 to the £8.300 million overspend reported at Period 4, 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:
  - **Slowdown spend and divert underspending**
15. Services have been assessing their spend following Period 4 reporting 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.
  - **Increase income**
17. Leisure income is currently exceeding forecasts. This is in part due to the success of the new campus models. It is planned to increase fees from 1 February 2017 by 3%. It is expected this will contribute a further £0.030 million to 2016/17, this has been assumed therefore in arriving at the Period 7 forecast. Cabinet are asked to consider and approve this proposal.
18. In addition, a charge will be introduced to schools converting to academies from 1st January 2017 of £0.010 million to reflect the considerable legal costs that have been incurred by the Council in working with the school and Department for Education.

19. In other areas the forecast income is presently in excess of the budget assumption, as such the projected overspend has been reduced. For example, it is now assumed that Adult care charging approved by Cabinet earlier this year will yield an additional £0.300 million. The take up of the Garden Waste service also continues to exceed original forecasts, with income again projected to be £0.200 million more than budgeted for. In addition to this a number of grant and court cases have resulted in greater income and scope to charge costs, including staffing to these sources. This includes One Public Estate.

- **Use of reserves**

20. 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 7 forecast, and reflected in the reserves assessment that follows in this report.

- **Realignment of the Public Health Grant**

21. Given the pressures faced on general fund in relation to care a review of planned Public Health spend was carried out and identified £0.700 million of funds which could be reallocated. Whilst the monies for Public Health are ring fenced, an analysis of spend in Children's and Adult Care has identified costs that are providing services which meet public health outcome targets. As such £0.700 million of costs from these areas has been offset in Period 7 forecast against Public Health

22. All of the above actions (paragraphs 15 to 21) have reduced the forecast overspend by 50% however, further action is needed to address the pressures still arising in a small number of services as set out in the following paragraphs.

- **Children's Social Care**

23. Children's Social Care budgets are projected to overspend, before applying any general fund reserve, by £1.977 million (£1.800 million at Period 4). The key risks continue to be costs of placements for looked after children and the costs of agency staff within social work teams.

24. The service continues to mitigate the rising costs by reducing the costs such as that of agency staff, to date this year the service has reduced the overall employee cost in this area by £300,000 which included a reduction of 25 agency appointments. The number of Looked After Children also continues to be below average compared with other authorities but whilst the number of children looked after in care has remained fairly constant (see Performance report elsewhere on the same Cabinet agenda) the cost of placements has slightly increased since Period 4.

25. Work is continuing to review the mix of placements for looked after children, and in particular the numbers of children placed in residential care settings. It is anticipated that we can reduce the number of placements in children's homes by a further 25% by the end of the financial year; this will reduce the level of

overspend, however the number of children who remain in external placements will continue to be significant. Service management are working with the Corporate Procurement Unit to continue to ensure that placements are effectively procured in line with regional average prices.

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

26. The 0-25 SEND Service is currently projected to overspend by £2.329 million (£1.300 million at Period 4). This is one million pound higher primarily due to continued growth in the number and cost of packages of care and pressure on SEN transport budgets for home to school transport. The growth in numbers of care packages and in transport costs was anticipated at budget setting and the budget was increased in line with estimated costs, however activity and costs following the new academic year have again exceeded the initial estimates. This is in terms of the volume of children meeting the criteria for transport because eligibility for Education Health Care Plans now extends beyond nineteen years of age and because of more local college provision in place of residential college provision. This is due to government changing the criteria without giving additional funding to cover the cost. Whilst the shift to more local provision has significantly reduced costs to the Dedicated Schools Budget it has impacted on transport costs. Overall costs to the SEND Service including the DSG funded elements have been reduced. There has also been an increase in complexity of need which impacts on the type of transport used and the need for personal assistants.
27. To mitigate costs, work continues to take place to review all journeys, investigate the potential for more effective utilisation of transport between children's and adult's services and to support parents to provide transport where possible through fuel allowances.

- **Legal & Governance**

28. Legal & Governance is currently projecting a net overspend of £0.335 million. This is a reduction from Period 4 (£0.560 million). 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.

**Capital Financing**

29. Capital Financing is currently projecting to be balanced, which is a £2.000 million improvement since Period 4. This has been achieved through a review and reprioritisation of spend, profile of spend and continued sound management of the Council's investment and borrowings.

**Restructure & Contingency**

30. This heading includes a range of corporate and cross cutting savings and is currently projecting a net overspend of £0.686 million compared to £2.150

million forecast at Period 4. 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**

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

### **Reserves**

33. 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 referred to in paragraph 20 of this 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.

<b>General Fund Reserve</b>	<b>£ million</b>	<b>£ million</b>
Balance as at 1 April 2016		(12.206)
Projected overspend at period 7	4.040	
Recovery plans	(4.040)	
Potential draw from reserves (per para 20)	1.000	
Total Forecast movement		1.000
<b>Forecast Balance 31 March 2017</b>		<b>(11.206)</b>

34. 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**

35. This report has identified a shortfall if no further action is taken on the general fund budget of £4.040 million at period 7 due to cost pressures / shortfalls in



income. Officers are currently taking action to address this and further monitoring reports will be brought to Cabinet throughout 2016/2017.

36. 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**

37. This report informs member's decision making.

### **Overview & Scrutiny Engagement**

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

### **Safeguarding Implications**

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

### **Public Health Implications**

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

### **Corporate Procurement Implications**

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

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

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

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

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

### **Risks Assessment**

44. 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**

45. 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**

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

### **Proposals**

47. Cabinet is asked to note the outcome of the period 7 (end of October) budget monitoring and to approve all budget virements outlined in the report and appendix B.
48. Cabinet are asked to approve the increase in leisure fees and charges as set out at Appendix E from 1<sup>st</sup> February 2017.

### **Reasons for Proposals**

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

### **Background Papers and Consultation**

None

#### **Contact Name:**

Michael Hudson, Associate Director Finance, ext 13601  
[michael.hudson@wiltshire.gov.uk](mailto:michael.hudson@wiltshire.gov.uk)

Report Author: Matthew Tiller, Chief Accountant

### **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  
Appendix E: Proposed Leisure fees and charges increases from 1<sup>st</sup> February 2017