

## **Wiltshire Council**

### **Cabinet**

**6 February 2018**

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Subject: **Revenue and Capital Budget Monitoring Period 9 2017/2018**

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

Key Decision: **No**

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#### **Executive Summary**

This report advises members of the revenue and capital budget monitoring positions as at the end of Period 9 (end of December 2017) for the financial year 2017/2018 with recommended actions as appropriate.

The forecast identifies that with action the revenue budget will be balanced by year end. If this is not the case then there will be a draw down from reserves. Therefore, every action will be taken to reduce spend.

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 9 (as at 31 December 2017).

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 9 (end of December) 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 E and F and to also note the reprogramming of the capital £13.909 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 9 (31 December 2017), including highlighting any budget changes.

**Michael Hudson, Director of Finance**

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Subject: **Revenue Budget Monitoring Period 9 2017/2018**

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

Key Decision: **No**

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### Purpose of Report

1. To advise members of the revenue and capital budget monitoring position as at the end of period 9 (end of December 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 9 (31 December 2017), including highlighting budget changes.

### Background

3. 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

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

	Revised Budget Period 9 £ m	Profiled Budget to date £ m	Actual to date £ m	Projected Position for Year £ m	Projected Variance before further actions £ m	Variance reported at period 7 £ m	Movement since period 7 £ m
<b>General Fund Total</b>	311.351	320.844	299.529	313.627	2.276	6.557	(4.281)
<b>Housing Revenue Account</b>	(0.592)	(10.681)	(10.287)	(0.592)	0	0	0

5. Action has been identified to address the Period 9 forecast and it is expected that the budget will be delivered balanced by 31 March 2018.
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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 9. The main variance between the revised budget at period 9 and the profiled budget is due to a phasing of grant income due to be received by schools in period 12.

### **General Fund Monitoring Update**

7. Accountancy continues to support budget managers to monitor their budgets, 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 9 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 9 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 during 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.
  13. The Council has recently undertaken a review of its senior management team structure. This reports has recast the budget to report the Council within the new Council structure. This has resulted in some restructure changes highlighted within appendix B.
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## General Fund Monitoring Details

14. 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. Directors and Head of Service are identifying compensating actions to bring these back in line.
15. Overall the period 9 report identifies potential cost pressures of £2.276 million. Below are the comments on the main variances over £0.250 million.

## Adults Social Care

16. Adult Social Care budgets are projecting a net overspend of £0.133 million for 2017/2018, a reduction of £0.717 million since period 7. (Adults 18+ £1.159 million over, Mental Health £1.097 million under, Learning Disabilities £0.767 million over and Adults Commissioning £ 0.696 million under). The main areas of overspend are:
  - a. The Learning Disabilities Service where two of the savings proposals for 2017/2018 are yet to deliver any financial efficiencies totalling £1.300 million and the effects of re-procurement of placements following on from the cessation of three Learning Disability providers in the last 3 months. This overspend has been partially mitigated by an increase in client contributions across the whole of Adult Social Care and one-off funding from the Better Care Fund.
  - b. Adults 18+ - In line with the new management structures, budgets have been re-aligned to reflect the changes, which has resulted in more detailed analysis of over and underspending areas, this together with a data cleansing exercise on information on care packages held on Carefirst has resulted in material variances between service areas.
17. Further work is being undertaken to reduce this underspend, however the effects of this work may not deliver savings until 2018/2019.

## 0-25 Service: Disabled Children & Adults

18. The 0-25 SEND Service is currently projected to overspend by £1.686 million, which is an improvement compared with period 7. As previously reported to Cabinet this reflects continued pressures across all budgets for children and young people with high needs particularly on packages of care for young people with disabilities and home to school transport for pupils with special educational needs (SEN).
  19. SEN Transport budgets are currently projected to overspend by £0.776 million. Success in meeting the needs of young people in local college provision has had an impact on transport costs despite reducing overall spend on
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education placements. Actions taken to mitigate transport costs include the implementation of travel training for young people, particularly those attending post 16 provision.

20. 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**

21. 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.

### **Environment**

22. Environment is currently projecting a net overspend of £0.400 million, due to 0.100 million pressure from unachievable markets income and £0.300 million pressure on Fleet. Officers are working on proposals which, if approved, could mitigate this.

### **Libraries, Heritage & Arts**

23. Libraries, Heritage & Arts is currently projecting a net overspend of £0.615 million. This is due to a combination of historic savings targets in relation to Salisbury City Hall income generation, Melksham Lunch Club, Communities and service restructure.
24. Plans are in development to improve income generation and deliver these savings however they will not be delivered in full in 2017/2018 but will be in future years.

