

Wiltshire Council

Cabinet

31 January 2023

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

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

Key Decision: Non-Key

Executive Summary

This report informs members of the third quarterly revenue budget monitoring forecast position for the financial year 2022/23 based on the position at the end of November 2022, updated for any known significant changes in December 2022.

Quarter 3 Revenue Budget Monitoring

Quarter 3 budget monitoring forecasts are based on information known as at 31 December 2022. These are still forecasts and will be subject to movement until the end of the financial year. As such they are still not certain and include estimation, particularly on areas such as income, demand and inflationary pressures.

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

The quarter 3 position forecasts an underlying overspend for the year of £15.697m with one off mitigations in place that result in a net overspend for the year of £5.037m. It is proposed that this overspend is met from the £8.8m inflation reserves that were prudently set aside to cover the anticipated cost of inflation during 2022/23.

Proposal(s)

Cabinet is asked to approve:

- a) the utilisation of the inflation reserve to fund the net overspend, currently forecast at £5.037m, in 2022/23;
- b) the transfer of £0.015m in 2022/23 and £0.045m in 2023/24 from the SEN commissioning reserve to fund the SEND Youth Voice Pioneer Programme; and

- c) The transfer of the £16.5m Budget Equalisation Reserve and the balance remaining in the Inflation Reserves, estimated at £3.8m at the end of the year, as follows:
 - a. £7m to the General Fund Reserve
 - b. £10m to a new earmarked reserve for accommodation needs
 - c. £2m to the Transformation Reserve to support the community led Community Development pilots
 - d. £0.5m to a new earmarked reserve for investment in the county's road sign infrastructure, and
 - e. The remaining balance to the Business Plan Priority Reserve.

Cabinet is asked to note:

- a) the current revenue budget is forecast to overspend by £5.037m by the end of the financial year.
- b) the current forecast savings delivery performance for the year.

Reason for Proposal(s)

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

To inform Cabinet on the forecast revenue financial position of the Council for the financial year 2022/23 as at quarter 3 (31 December 2022), including delivery of approved savings for the year.

Terence Herbert
Chief Executive

Wiltshire Council

Cabinet

31 January 2023

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

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

Key Decision: Non-Key

Purpose of Report

1. To advise Members of the Revenue Budget Monitoring position 2022/23 Quarter 3 (31 December 2022) for the financial year 2022/23 with suggested actions as appropriate.

Relevance to the Council's Business Plan

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

Background

REVENUE BUDGET MONITORING 2022/23 – QUARTER 3

4. The Council approved a net budget for 2022/23 of £417.703m at its meeting on 1 February 2022.
5. This is the third report for the financial year and includes a summary of the movements to the original budget since it was set by Full Council in February 2022. This summary can be seen in Appendix A.
6. The following paragraphs focus on forecast outturn variances against the approved budget based on information as at 31 December 2022. They also continue to set out the underlying pressure currently estimated within the service areas mainly as a result of the significant increases in inflation, and the assessed impact of this on the budgets. Mitigating management action is being taken and this is detailed so that the forecasts include the underlying pressure and the net position following the mitigations.

7. The forecasts at this stage of the year have helped inform the base budget requirements for the following year and they also ensure that the budget papers can clearly set out the plans for the reserves. The forecasts still contain an element of uncertainty and are forecasts for known items and commitments and estimates on a forecast for the remainder of the financial year. The current economic position and inflation continues to expose council services and the financial position to additional risk of volatility in some areas.

Main Considerations for the Council

Revenue Budget

8. Since the quarter 2 report the Council has continued to manage its overall financial position effectively however the forecast overspend has now increased by £1.282m to £5.037m as at quarter 3. Table 1 below shows the movement in variance from quarter 2 to quarter 3.

Table 1 – Movement in Forecast from Quarter 2 to Quarter 3

	<i>Revised Budget</i>	<i>Forecast Q3</i>	<i>Variance Q3</i>	<i>Variance Q2</i>	<i>Movement since Q2</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Corporate Director People					
Living and Ageing Well	71.597	73.680	2.083	1.240	0.843
Whole Life Pathway	81.130	83.875	2.745	2.071	0.674
Education & Skills	23.423	24.604	1.181	0.976	0.205
Family & Children Services	60.776	62.915	2.139	0.173	1.966
TOTAL PEOPLE	236.926	245.074	8.148	4.460	3.688
Corporate Director Resources					
Finance	2.727	3.669	0.942	0.854	0.088
Assets & Commercial Development	15.489	15.834	0.345	0.923	(0.578)
Information Services	11.467	11.263	(0.204)	(0.237)	0.033
Procurement & Commissioning	4.837	4.983	0.146	0.385	(0.239)
TOTAL RESOURCES	34.520	35.749	1.229	1.925	(0.696)
Corporate Director Place					
Highways & Transport	37.701	37.150	(0.551)	(0.439)	(0.112)
Economy & Regeneration	2.255	2.110	(0.145)	(0.056)	(0.089)
Planning	1.167	2.927	1.760	1.631	0.129
Environment	44.628	42.935	(1.693)	(0.627)	(1.066)
Leisure Culture & Communities	6.218	6.318	0.100	0.300	(0.200)
TOTAL PLACE	91.969	91.440	(0.529)	0.809	(1.338)
Chief Executive Directorates					
Public Health	1.414	0.885	(0.529)	(0.355)	(0.174)
Legal & Governance	9.456	9.456	-	(0.029)	0.029
HR&OD	3.337	3.143	(0.194)	(0.181)	(0.013)
Transformation & Business Change	0.392	0.087	(0.305)	(0.121)	(0.184)
Corporate Directors & Members	3.212	3.411	0.199	0.199	0.000
Commercial Savings	-	-	-	-	-
TOTAL CEX DIRECTORATES	17.811	16.982	(0.829)	(0.487)	(0.342)
Corporate					
Movement on Reserves	(1.138)	2.192	3.330	-	3.330
Capital Financing	27.821	21.895	(5.926)	(2.596)	(3.330)
Corporate Costs	3.919	3.993	0.074	0.104	(0.030)
Corporate Levies	5.875	5.415	(0.460)	(0.460)	(0.000)
TOTAL CORPORATE	36.477	33.495	(2.982)	(2.952)	(0.030)
TOTAL GENERAL FUND	417.703	422.740	5.037	3.755	1.282

