

Wiltshire Council

Cabinet

12 September 2017

Subject: **Revenue and Capital Budget Monitoring Period 4 2017/2018**

Cabinet Member: **Cllr Philip Whitehead – Finance**

Key Decision: **No**

Executive Summary

This report advises members of the revenue and capital budget monitoring positions as at the end of Period 4 (end of July 2017) for the financial year 2017/2018 with recommended actions as appropriate.

The forecasts indicate a general fund variance, if no action is taken, of £4.484 million, with management action identified to date. This is 1.4% of the Council's net budget, and significantly less than previous year comparisons at this stage of the financial year when action was taken to deliver a balanced 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 additional savings can be made so that a balanced budget is achieved. An updated position will be reported to Cabinet in the next budget monitoring report.

This report also details changes to the capital budget made since the 2017/2018 budget was set in February 2017 and reflects the position of the 2017/2018 capital spend against budget as at Period 4 (as at 31 July 2017)

If action is taken then a balanced budget can be achieved by 31 March 2018. If this is not the case then there will be a draw down from reserves. Therefore every action will be taken to reduce spend.

The year-end general fund reserve balance with no drawdown to fund overspends would be £12.534 million. This is in line with the Council's financial plan and recommendations by the Section 151 Officer.

Proposal

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

To note the budget movements undertaken to the capital programme shown in appendices D and E and to also note the reprogramming of the capital £23.620 million between 2017/2018 and 2018/2019.

Reason for Proposal

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

To inform Cabinet of the position of the 2017/2018 capital programme as at Period 4 (31 July 2017), including highlighting any budget changes

Michael Hudson Associate Director - Finance

Wiltshire Council

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Cabinet Member: **Cllr Philip Whitehead – Finance**

Key Decision: **No**

Purpose of Report

1. To advise members of the revenue and capital budget monitoring position as at the end of period 4 (end of July 2017) for the financial year 2017/2018 with suggested actions as appropriate.
2. To inform Cabinet on the position of the 2017/2018 capital programme, as at Period 4 (31 July 2017), including highlighting budget changes
3. This report is the first combined revenue and capital report.

Background

4. The Council set the 2017/2018 budget at its meeting on 21 February 2017. 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.

Revenue Summary

5. The projected year end position for the relevant accounts is set out as follows:

	Revised Budget Period 4 £m	Profiled Budget to date £m	Actual Net Spend to date £m	Projected Spend Position for Year £m	Projected Variance at Period 4 £m
General Fund Total	311.351	189.198	139.113	315.835	4.484
Housing Revenue Account	(0.592)	(4.541)	(5.550)	(0.592)	0.000

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

General Fund Monitoring Update

7. Finance has continued to monitor budgets, with budget managers, with a focus on the budgets assessed to be subject to a high risk due to factors such as changes in customer demand or expenditure or income assumptions. This has identified the areas where costs have risen quicker than forecast.
8. 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.
9. The period 4 report shows more detailed information and reports only the larger variances. Full details of service area figures are included in Appendix C. The figures in period 4 are current position after any approved recovery actions have been actioned.
10. As in previous reports, this report will target large variances and the managerial actions arising to ensure a balanced budget at year end.

Budget Movements in Period

11. There have been a number of budget movements in the first period of 2017/2018. These are due to budget virements, relating to factors such as structural changes or allocation of corporate savings targets since the report for budget setting in February 2017. A full trail is shown in appendix A. The overall net budget remains the same as agreed by Full Council in February 2017.
12. Further details of major virements in the period are included in appendix B. This includes a virement that has reallocated previous agreed corporate savings budget across all council services.

General Fund Monitoring Details

13. Overall the majority of service net spend is 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 and Head of Service are identifying compensating actions to bring these back in line.
 14. Overall the period 4 report identifies potential cost pressures of £4.484 million. Below are the comments on the main variances
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Adults Social Care

15. Adult Social Care budgets are projected to be on line for this financial year. Pressures of up to £2.2 million have been identified against the care budgets and this is due to increased complexity of cases and the capacity within the market, particularly for Help to Live at Home providers, to support packages in the community. There is also a pressure of up to £0.760 million in relation to sleep in rates and this is a national issue.
16. Actions to mitigate these pressures are centred around the Adult Social Care Transformation Programme which is supporting a number of the current pressures in year and will be the delivery route for recurring savings in future years. Management actions are also being taken in year to review care packages and ensure value for money is being achieved.

0-25 Service: Disabled Children & Adults

17. The 0-25 SEND Service is currently projected to overspend by £1.796 million and this reflects continued pressures across all budgets for children and young people with high needs. SEN Transport budgets are projected to overspend by £0.939 million, this forecast is based on current spend and assumed growth at the same rates as in 2016-17. As previously reported to Cabinet, success in meeting the needs of young people in local college provision has had an impact on transport costs despite reducing overall spend on education placements. In the current year Schools Forum has allocated additional funding to provide travel training, particularly for post-16 students, to enable independent travel where appropriate. It is anticipated that this will impact on transport costs as more young people are able to travel independently.
18. Spend on packages of care for young people with disabilities has also increased during the year. This primarily relates to the impact of changes to the legislation resulting in a greater number of young people aged 16-25 being supported through education, health and care plans (EHCPs). This impact is evident nationally as well as in Wiltshire.

Car Parking

19. Car Parking is currently projecting a net overspend of £0.250 million, due to the projected level of 2017/2018 income. Officers are working on proposals which, if approved, could mitigate this.