### **Legal & Democratic**

25. Legal & Democratic is currently projecting a net overspend of £0.350 million. £0.200 million is primarily due to pressures within the elections service that have arisen as a result of the Individual Electoral Registration requirements. The remaining £0.150 million is due to £0.062 million of agency costs incurred to cover long term unavoidable sickness absence within the legal team and £0.088 million due to a shortfall in projected income.
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## **Capital Financing**

26. During the year, the Accountancy Team has undertaken a full review of the Council's Capital Financing expenditure. As a result, a full review of the Minimum Revenue Provision has been proposed. Further details are included within the Council's Budget Setting papers elsewhere on this agenda. As such, it is proposed that this area will underspend by £3.000 million by the end of 2017/2018, against the original budget.

## **Restructure & Contingency**

27. This heading includes a range of corporate and cross cutting savings and is currently projecting a net overspend of £3.572 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.

## **General Government Grants**

28. General Government Grants are forecasting an underspend of £2.000 million. This is due to greater than expected government grants received in the year.

## **Corporate Levys**

29. This service is currently forecasting a £0.400 million underspend. This is due to a combination of lower than expected gross cost in terms of purchasing and surrendering allowances for the year as well as the commercial sale of a number of allowances to third parties by the Energy Team that has generated a profit.

## **Housing Revenue Account Summary**

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

## **Capital Summary**

32. 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 setting 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 Period 7 Budget to Period 9 Budget (as at 31 December 2017)**

	£m	Further information
<b>Budget Period 7 2017/2018</b>	<b>160.847</b>	<b>Appendix E</b>
<b>Amendments to Capital Programme 2017/2018 Since Period 7 Budget</b>		
<b>Additional Budgets added to Programme</b>	<b>2.995</b>	<b>Appendix E</b>
<b>Reduced Budgets</b>	<b>(12.992)</b>	<b>Appendix E</b>
<b>Budgets Reprogrammed from 2017/2018 to 2018/2019</b>	<b>(13.909)</b>	<b>Appendix E &amp; F</b>
<b>Current Budget 2017/2018</b>	<b>136.941</b>	

33. 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 E and in further detail in Appendix F.
34. The budgets that have been reprogrammed into 2018/2019 are shown in further detail in Appendices E and F, with the higher value amounts also explained in the narrative for schemes in Appendix G.

**Summary of Capital Position as at 31 December 2017**

35. The current budget for the year 2017/2018 is £136.941 million. Actual spend on schemes as at 31 December 2017 was £76.341 million. A full breakdown of these figures is attached in Appendix A.
36. At present, there are no anticipated significantly overspending schemes. The capital financing revenue budget of £23.999 million as at Month 9, 31<sup>st</sup> December 2017 is expected to be online. Further information on the movements undertaken and the position of some of the larger schemes is set out in Appendix E, along with updates on the capital receipts received during 2017/2018.

## Reserves

37. The table below provides the projected position for the year as at period 9 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.

<b>General Fund Reserve</b>	<b>£ million</b>	<b>£ million</b>
Balance as at 1 April 2017		(12.534)
Projected overspend at period 9	2.276	
Service Recovery Plans	(2.276)	
Total Forecast movement		0.000
<b>Forecast Balance 31 March 2018</b>		<b>(12.534)</b>

38. 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

39. This report has identified a shortfall if no further action is taken on the general fund budget of £2.276 million at period 9 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.
40. 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

41. This report informs member's decision making.

## Overview & Scrutiny Engagement

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

43. 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**

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

### **Procurement Implications**

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

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

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

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

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

### **Risks Assessment**

48. 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**

49. This is a report from the Chief Finance Officer and the financial implications are discussed in the detail of this report.
  50. It is forecast that a balanced budget will be achieved by 31 March 2018 following mitigating management action.
  51. The capital budget for 2017/2018, as detailed in this report, has been revised to £136.941 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**

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

## **Proposals**

53. Cabinet is asked to note the outcome of the period 9 (end of December) budget monitoring and to approve all budget amendments outlined in the report.
54. To note the budget movements undertaken to the capital programme shown in appendices E and F and to also note the reprogramming of £13.909 million capital budget between 2017/2018 and 2018/2019.

## **Reasons for Proposals**

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

## **Background Papers and Consultation**

None

### **Contact Name:**

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

Report Author: Matthew Tiller, Chief Accountant

## **Appendices:**

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