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

Table 2 – Forecast as at Quarter 3 2022/23 Summary Position

Overview of Quarter 3 Monitoring

	Original Budget	Revised Budget	Forecast Q3 before Management & Other Actions	Variance Q3 before Management & Other Actions	Management & Other Actions	Forecast	Variance
	A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Corporate Director People							
Living and Ageing Well	72.096	71.597	74.886	3.289	(1.206)	73.680	2.083
Whole Life Pathway	78.003	81.130	84.570	3.440	(0.695)	83.875	2.745
Education & Skills	22.728	23.423	24.956	1.533	(0.352)	24.604	1.181
Family & Children Services	62.175	60.776	64.176	3.400	(1.261)	62.915	2.139
TOTAL PEOPLE	235.002	236.926	248.588	11.662	(3.514)	245.074	8.148
Corporate Director Resources							
Finance	3.895	2.727	4.041	1.314	(0.372)	3.669	0.942
Assets & Commercial Development	16.261	15.489	16.025	0.536	(0.191)	15.834	0.345
Information Services	11.595	11.467	12.064	0.597	(0.801)	11.263	(0.204)
Procurement & Commissioning	5.310	4.837	5.164	0.327	(0.181)	4.983	0.146
TOTAL RESOURCES	37.061	34.520	37.294	2.774	(1.545)	35.749	1.229
Corporate Director Place							
Highways & Transport	37.761	37.701	39.591	1.890	(2.441)	37.150	(0.551)
Economy & Regeneration	2.491	2.255	2.438	0.183	(0.328)	2.110	(0.145)
Planning	1.670	1.167	3.261	2.094	(0.334)	2.927	1.760
Environment	43.215	44.628	44.264	(0.364)	(1.329)	42.935	(1.693)
Leisure Culture & Communities	7.474	6.218	6.929	0.711	(0.611)	6.318	0.100
TOTAL PLACE	92.611	91.969	96.483	4.514	(5.043)	91.440	(0.529)
Chief Executive Directorates							
Public Health	1.597	1.414	0.905	(0.509)	(0.020)	0.885	(0.529)
Legal & Governance	7.482	9.456	9.760	0.304	(0.304)	9.456	-
HR&OD	5.468	3.337	3.329	(0.008)	(0.186)	3.143	(0.194)
Transformation & Business Change	-	0.392	0.135	(0.257)	(0.048)	0.087	(0.305)
Corporate Directors & Members	3.041	3.212	3.411	0.199	-	3.411	0.199
TOTAL CEX DIRECTORATES	17.588	17.811	17.540	(0.271)	(0.558)	16.982	(0.829)
Corporate							
Movement on Reserves	(1.138)	(1.138)	2.192	3.330	-	2.192	3.330
Capital Financing	26.841	27.821	21.895	(5.926)	-	21.895	(5.926)
Corporate Costs	3.113	3.919	3.993	0.074	-	3.993	0.074
Corporate Levies	6.625	5.875	5.415	(0.460)	-	5.415	(0.460)
TOTAL CORPORATE	35.441	36.477	33.495	(2.982)	-	33.495	(2.982)
TOTAL GENERAL FUND	417.703	417.703	433.400	15.697	(10.660)	422.740	5.037
Funding							
General Government Grants	(49.261)	(49.261)	(49.261)	-	-	(49.261)	-
Council Tax	(309.942)	(309.942)	(309.942)	-	-	(309.942)	-
Business Rates Retention Scheme	(58.500)	(58.500)	(58.500)	-	-	(58.500)	-
TOTAL FUNDING	(417.703)	(417.703)	(417.703)	-	-	(417.703)	-
TOTAL VARIANCE	(0.000)	-	15.697	15.697	(10.660)	5.037	5.037

10. Overall, the quarter 3 report identifies a potential year end forecast underlying overspend of £15.697m and a net overspend of £5.037m. This is the third report of the year 2022/23 and shows a worsened forecast financial position and details of the significant variances within service areas are included below. There are some variances that affect all service areas, and an explanation is given below for these.

11. As part of setting the budget in February 2022 the Pay award was budgeted for at 2%. The forecast is now updated based on the national employers' award of a fixed increase of £1,925 for every pay point. Any pressure that is not containable within the service budgets is referred to as the Pay award pressure. Due to the on-going recruitment difficulties faced in some services areas, this

pressure is mitigated by vacancies continuing to be held longer than anticipated.

12. The 2022/23 budget also included a saving of £2.458m that was budgeted to be delivered from changes to Terms and Conditions. £1.709m of this has been achieved following the agreement of all 3 unions to freeze increments for 2 years, and changes to the over-time policy. However, changes to the unsocial hours, standby and callout policies totalling £0.749 remain under negotiation and are unlikely to deliver the full forecasted savings this year. These savings have been allocated out to services and are reported below and are referred to as the Terms and Conditions pressure. The £0.749m pressure as a result of the non-delivery of these savings has been built into the budget for 2023/24 as a pressure.

CORPORATE DIRECTOR - PEOPLE

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

		Original Budget	Revised Budget	Forecast Q3 before Management & Other Actions	Variance Q3 before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Corporate Director People								
Living and Ageing Well	Gross Income	109.301 (37.205)	103.732 (32.135)	106.888 (32.002)	3.156 0.133	(1.206) -	105.682 (32.002)	1.950 0.133
	Net Exp	72.096	71.597	74.886	3.289	(1.206)	73.680	2.083
Whole Life Pathway	Gross Income	88.080 (10.077)	128.554 (47.424)	142.030 (57.460)	13.476 (10.036)	(0.695) -	141.335 (57.460)	12.781 (10.036)
	Net Exp	78.003	81.130	84.570	3.440	(0.695)	83.875	2.745
Education & Skills	Gross Income	132.942 (110.214)	139.547 (116.124)	141.210 (116.254)	1.663 (0.130)	(0.352)	140.858 (116.254)	1.311 (0.130)
	Net Exp	22.728	23.423	24.956	1.533	(0.352)	24.604	1.181
Families & Children Services	Gross Income	67.546 (5.371)	66.292 (5.516)	69.809 (5.633)	3.517 (0.117)	(1.261)	68.548 (5.633)	2.256 (0.117)
	Net Exp	62.175	60.776	64.176	3.400	(1.261)	62.915	2.139
TOTAL PEOPLE	Gross Income	397.869	438.125	459.937	21.812	(3.514)	456.423	18.298
	Income	(162.867)	(201.199)	(211.349)	(10.150)	-	(211.349)	(10.150)
	Net Exp	235.002	236.926	248.588	11.662	(3.514)	245.074	8.148

Living and Ageing Well: Budget £71.597m – £2.083m overspend

13. Living and Ageing Well are projecting a £2.083m net overspend. This includes £0.310m of unachievable savings, £0.200m for spot to block placement conversions for older people and terms and conditions savings of £0.110m. The service will continue to look at how these may be achieved through other means.
14. The underlying overspend is £3.290m. This overspend is due to a number of factors, the additional inflationary pressures seen by the service across the care market due to cost of living increases and the use of agency staff by providers due to recruitment issues. Also, the pressures from the additional estimated pay award above the 2% budgeted and the Terms and Conditions pressures.

15. As the Council moves forward with making payments to care providers gross of client contributions there will be increased risk exposure to debts that were previously collected by care providers. In addition, there is some uncertainty in the overall recoverability of some debts associated with Adult Social Care and work is progressing through elements of the Adults Transformation Programme to review and assess the debts and also the control processes to ensure we mitigate the risks as far as possible. Therefore, a debt risk factor of £3.250m has been included within the forecasts as a prudent approach while the debts and processes are reviewed, and validation of the financial position assessed.
16. The overspend is in part offset by an underspend position in the budget for the expected hospital discharge pressures on business as usual post covid and its associated funding. However, this isn't anticipated to be fully utilised this year as the Better Care Fund is mitigating these pressures through non recurrent funding.
17. The Reablement budget is projecting a net underspend of £0.350m. The reablement service continues to have recruitment difficulties, therefore the ongoing need to use locums required to cover long standing vacancies. The service needs to continue using locums to maintain safe levels of qualified staff. However, it is now also proving difficult to recruit locums, hence the projected underspend position.
18. The housing budget is underspent by £0.083m as a result of staffing underspends due to recruitment difficulties. This position assumes a draw of £0.075m from the Flexible Housing Support Grant reserve.
19. These underspends along with Management action has reduced the underlying overspend by £1.206m to the net overspend position reported above.