Libraries, Heritage & Arts

20. Libraries, Heritage & Arts is currently projecting a net overspend of £0.400 million. This is a projected overspend of £0.200 million on City Hall based on an income target and £0.200 million on Community working expenditure. Managers are currently reviewing compensating savings and income generation

Business Services

21. Business Services is currently projecting an overspend of £0.160 million. This overspend is against Customer Service staffing budget. The overspend will be offset in areas of support service budgets as any reduction in customer services staffing levels will impact service performance negatively.

Restructure & Contingency

22. This heading includes a range of corporate and cross cutting savings and is currently projecting a net overspend of £1.878 million. This balance is largely due to the ongoing delivery of corporate savings for which plans are being developed and actioned, albeit slower than anticipated. Corporate Directors are reviewing actions to assess the ability to deliver alternative savings, however the General Fund Reserve does allow a contingency for prudence due to the difficult nature of these items. However at this stage we do not plan to draw down.

Housing Revenue Account Summary

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

Capital Summary

25. The original budget for 2017/2018 was approved by Council during budget setting on 21 February 2017. Since that date there have been a number of changes to the budget for 2017/2018, largely due to reprogramming of budget from 2016/2017 and to 2018/2019; but also to reflect additional funding being available. The changes to the budget since it was last amended in the Budget report are summarised in the table that follows, a fuller breakdown of the changes made at a scheme by scheme level is attached as Appendix D
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Breakdown of Budget Amendments from Original Budget to Period 4 Budget (as at 31 July 2017)

	£m	Further information
Original Capital Programme Budget (reported to Council 21 Feb 2017)	131.508	Appendix A
Amendments to Capital Programme 2017/2018 Since Budget Setting		
Month 9 2016/2017 Budget reprogrammed into 2017/2018	13.633	Appendix A
Outturn 2016/2017 Budgets Reprogrammed into 2017/2018	20.415	Appendix A
Additional Budgets added to Programme	30.282	Appendix A & B
Grant Amendments	1.578	Appendix A
Reduced Budgets	(0.007)	Appendix A
Budgets Reprogrammed from 2017/2018 to 2018/2019	(23.620)	Appendix A & B
Current Budget 2017/2018	173.789	

26. The budget additions shown above largely reflect increases in funding being available and brought into the programme under the Chief Financial Officer delegated authority. They largely comprise additional grants from Central Government, Section 106 contributions and other contributions used to finance capital spend within the capital programme. Further information on the budget movements at an individual scheme level is shown in Appendix D and in further detail in Appendix E.
27. The budgets that have been reprogrammed into 2018/2019 are shown in further detail in Appendices D and E, with the higher value amounts also explained in the narrative for schemes in Appendix F.

Summary of Capital Position as at 31 July 2017

28. The current capital budget for the year 2017/2018 is £173.789 million. Actual spend on schemes as at 31 July 2017 was £31.556 million. A full breakdown of these figures is attached in Appendix D.
29. At present there are no anticipated significantly overspending schemes. Further information on the movements undertaken and the position of some of the larger schemes is set out in Appendix C, along with updates on the capital receipts received during 2017/2018.



Reserves

30. The table below provides the projected position for the year as at period 4 on the general fund balance held by the Council. The latest forecast on general fund balances currently stands at £12.534 million at 31 March 2018.

General Fund Reserve	£ million	£ million
Balance as at 1 April 2017		(12.534)
Projected overspend at period 4	4.484	
Service Recovery Plans	(4.484)	
Total Forecast movement		0.000
Forecast Balance 31 March 2018		(12.534)

31. 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. The original assessment reported to Full Council does allow some provision for Corporate Items that have not yet been recognised as there is sufficient time to take alternative actions to deliver a balanced budget. Also the table above identifies that the Council has sufficient reserves to deliver a balanced budget at the year end, however the risk assessment for 2018/2019 would require this to be recovered in that year, as well as the savings made on a recurring basis, so action is needed now to avoid deferring the matter to 2018/2019. At this stage it is planned that these actions will be achieved.

Overall Conclusions

32. This report has identified a shortfall if no further action is taken on the general fund budget of £4.484 million at period 4 due to cost pressures / shortfalls in income. Officers are currently taking action to address this and further monitoring reports will be brought to Cabinet throughout 2017/2018.
33. 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

34. This report informs member's decision making.

Overview & Scrutiny Engagement

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

36. 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

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

Procurement Implications

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

Equalities and diversity impact of the proposals

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

Environmental and Climate Change Considerations

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

Risks Assessment

41. 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

42. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report.
 43. It is forecast that a balanced budget will be achieved by 31 March 2018 following mitigating management action.
 44. The capital budget for 2017/2018, as detailed in this report, has been revised to £173.789 million. Within any capital programme there are a number of potential risks such as from cost overruns or lower than expected levels of capital receipts. Such issues will be highlighted as soon as they establish themselves through the quarterly reporting process. Members may wish to bear in mind that the capital programme has been set for four years and therefore risks will be appraised over the whole period.
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Legal Implications

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

Proposals

46. Cabinet is asked to note the outcome of the period 4 (end of July) budget monitoring and to approve all budget amendments outlined in the report.
47. To note the budget movements undertaken to the capital programme shown in appendices D and E and to also note the reprogramming of the capital £23.620 million between 2017/2018 and 2018/2019.

Reasons for Proposals

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

Background Papers and Consultation

None

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Appendices:

- Appendix A: Revenue Budget Movements 2017/2018
Appendix B: Major Virements between Service Areas from Original budget
Appendix C: Revenue Budget Monitoring Statements
Appendix D: 2017/2018 Capital Programme Budget Movements and spend to 31 July 2017
Appendix E: Delegated authority for budget movements
Appendix F: Narrative on specific schemes
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