Whole Life Pathway: Budget £81.130m – £2.745m overspend

20. Overall, the Whole Life Pathway Budget is projecting a £2.745m overspend. This overspend includes £1.477m of unachievable savings for the improved use of Care Cubed of £0.500m, the Good Lives Alliance contract of £0.115m, spot to block placement conversion – working age £0.244m and Under 65 high cost placement action plan £0.500m and terms and conditions savings of £0.118m. Commissioning and the service, will continue to look at how these may be achieved through other means.
21. The underlying overspend is £3.450m due to the additional inflationary pressures seen by the service such as inflationary pressures across the care market due to cost of living increases and use of agency staff by providers due to recruitment issues. In addition, the service is facing pressures from the additional estimated pay award above the 2% budgeted and the Terms and Conditions pressures. Management action has reduced this pressure by £0.695m to the net overspend position reported above.
22. The Learning Disabilities and Autism Service (LDAS) budget is forecasting a £3.641m overspend. £1.359m of this is due unachievable savings as detailed above. 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. There has been an increase in the costs of packages over the last quarter due to pressures across the care market due to cost of living increases. This is in part offset in part by an increase to CHC income.

23. The Community Support budget is projecting a £0.154m underspend. This is as a result of additional Continuing Health Care income to that budgeted and a number of staff vacancies. Also included within this budget are the costs of support to refugees, this includes the Homes for Ukraine funding from the DLUHC which is now estimated to be £12.060m to support local authorities to provide wrap-around support to individuals and families to rebuild their lives and fully integrate into communities. Any unspent funding at outturn will be requested to be set aside at the end of the year as it will be required in 2023/24 to continue this programme and to support housing and costs of staffing across the council to support this scheme.
24. The Mental Health budget is forecasting a £0.971m underspend. The service is forecasting income in excess of that budgeted predominantly due to contributions from the ICB (Integrated Care Board) towards care costs of S117 jointly funded clients. This is in part offset by the inflationary pressures across the care market due to cost of living increases and use of agency staff by providers due to recruitment issues.

Families & Children Services: Budget £60.776m – £2.139m overspend

25. 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. There has been an increase of £1.96m since the quarter two report and this is explained by a slight prolonged use of agency staff but mainly by the numbers of children in care which were 427 at quarter 2 but have risen to 464 in December. Rather than being driven by new children coming into care, the increase relates to children not leaving care and an increase in average weekly cost seen in placements.
26. This is a demand driven service area. The caseloads of children and subsequent numbers of children in care, post pandemic, is putting pressure on staff and budgets. The budgeted number of children in care for 2022/23 financial year is 434. The actual number of children in care is 464 (December 2022) which is just within the target range of 407 - 469.

Families & Children Care Placements	Budgeted Number of Children in Care	Current Number of Children in Care	Forecast Variance
Mainstream In House Foster Carer Payment	220	246	26
Independent Fostering Agency	100	98	-2
External Residential Placements	37	36	-1
16 - 25 Support & Accommodation/ Leaving Care	40	47	7
Staying Put	37	37	0
CLA Placements & Fostering	434	464	30
Special Guardianship Orders	295	312	17
Residence Orders	6	4	-2
Adoption Allowances	31	20	-11
Permanence Arrangements	332	336	4

27. Successful early support services have significantly slowed the increase in numbers of children in care (CiC). Many other councils have seen much earlier post pandemic increases in their CiC populations where escalation of need has not been prevented. Work has included the successful stronger families' team working intensively with families to prevent children coming into care, as well as the effective support service which offers families a service at an early help level, preventing escalation into statutory services. This service commenced at the end of 2017 and was predicted to have this impact. Other mitigation programmes include the "move forward" programme, enabling children to move from costly residential care to foster care or semi-independence, and investment in the sufficiency of Wiltshire placements through 'fostering excellence', which have helped to contain demand and cost pressure for some time.
28. The forecast position is that savings achieved are offset by recent significant budgetary pressure variance which includes an above planned increase for all in house carers, special guardians and adoption allowances to better reflect current inflationary pressures. Commissioners are reporting that the marketplace is struggling to offer suitable placements to meet children's needs and as a result, small numbers of children are in higher cost placements than necessary which leads to an increase in costly residential provision being required.
29. In addition, the national social work recruitment and retention challenge is being felt in Wiltshire and there are forecasted underspends in service teams. A specific workforce strategy is in place and remains a priority. As part of this campaign, Wiltshire is committed to "growing its own" social workers so a greater number of staff on the ASYE (assessed and supported year in employment) for newly qualified social workers have been employed this year, a by-product of this approach is that these staff are at the beginning of their careers and there are economic benefits. Despite agency spend of £1.5m, there is a forecast salary and other team costs underspend across all teams of £0.035m, including the current forecast pay award assumptions and allowance for market plussages which is part of the recruitment and retention strategy.

30. The council provides placements for unaccompanied asylum-seeking children, current numbers of these young people being under 18 years of age are 41. We have 76 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 65, although the timing of this 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.
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). We have 2 children subject to private fostering arrangements at this time. 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 overspend of £0.017m due to both current and anticipated numbers of disabled children in our care and those with special educational needs and disability. Current budgeted unit cost is £737 per week across all types of placement. The overall average as at quarter 3 is £820. 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. Overall, the increased weekly prices due to complexity of need, market sufficiency and national inflationary pressures felt by providers are no longer mitigated by lower than planned numbers of children's placements or higher staff vacancy rates.
33. A number of small other variances comprise the balance of the forecast overspend.

Education & Skills (School Effectiveness, SEN & Inclusion): Budget £23.423m – £1.181m overspend

34. The services in this area fulfil numerous statutory duties with a mixture of local authority and dedicated schools grant (DSG) funding. The majority of the local authority funded services are forecast to largely be aligned with budget – the forecast underspend in service teams of (£0.217m) includes the current additional pay inflation estimate but relates part year vacant posts across the service. Some of these posts have been held vacant to offset reduced trading income. These vacancies are helping to mitigate the increased pay inflation pressure for 2022/23 financial year. In addition, forecast spend on schools premature retirement costs are £0.139m lower than planned.
35. Where eligible, 5-16-year-old school children with an Education, Health and Care Plan (EHCP) can take up free school transport. The forecast expenditure for school transport for learners with an education health and care plan (EHCP) is £1.500m overspent. This overspend includes travel savings achieved of

£0.150m following re-contracting and 1,603 learners accessing transport at an average annual cost of £9,089.

36. A specific SEN commissioning reserve was set up in the 2021/22 financial year to facilitate exploring what a good quality pilot contract to support the voice of children & young people with SEND would look like. The SEND Youth Voice Pioneer Programme is being commissioned and a drawdown of £0.015m is requested in this financial year and subsequently, £0.045m in 2023/24 financial year to fund the pilot.

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

CORPORATE DIRECTOR – RESOURCES

Table 4 - Forecast as at Quarter 3 2022/23 Corporate Director Resources Position

		Original Budget	Revised Budget	Forecast Q3 before Management & Other Actions	Variance Q3 before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Corporate Director Resources								
Finance	Gross Income	82.469 (78.574)	80.148 (77.421)	81.500 (77.459)	1.352 (0.038)	(0.372)	81.128 (77.459)	0.980 (0.038)
	Net Exp	3.895	2.727	4.041	1.314	(0.372)	3.669	0.942
Assets & Commercial Development	Gross Income	33.117 (16.856)	32.035 (16.546)	33.122 (17.097)	1.087 (0.551)	(0.051) (0.140)	33.071 (17.237)	1.036 (0.691)
	Net Exp	16.261	15.489	16.025	0.536	(0.191)	15.834	0.345
Information Services	Gross Income	12.016 (0.421)	11.888 (0.421)	12.418 (0.354)	0.530 (0.067)	(0.801)	11.617 (0.354)	(0.271) 0.067
	Net Exp	11.595	11.467	12.064	0.597	(0.801)	11.263	(0.204)
Procurement & Commissioning	Gross Income	17.069 (11.759)	6.756 (1.919)	7.083 (1.919)	0.327 -	(0.181)	6.902 (1.919)	0.146 -
	Net Exp	5.310	4.837	5.164	0.327	(0.181)	4.983	0.146
TOTAL RESOURCES		Gross Income 144.671 (107.610)	130.827 (96.307)	134.123 (96.829)	3.296 (0.522)	(1.405) (0.140)	132.718 (96.969)	1.891 (0.662)
		Net Exp	37.061	37.294	2.774	(1.545)	35.749	1.229

Finance: Budget £2.727m – £0.942m overspend

38. Overall, the Finance forecast has deteriorated by £0.088m from the variance reported in Quarter two. Finance is forecasting a variance of £1.314m before management action. This is due to pressure on the pay award of £0.287m and a pressure of £0.970m on Benefit Subsidy as a result of people being placed in supported living accommodation with non-registered providers. The Council is only able to claim the rent element from Government and has to cover the cost of support. Supported Living is used to support vulnerable people, including those with Drug and Alcohol addictions and help them transition back into the community.

39. The Revenues and Benefits Team is forecasting a reduction in income from Court Fees recovered of £0.203m. The award of the Council Tax Rebate for

households in council tax bands A to D has meant that fewer people have fallen into arrears on their Council Tax payments and debts are now much smaller which has in turn led to fewer court summonses.

40. These pressures are being offset by maximising the allocation of grant income in relation to Energy Rebate administration. A grant of £0.198m was received from Government for administering the scheme and the service have managed the delivery of this scheme effectively. Vacancies are being held and are forecast to continue to be held across the service and income maximised to further reduce the variance to a overspend of £0.942m.

Assets & Commercial Development: Budget £15.489m – £0.345m overspend

41. Assets & Commercial Development are reporting a £0.345m overspend, this has reduced by £0.578m from quarter two.

42. As seen nationally, energy prices have significantly increased. The budget was set with a forecast increase of 35% for electricity and 60% for gas for commodity prices. However actual increases have far exceeded those original forecasts, in part due to non-commodity prices which could not be hedged and were unknown at budget setting. The forecast for quarter 3 is an overspend on gas £0.075m and Biomass fuel £0.098m. Electricity is now forecast to be online, this is an improvement of £0.250m from quarter two and is due to a mild autumn reducing consumption.

43. Maintenance contracts are overspent by £0.700m due to inflation on services and materials, there has been a small improvement in the forecast of £0.050m from quarter two.

44. The pay award pressure continues to be managed by holding vacancies and capitalising where appropriate, the quarter three forecast has improved by £0.148m to report a small pressure of £0.027m.

45. Community Housing Grant of £0.140m is being drawn down in quarter three to further reduce the overspend to cover the cost of housing work that has been undertaken.

ICT: Budget £11.467m – £0.204m underspend

46. ICT are reporting an overspend of £0.597m before management action, £0.248m forecast for revised Pay award assumptions, £0.104m for Terms & Conditions pressure, £0.178m for inflation pressure on Microsoft Enterprise & Select Agreement at 12.5% and forecast reduced Income of £0.067m.

47. Management action has been taken to reduce this to a net underspend of £0.204m. The support contract with Microsoft and Azure were reviewed and restructured to manage the inflation pressure, the Microsoft Enterprise Agreement has been renewed during quarter 2 and overall, these items now deliver a net saving of £0.207m for 2022/23.

48. Further savings have been achieved on the corporate Network and applications totalling £0.346m, these will be one off and recurring savings and are being used to offset other pressures on infrastructure support contracts and hardware. 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.
49. Through a combination of holding vacancies and difficulty recruiting the pay award pressure, including T&C's is forecast to be reduced down to £0.104m, a saving of £0.248m.
50. 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 £4.837m – £0.146m overspend

51. Procurement & Commissioning are reporting an overspend of £0.146m this is an improvement of £0.239m from quarter two, vacancies are now forecast to be held to the end of the financial year and grant funding is being maximised in order to reduce the pay award pressure.

CORPORATE DIRECTOR – PLACE

Table 5 - Forecast as at Quarter 3 2022/23 Corporate Director Place Position

		Original Budget	Revised Budget	Forecast Q3 before Management & Other Actions	Variance Q3 before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Corporate Director Place								
Highways & Transport	Gross Income	51.086	51.075	54.180	3.105	(1.624)	52.556	1.481
		(13.325)	(13.374)	(14.589)	(1.215)	(0.817)	(15.406)	(2.032)
	Net Exp	37.761	37.701	39.591	1.890	(2.441)	37.150	(0.551)
Economy & Regeneration	Gross Income	4.000	3.600	3.660	0.060	(0.328)	3.332	(0.268)
		(1.509)	(1.345)	(1.222)	0.123		(1.222)	0.123
	Net Exp	2.491	2.255	2.438	0.183	(0.328)	2.110	(0.145)
Planning	Gross Income	8.450	7.947	9.187	1.240	(0.334)	8.853	0.906
		(6.780)	(6.780)	(5.926)	0.854		(5.926)	0.854
	Net Exp	1.670	1.167	3.261	2.094	(0.334)	2.927	1.760
Environment	Gross Income	52.633	53.377	54.989	1.612	(1.329)	53.660	0.283
		(9.418)	(8.749)	(10.725)	(1.976)		(10.725)	(1.976)
	Net Exp	43.215	44.628	44.264	(0.364)	(1.329)	42.935	(1.693)
Leisure Culture & Communities	Gross Income	15.000	20.030	21.387	1.357	(0.611)	20.776	0.746
		(7.526)	(13.812)	(14.458)	(0.646)		(14.458)	(0.646)
	Net Exp	7.474	6.218	6.929	0.711	(0.611)	6.318	0.100
TOTAL PLACE	Gross Income	131.169	136.029	143.403	7.374	(4.226)	139.177	3.148
		(38.558)	(44.060)	(46.920)	(2.860)	(0.817)	(47.737)	(3.677)
	Net Exp	92.611	91.969	96.483	4.514	(5.043)	91.440	(0.529)

52. As shown above the £44.060m of Place & Environment revised budget is derived from income, the table below breaks this down further by department.

Table 6 – Place Income Budgets by Department

Service	Department	Fees & Charges, Other Income	Grants, Contributions, Recharges	Total Income Budgets
Highways & Environment	Highways	-3.556	-0.016	-3.572
	Car Parking	-8.257	0.000	-8.257
	Passenger Transport	-0.421	-1.124	-1.545
		-12.234	-1.140	-13.374
Economy & Regeneration	Enterprise Network	-1.244	0.000	-1.244
	Major Projects	-0.023	0.000	-0.023
	Economic Regeneration	0.000	-0.078	-0.078
		-1.267	-0.078	-1.345
Planning	Building Control	-1.156	0.000	-1.156
	Development Management	-4.540	0.000	-4.540
	Local Land Charges	-1.034	0.000	-1.034
	Spatial Planning	0.000	-0.050	-0.050
		-6.730	-0.050	-6.780
Environment	Public Protection	-0.924	-0.032	-0.956
	Natural & Historic Environment	-0.053	-0.017	-0.070
	Waste	-7.720	-0.003	-7.723
		-8.697	-0.052	-8.749
Leisure Culture & Communities	Leisure	-12.809	-0.338	-13.147
	Libraries & Heritage	-0.432	-0.233	-0.665
		-13.241	-0.571	-13.812
TOTAL PLACE		-42.169	-1.891	-44.060

53. 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 Qtr 3 largely forecasts are based on Budget or in line with 2021/22 outturn unless the actual position over the first half of the year was significantly over or under profile and there was evidence to suggest it will not stabilise, further detail is included below for these areas.

Highways & Transport: Budget £37.701m – £0.551m underspend

54. The Highways and Transport service is managing significant inflation pressures with an average 6% (excluding fuel inflation pressure) higher increases on contracts than budgeted for as part of the 2022/23 budget. The quarter 3 net position has improved by £0.112m from that reported in quarter 2, largely due to further contract savings on the Streetscene contract due to mobilisation of the new contract and suspension of work and reduced staffing costs from holding vacancies and capitalising where appropriate.

55. The position before management action is a net £1.890m overspend. The pressure can be broken down as £0.567m pressure from Highways contract inflation, £0.468m pay award pressure, £1.477m Passenger Transport inflation pressure (including fuel pressure) as well as support and retendered prices for Bus Network, £0.182m pressure on car parking income and savings targets no longer assessed as being deliverable of £0.100m. Offsetting these pressures are forecast £0.546m additional Streetworks income and £0.358m other income.

56. These pressures are being offset by a range of one off management measures, £0.340m staff savings from holding vacancies and maximising capitalisation, £0.645m reduction in contract spend and supplies, £0.640m drawdown from ear marked reserves and £0.817m use of grant and developer contributions.
57. Car parking saving proposals have all been implemented with increased tariffs actioned at the end of quarter 2. Overall there is a forecast underachievement of income at quarter three of £0.182m, however this is an improved position since quarter two..
58. Streetworks income has been forecast slightly lower for quarter 2 based on the actuals received in the first two quarters and is now showing an overachievement of income of £0.546m. This income is difficult to forecast as it depends on the amount of work undertaken on the highway by utilities, developers and contractors. The MTFs for 2023/24 was increased in line with 2021/22 outturn position to reflect the improved position. The other income variance of £0.358m relates to a range of fees and charges across the service, the majority of which are deemed to be one off in nature or volatile so have not been built into the MTFs, for example £0.171m relates to a developer payment for the hire of street lighting.
59. 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. This has been managed in part by a reduction in service largely as contractors are still experiencing issues as a result of COVID so are actually unable to deliver some services at budgeted level, issues include a shortage of drivers and resources, this is in part down to a buoyant construction sector attracting skilled operatives and difficulty with procuring equipment and machinery. In addition, further savings have been forecast in quarter 3 on the Streetscene contract as work has been suspended and as we go through contract mobilisation, with the new contract due to start in February 2023. 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.
60. Passenger Transport contracts are also presenting with significant inflation pressure, this is compounded by the super inflation seen on fuel at circa 30% and falling patronage. In order to keep services running and prevent bus service sections being deregistered, the Council has had to step in and provide support where routes have become commercially unviable. An inflation increase, directly linked to fuel is also being provided to contractors to help ease the immediate pressure and ensure services are not handed back. In addition pressures have been included to reflect the significant price increases for retendered contracts in year. These pressures are currently forecast to be £1.477m above base budget for 2022/23; however, as this position was forecast at the end of 2021/22 financial year grant and a reserve was set aside in order to provide one off assistance in 2022/23. Therefore, the service will be drawing this pressure from reserves and maximising grant and S106 contributions for 2022/23 to come in on budget.

61. 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.
62. The pay award pressure of £0.468m is being managed by holding vacant posts and capitalising where appropriate and has been reduced to an overspend of £0.128m.
63. Enhanced services for Gully emptying, Fly tipping and Parish Stewards have been undertaken in 2022/23 and will be funded from a draw down at the end of the financial year from the Business Plan Priority reserve.
64. Overall the variance has been managed down to an underspend position of £0.551m.

Economy & Regeneration: Budget £2.255m – £0.145m underspend

65. Economy & Regeneration are forecasting an underlying full year variance of £0.183m overspend, this is due to the Pay award pressure and changes in capitalisation of salaries. Management action continues, to reduce this overspend variance to a forecast underspend of £0.145m, this is an improvement of £0.089m from quarter two and has been achieved by holding vacancies.
66. 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 reserve will not be required to be drawn down in 2022/23 as recruiting to vacant posts for the programme is proving to be challenging.

Planning: Budget £1.167m – £1.760m overspend

67. 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.
68. As at Quarter 3 Development Management Income is forecast to underachieve by £0.644m, based on the actuals to date which continue to be under profile and is reviewed continually by the head service.
69. Building Control and Local Land Charges is forecast to underachieve Income budgets by £0.260m, and reflects actuals received to date.

70. The service is forecasting a net £0.408m overspend on salaries. This is due in part to the Pay award being higher than originally estimated and 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.
71. In addition, an overspend on appeals and Legal costs (agency workers and counsel advice) is also forecast of £0.590m. This continues to be a risk area for the service.

Environment: Budget £44.628m – £1.693m underspend

72. Environment services is forecasting a Net £1.693m underspend, this is an improved position from quarter 2 and is due to increased income (primarily from recyclable materials through the Lot 1 waste management contract) and less waste tonnages/different treatment streams than forecast. As previously advised included within this are significant variances on Gross and Income budgets.
73. The increasing inflation rate has a significant impact on the Waste Contracts, the service is currently forecasting a £1.448m pressure for contract inflation with CPI rates at 10.1% for July 2022 when the majority of inflation is contractually due to be applied. It should be noted that for most of the waste contracts, the indexation is not an automatic uplift but subject to the contractor evidencing their increased costs, and any claim capped at CPI. A saving of £1.299m is being achieved as a result of less tonnages and different waste stream treatments.
74. The remaining pressure is being offset by a forecast overachievement on Income of £1.976m. As reported in 2021/22 outturn position the service saw a significant increase across recycling materials sales, this is forecast to continue and is supported by the actuals seen in the first three quarters of 2022/23. Recycling material income is notoriously volatile and has been particularly influenced through changing economic climate. However, industry intelligence is that, whilst prices have peaked and will likely come down for some materials during 2022/23, prices are not expected to fall to the levels experienced in 2020/21. This will need to be closely monitored and is a risk area for the service. The forecast increased Income has been factored into the updated 2023/24 MTFS.
75. 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.

76. The table below shows the forecast tonnages and rates for the significant Waste contracts against the budgeted position, these are the main cost drivers for the Waste service.

Service:	Tonnes				£/Tonne *				Budget Forecast Variance Due to Price/Tonnes £'m
	Budget setting F'cast (T)	Current Yr End F'cast (T)	Var (T)	Var (%)	£/Tonne (Budget Setting)	£/Tonne (Forecast)	Var (£)	Var (%)	
Provision and operation of Waste Transfer Stations (WTS), a Materials Recovery Facility (MRF) and two Household Recycling Centres (HRCs)	86,300	75,525	-10,775	-12.5%	£ 63.20	£ 69.00	£5.80	9.2%	-0.243
Composting services	39,200	35,022	-4,178	-10.7%	£ 34.80	£ 36.35	£1.55	4.4%	-0.212
Treatment & disposal of residual waste (inc street sweepings)	23,000	18,442	-4,558	-19.8%	£ 34.37	£ 42.20	£7.83	22.8%	0.009
Tax payable on all waste sent to landfill	35,800	31,485	-4,315	-12.1%	£ 98.60	£ 98.60	£0.00	0.0%	-0.430
Energy from waste landfill diversion contract.	50,000	50,000	-0	0.0%	£ 132.25	£ 125.35	£-6.89	-5.2%	-0.345
Mechanical biological treatment (MBT) Landfill diversion contract.	60,000	56,887	-3,113	-5.2%	£ 151.78	£ 167.33	£15.55	10.2%	0.428
					* £/T excludes income				

77. Environment Services is currently forecasting an overspend on pay budgets of £0.100m. This will be continually monitored, and any new vacancies will be assessed and held where possible.

Leisure Culture & Communities: Budget £6.218m – £0.100m overspend

78. Leisure Culture & Communities is reporting a net variance before management action of £0.711m, there are three main pressures driving this position. The Pay award pressure of £1.095m, this includes assumptions around pay harmonisation, £0.232m Terms and Conditions pressure and inflation pressure of £0.031m on supplies contract, Chemicals seeing a 90% increase from September 2022. This is being offset by a forecast overachievement of income of £0.646m which is based on the performance seen in the first three quarters.

79. The service has taken action to manage this pressure by holding vacancies, the saving for this has increased since quarter 2 as the service have had difficulties recruiting so is forecasting a saving of £0.331m. There is also a significant saving on supplies & services from bulk buying supplies to lock in lower prices and focusing on essential spend of £0.260m. This has reduced the variance to a Net position of £0.100m.

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

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.

CHIEF EXECUTIVE DIRECTORATES

82. Table 7 - Forecast as at Quarter 3 2022/23 Chief Executive Directorates Position

		Original Budget	Revised Budget	Forecast Q3 before Management & Other Actions	Variance Q3 before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E £m	F (C+E) £m	G (F-B) £m
Chief Executive Directorates								
Public Health	Gross Income	18,220	22,068	21,559	(0.509)	(0.020)	21,539	(0.529)
	(16,623)		(20,654)	(20,654)	-		(20,654)	-
	Net Exp	1,597	1,414	0,905	(0,509)	(0,020)	0,885	(0,529)
Legal & Governance	Gross Income	10,080	12,043	12,456	0.413	(0.304)	12,152	0.109
	(2,598)		(2,587)	(2,696)	(0.109)		(2,696)	(0.109)
	Net Exp	7,482	9,456	9,760	0,304	(0,304)	9,456	-
HR&OD	Gross Income	9,290	6,382	6,378	(0.004)	(0.186)	6,192	(0.190)
	(3,822)		(2,045)	(2,049)	(0.004)		(2,049)	(0.004)
	Net Exp	5,468	4,337	4,329	(0,008)	(0,186)	4,143	(0,194)
Transformation & Business Change	Gross Income	-	(0.608)	(0.865)	(0.257)	(0.048)	(0.913)	(0.305)
	-		-	-	-		-	-
	Net Exp	-	(0,608)	(0,865)	(0,257)	(0,048)	(0,913)	(0,305)
Corporate Directors & Members	Gross Income	3,055	3,226	3,425	0.199		3,425	0.199
	(0,014)		(0,014)	(0,014)	-		(0,014)	-
	Net Exp	3,041	3,212	3,411	0,199	-	3,411	0,199
TOTAL CEX DIRECTORATES								
	Gross Income	40,645	43,111	42,953	(0.158)	(0.558)	42,395	(0.716)
	(23,057)		(25,300)	(25,413)	(0.113)	-	(25,413)	(0.113)
	Net Exp	17,588	17,811	17,540	(0,271)	(0,558)	16,982	(0,829)

Public Health: Budget £1.414m – £0.529m underspend

83. Public Health are forecasting an underspend of £0.529m on the council budget funded services. This is due to a number of small underspends across the service as part of an exercise to improve efficiencies in part offset by the additional estimated pay award and the Terms and Conditions pressure. In 2022/23 the Public Health Grant is £18.015m. This is being 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. There is anticipated to be an underspend of £0.464m on the grant. Any unspent grant at outturn will be moved to the Public Health reserve for use in the future.

Legal, & Governance: Budget £9.456m – balanced outturn

84. Legal and Governance are forecasting a variance before management action of £0.304m overspend. This is from the pay award pressure of £0.413m. This pressure is being offset in part by forecast additional income across the service, particularly on Registration services. Registration Income budget was increased to 98% of Pre Covid-19 levels for 2022/23, the service is seeing strong demand and has exceeded profiled budget for the first half of the year.

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

Human Resources & Organisational Development: Budget £3.337m – £0.194m 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 £0.392m – £0.305m underspend

87. This directorate 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, also Business Insights team and management of strategic programmes. The team is largely funded from flexible use of capital receipts. Where salary cost pressure has arisen from the forecast pay award, which is higher than budgeted for, these have been absorbed and mitigated by the small number of vacancies in quarter 1 which have led to a forecast net underspend on salaries across the whole service.

88. The Transformation Board has approved drawdowns from the transformation reserve totalling £3.081m over three years in order to prioritise and facilitate the Customer Experience, Business Insights and Adults Transformation programmes of work. Subsequent business cases presented and approved are SEN High Needs Recovery programme which will be used to support and reinforce the work of the DfE's Delivering Better Value programme. Cabinet is asked to approve an additional £0.087m transfer from the reserve, as agreed by the Transformation Board following the approval to transfer £0.531m at quarter one and £0.826m in quarter two.

Transformation Reserve		2022/23 Financial Year £m	Future Years £m	Total Scheme £m
Balance Brought forward		5.355		
Quarter 1 Approval	Families & Children Transformation (FACT)	(0.297)	(0.612)	(0.910)
Quarter 1 Approval	Customer Experience	(0.234)	(0.616)	(0.849)
Quarter 2 Approval	Business Information Team	(0.173)	0.000	(0.173)
Quarter 2 Approval	Adults Transformation	(0.653)	(0.496)	(1.149)
Quarter 2 Approval	BT Gainshare - transfer one off gain to transformation reserve	3.330	0.000	3.330
Quarter 3 Approval Request	High Needs Block (Preparation for Delivering Better Value Programme)	(0.087)	(1.534)	(1.620)
Balance carried forward				3.984

Corporate Directors and Members: Budget £3.212m – £0.199m overspend

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

CORPORATE EXPENDITURE

Table 8 - Forecast as at Quarter 3 2022/23 Corporate Position

		Original Budget	Revised Budget	Forecast Q3 before Management & Other Actions	Variance Q3 before Management & Other Actions	Management & Other Actions	Forecast	Variance
		A £m	B £m	C £m	D (C-B) £m	E	F (C+E)	G (F-B) £m
Corporate								
Movement on Reserves	Gross Income	(1.138)	(1.138)	2.192	3.330		2.192	3.330
	Net Exp	(1.138)	(1.138)	2.192	3.330	-	2.192	3.330
Capital Financing	Gross Income	26.991	27.971	27.966	(0.005)		27.966	(0.005)
	Net Exp	(0.150)	(0.150)	(6.071)	(5.921)	-	(6.071)	(5.921)
	Net Exp	26.841	27.821	21.895	(5.926)	-	21.895	(5.926)
Corporate Costs	Gross Income	3.113	4.990	5.064	0.074		5.064	0.074
	Net Exp	-	(1.071)	(1.071)	-	-	(1.071)	-
	Net Exp	3.113	3.919	3.993	0.074	-	3.993	0.074
Corporate Levies	Gross Income	7.664	7.664	8.072	0.408		8.072	0.408
	Net Exp	(1.039)	(1.789)	(2.657)	(0.868)	-	(2.657)	(0.868)
	Net Exp	6.625	5.875	5.415	(0.460)	-	5.415	(0.460)
TOTAL CORPORATE	Gross Income	36.630	39.487	43.294	3.807	-	43.294	3.807
	Net Exp	(1.189)	(3.010)	(9.799)	(6.789)	-	(9.799)	(6.789)
	Net Exp	35.441	36.477	33.495	(2.982)	-	33.495	(2.982)

Financing & Investment Income & Expenditure: Budget £27.821m – £2.596m underspend

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

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

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

Corporate Costs: Budget £3.919m – £0.074m overspend

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

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

94. An overachievement of income is forecast for renewable energy Business rates of £0.868m, and this has been reflected in the MTFs for 2023/24 as the increased level of incoming is recurring. In 2022/23 this is offsetting a pressure of £0.394m for Pension deficit lump sum payment and £0.100m on the Apprenticeship Levy and Flood Defence levy. For quarter 2 an underspend of £0.100m has also been forecast against Early Retirement pension costs.

COLLECTION FUND

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 – Total Grant £426.708m - £9.325m forecast net overspend

97. The forecast variance for dedicated schools grant (DSG) is a net £9.325m 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 3 2021/22 was 4,252; quarter 3 in 2022/23 is 4,740; an increase of 361 plans (8.5%).

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 £1.082bn and high needs block supplementary funding of £325m for the 2022/23 financial year. The 2022/23 allocation included increases of £4.897m and £2.415m respectively for Wiltshire. This has come some way to alleviating the pressure it will not however, assist with previous years overspends which are held in the DSG deficit reserve in the local authority's balance sheet. Lobbying continues to request support and additional funding at national level.

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. Wiltshire has submitted both a consultation response and separate written response and the DfE is yet to publish its findings and recommendations.

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 £34.734m. 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. Prior to 2020/21 the DSG grant was treated as a usable reserve. In April 2020 Ministry of Housing, Communities & Local Government (MHCLG) introduced new legislation to transfer the DSG reserve from usable to an unusable reserve. In presenting the Better Value proposition DfE have now confirmed that the override will end on 31 March 2026. This provides no resolution to the negative reserve issue which was the subject of the override, now extended for a further three years.

102. Councils nationally have an estimated £2.3bn 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 the DfE’s “Delivering Better Value” (DBV) programme. The Council is scheduled to be part of the DfE’s third phase of the DBV programme in July 2023 and has been awarded £0.045m to facilitate this. In addition, the DfE have appointed Newton, CIPFA and SEN advisers to work with officers to review the recovery plan and provide support and guidance. Officers have started preparatory work with Newton / CIPFA.

103. Our local authority position is that we simply cannot sustain the DSG deficit at this level and as such, the transformation board have approved a proposal to invest £1.6m into recovery to align with the work of the DBV programme.

DSG Reserve	Early Years Ringfence (effective 01-04-22)	Schools Block, HNB & Central	Total 22/23 FY
Balance Brought Forward from 21/22	-1.692	27.665	25.973
Early Years Adjustment 21/22 prior year	-0.564		-0.564
Forecast variance 22/23	-2.257	11.582	9.325
Estimated balance CFWD 2022	-4.513	39.247	34.734

104. 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.

105. 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.

106. Officers are regularly meeting with school leaders to progress plans through the High Needs Recovery Group, reporting the position and recovery plan to Schools Forum. School Leaders have raised the profile of the funding challenges with Wiltshire's MPs who have been supportive and in turn, raised with central government.
107. 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

108. For 2022/23 a large amount of savings were required to deliver a balanced 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.
109. 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 3 2022/23 is shown in the table below, and these assessments are included in the General Fund figures set out in this report.
110. Of the £24.825m savings targets £15.002m (60.4%) are assessed as having been delivered as at the end of December. £23.073m (92.9%) is forecast to be achieved by the end of the year 2022/23. This leaves £1.753m (7.1%) 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.
111. The delivery of savings remains a focus for the Council and the status of the undelivered savings is considered as part of the future year financial planning processes to ensure the budget remains robust and deliverable and any undelivered saving adversely affects any budget gap in future years if not addressed or mitigated on an on-going basis.

Table 10 – 2022/23 Savings Delivery

Wiltshire Council - Savings Tracking 2022-23**Period - Nov (08)****Savings Targets, Full Year Forecasts and Actuals to Date Values £**

Corporate Director	Directorate	2022/23 Savings Target	Saving achieved to date £	Forecast Saving £	Difference between forecast and target
		£m	£m	£m	(-FAV /+UNFAV) £m
People	Living and Ageing Well	5.299	3.724	4.840	0.459
	Whole Life Pathway	3.359	1.194	1.794	1.565
	Families & Children's	2.093	1.413	1.984	0.109
	Education & Skills	0.725	0.353	0.719	0.006
People Total		11.476	6.684	9.337	2.139
Resources	Finance	0.181	0.032	0.181	-
	Assets & Commercial Development	0.837	0.652	0.825	0.012
	Information Services	0.535	0.307	0.431	0.104
	Procurement & Commissioning	1.549	1.408	1.503	0.046
Resources Total		3.102	2.399	2.940	0.162
Place	Highways & Transport	2.364	0.654	1.861	0.503
	Economy & Regeneration	0.344	0.305	0.344	-
	Planning	0.437	0.229	0.437	-
	Environment	1.478	1.669	2.816	- 1.338
	Leisure Culture & Communities	1.057	0.226	0.777	0.280
Place Total		5.680	3.083	6.235	- 0.555
Chief Executive	Public Health	0.061	0.061	0.061	-
	HR&OD	1.493	0.959	1.486	0.007
	Legal & Governance	0.545	0.489	0.545	-
	Corporate Directors & Members	0.339	-	0.339	-
Chief Executive Total		2.438	1.509	2.431	0.007
Corporate	Capital Financing	1.030	0.250	1.030	-
	Corporate Costs	1.100	1.077	1.100	-
Corporate Total		2.130	1.327	2.130	-
Grand Total		24.826	15.002	23.073	1.753
%age Total Target		100.0%	60.4%	92.9%	7.1%

CAPITAL RECEIPTS FLEXIBILITIES 2022/23

112. 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.

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

RESERVES POSITION AND FORECAST

114. 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.
115. 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.
116. In addition, £5.355m was also set aside in a Transformation reserve to provide funding for transformational activity across the council. The use of this reserve is overseen by the Transformation Executive Board, who agree the prioritisation of the activity and agree the funding.
117. Previous approvals to draw down from Transformation reserve included £0.531m as part of the quarter one and £0.826m as part of quarter two budget monitoring reports; following agreement at the Transformation Executive Board to support transformational activity across the council. The BT gainshare one off gain of £3.330m transfer to this reserve was approved as part of the quarter two budget monitoring report. An additional £0.087m is now requested to be transferred from this reserve as part of quarter three budget monitoring, to support high needs and delivering better value (DBV) as agreed by the Transformation Executive Board.

Transformation Reserve		2022/23 Financial Year £m	Future Years £m	Total Scheme £m
Balance Brought forward		5.355		
Quarter 1 Approval	Families & Children Transformation (FACT)	(0.297)	(0.612)	(0.910)
Quarter 1 Approval	Customer Experience	(0.234)	(0.616)	(0.849)
Quarter 2 Approval	Business Information Team	(0.173)	0.000	(0.173)
Quarter 2 Approval	Adults Transformation	(0.653)	(0.496)	(1.149)
Quarter 2 Approval	BT Gainshare - transfer one off gain to transformation reserve	3.330	0.000	3.330
Quarter 3 Approval Request	High Needs Block (Preparation for Delivering Better Value Programme)	(0.087)	(1.534)	(1.620)
Balance carried forward				3.984

118. The significant aspects of financial risk within the budget for 2022/23 are in part mitigated by earmarked reserves set aside for both Latent Demand and Inflation. £7m has been set aside in a specific Inflation reserve as the council recognised the pressure on the 2022/23 budget and £1.856m remains in the Pay Award reserve to support the expected pressure in these costs. It is

requested that these reserves be utilised to fund the net financial position at the end of the financial year, which is currently forecast to be £5.037m.

119. The Latent Demand reserve balance of £7.895m has been available for demand that presents over and above the metrics included in the budget. Demand pressures are now starting to present in this year and are forecast to continue into future years. The Corporate Leadership Team have assessed the impact on the financial position as well as the best approach to fund these pressures and recommend to Cabinet that staffing capacity demand of £5.057m is funded by this reserve. Ongoing demand has been built into 2023/24 Budget Setting and the Medium Term Financial Strategy. The table below provides a breakdown by service.

Service	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Families & Children	-	1.122	1.284	-	2.407
Education & Skills	-	0.117	0.120	0.123	0.360
Living Well	-	0.592	-	-	0.592
Whole Life Pathway	-	0.254	-	-	0.254
People Directorate	-	2.085	1.404	0.123	3.613
Planning	0.167	0.668	-	-	0.835
Highways & Transport	0.090	0.215	-	-	0.305
Environment	0.055	0.132	-	-	0.187
Place Directorate	0.312	1.015	-	-	1.327
Legal	-	0.117	-	-	0.117
Total	0.312	3.217	1.404	0.123	5.057

120. The balance remaining on this reserve, following the requested transfer for funding, will be £2.838m which will continue to be available should any additional demand present either during the remainder of this year or next financial year.

121. With a balance budget being proposed over the MTFS three year period the funding set aside in the Budget Equalisation Reserve and the Inflation Reserve are no longer required to be set aside for those purposes. Details are included within the Budget 2023/24 report about the re-purposing of these reserves and a recommendation is made to Cabinet as part of this report to transfer the balances, as follows:

- a. £7m to the General Fund Reserve
- b. £10m to a new earmarked reserve for accommodation needs
- c. £2m to the Transformation Reserve to support the community led Community Development pilots
- d. £0.5m to a new earmarked reserve for investment in the county's road sign infrastructure, and
- e. The remaining balance to the Business Plan Priority Reserve

Overview and Scrutiny Engagement

122. Regular reports are taken to Overview & Scrutiny relating to the Council's financial position. This report is being considered at the meeting of Financial Planning Task Group on 27 January 2023.

Safeguarding Implications

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

Public Health Implications

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

Procurement Implications

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

Equalities Impact of the Proposal

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

Environmental and Climate Change Considerations

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

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

128. If the Council fails to take actions to address forecast shortfalls, overspends or increases in its costs it will need to draw on reserves. The level of reserves is limited and a one-off resource that cannot be used as a long-term sustainable strategy for financial stability.

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

129. Ongoing budget monitoring and management, of which this report forms part of the control environment, is a mitigating process to ensure early identification and action is taken. Risks associated with service delivery and the level of reserves will be raised as and when proposals are brought forward as part of the budget setting process.

Financial Implications – Section 151 Officer Commentary

130. This report is the third report for the 2022/23 financial year and overall is showing a deterioration in the forecast for the financial year since the quarter 2 report. The bottom line overspend has increased by £1.3m to £5.0m at quarter 3, the main reason being the increase in costs being experienced in relation to the increase and cost in Children in Care placements. The report indicates an underlying pressure on the base budget of £15.7m which continues to be mitigated by items of a one-off nature, through management action which are, in the main, reduced costs arising through holding vacancies and income.

131. 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 nearly £9m was set aside in earmarked reserves to deal with the increased cost in 2022/23. At present only £5.1m of this will now be needed to cover the forecast overspend and it is proposed in this report to utilise those reserves at year end to cover off the overspend.
132. With a balanced budget being presented by Cabinet for 2023/24 it means the reserves held to deal with one off pressures of inflation or balancing the budget i.e. the budget equalisation reserve are now no longer needed for their intended purpose. As per the budget report and included in this report are proposals to transfer the reserves into their new intended purpose, this will all be subject to the final outturn position for the council in 2022/23.
133. There still remains a level of uncertainty and risk contained within this forecast three quarters through the financial year. Whilst officers have worked hard to ensure the significant savings programme of £25m in this financial year is achieved, with nearly 93% of savings forecast to be delivered, there is the possibility that further savings not yet delivered fail to be delivered either at all or by their original time frame, but where this arises mitigations to offset the impact are sought.
134. As previously mentioned, the management action contained in the report centres mainly around holding vacancies, containing inflation to a lesser amount than either negotiated or the prevailing rate of CPI and one-off income. The impact in 2022/23 is now unlikely to be a full year impact but will inevitably mean a worsening position in later years. With inflation still in double digits running at 10.5% and expected to continue to remain around that level for the winter months, there is a risk that inflation levels cannot be contained as currently forecast. However wherever possible this has been reflected in the base budget for the setting of the 2023/24 budget, to ensure it is robust as possible moving forward.
135. With the increased forecast overspend still £3.8m within the reserves held to manage inflation pressures during the year, there are no further management actions proposed at this time, however the Councils Corporate Leadership Team will be ensuring close scrutiny and challenge during the remaining months of the financial year.

Legal Implications

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

Workforce Implications

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

the control environment, is a mitigating process to ensure early identification and action is taken.

Options Considered

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

Conclusions

139. 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. This position has informed the proposed budget for 2023/24.

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23/01/2023

Appendices

Appendix A: Revenue Budget Movements

Background Papers

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

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

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

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

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

Financial Year 2022/23 – Quarter Two Revenue Budget Monitoring - Cabinet 29
November 2022

[Agenda for Cabinet on Tuesday 29 November 2022, 10.00 am | Wiltshire Council](#)

Appendix A – Revenue Budget Movements

	2022-23 Original Budget	Budget movements approved by CLT Q1 / Q2 / Q3	Revised Budget Q3
	£m	£m	£m
Corporate Director People			
Living and Ageing Well	72.096	- 0.499	71.597
Whole Life Pathway	78.004	3.126	81.130
Education & Skills	22.729	0.694	23.423
Family & Children Services	62.175	- 1.399	60.776
Corporate Director Resources			
Finance	3.895	- 1.168	2.727
Assets & Commercial Development	16.261	- 0.772	15.489
ICT	11.595	- 0.128	11.467
Procurement & Commissioning	5.309	- 0.472	4.837
Corporate Director Place & Environment			
Highways & Transport	37.761	- 0.060	37.701
Economy & Regeneration	2.490	- 0.156	2.334
Planning	1.670	- 0.503	1.167
Environment	43.215	1.412	44.627
Leisure Culture & Communities	7.474	- 1.255	6.219
Chief Executive Directorates			
Public Health	1.597	- 0.183	1.414
Legal & Governance	7.482	1.974	9.456
HR&OD and Transformation	5.468	- 5.468	-
HR&OD	-	3.336	3.336
Transformation & Business Change	-	0.392	0.392
Corporate Directors & Members	3.041	0.171	3.212
Commercial Savings	-	-	-
Corporate			
Movement on Reserves	- 1.138	-	- 1.138
Capital Financing	26.841	0.980	27.821
Corporate Costs	3.113	0.728	3.841
Corporate Levies	6.625	- 0.750	5.875
General Fund Budget	417.703	- 0.000	417.703
HRA Budget	-	-	-
Total	417.703	- 0.000	417.703
WC Funding			
General Government Grants	- 49.261	-	- 49.261
Council Tax	- 309.942	-	- 309.942
Business Rates Retention Scheme	- 58.500	-	- 58.500
Total Funding	- 417.703	-	- 417.703
Total	0.000	- 0.000	-