

Agenda Item 7.

TITLE	Revenue Monitoring 2017/18 - Outturn
FOR CONSIDERATION BY	The Executive on 31 May 2018
WARD	None Specific;
DIRECTOR	Director of Corporate Services - Graham Ebers
LEAD MEMBER	Executive Member for Finance - Julian McGhee-Sumner

OUTCOME / BENEFITS TO THE COMMUNITY

Effective management of the Council's finances to ensure value for money for council tax payers, tenants and schools.

RECOMMENDATION

The Executive is asked to:

- 1) note the outturn position of the revenue budget and the level of balances in respect of the General Fund, Housing Revenue Account, Schools Block and the Authority's investment portfolio;
- 2) agree the General Fund carry forward requests of £1,598,670 as set out in Appendix B to the report.

SUMMARY OF REPORT

To consider the Revenue Monitoring, General Fund, Housing Revenue Account, Schools Block and Treasury Management Reports. The Executive agreed to consider Revenue Monitoring Reports on a quarterly basis.

The General Fund is reporting an adverse variance of £814k (0.64%) against planned spend of £127m, Housing Revenue Account a favourable variance of £6k (0.66%) against a net planned spend of £872k and Schools Block an adverse variance of £453k against a net planned spend of £309k.

Background

General Fund

The table below shows the outturn position for 2017/18 by Directorate. Details of the General Fund summary are shown in Appendix A.

Directorate	2017/2018 - End of Year Position		
	Approved Budget	Actual Spend	(Favourable) / Adverse Variance
	£,000	£,000	£,000
Chief Executive	£2,301	£2,208	(£93)
Corporate Services	£12,638	£12,524	(£114)
Customer and Localities	£35,370	£35,187	(£183)
People Services	£76,285	£77,489	£1,204
Net Expenditure Total	£126,594	£127,408	£814

The end of year position represents an adverse variance of £814k on the General Fund, however a favourable movement of £523k from the last position reported to Executive in January 2018.

Material areas of favourable / adverse variances include;

Chief Executives favourable variance of £93k, this relates to overachievement of procurement savings, through an increased use of the procurement system (e.g. Agency). Rental income across all corporate assets was greater than expected.

Corporate Services favourable variance of £114k, this relates to favourable increases in government grants and income however offset by short term pressures from interim staffing costs.

Customer and Localities favourable variance of £183k, this relates to salary efficiencies in Development and Regeneration and additional capitalisation of salary costs in SDL's. In addition, Community Infrastructure Levy (developer) receipts were greater than expected. Within highways & transport, pressures from staffing costs and car park income was lower than expected. These are offset from income better than expected for searches, street naming and numbering. Within development management & enforcement, pressures from agency and consultancy spend are offset with planning application income higher than expected as a result of higher demand and charges.

People Services adverse variance of £1,204k, approx. £1m relates to significant pressures in Adult Social Care commissioned care and support for Older People and Learning Disability, and the impact of National Minimum Wage on sleep-in services. In addition, continued pressures on Home to School Transport reflects the increasing costs associated with SEN services. While Children's Social Work & Early Intervention

services managed within budget overall for the 2017/18 financial year increasing pressure on caseloads and front door services has been experienced.

The end of year position for People Services represents a favourable movement of £63k from the variance reported to Executive in January. Management action under the People Services Recovery Plan has delivered a reduction on forecast agency spend and on various smaller, discretionary budgets. Some further favourable movements were experienced as a small number of high cost placements that were in the forecast for Adults Mental Health and Children were not required prior to the 31st March. Higher than forecast expenditure pressures were experienced in Adult Social Care and further analysis of this continues to inform ongoing recovery plan actions.

General Fund

General Fund balances as at 31 March 2018 are reported to be £9.124m before requested carry forwards of £1.599m. Members are asked to approve the carry forward requests detailed in Appendix B. The General Fund balance following approval would be £7.525m.

The Statement of General Fund balance is shown in Appendix C.

Housing Revenue Account (HRA)

The Housing Revenue Account reports a favourable variance of £6k against a net planned spend of £872k. This reflects the same position reported to Executive in January 2018.

The HRA faced pressures in rent collection due to void properties unoccupied during the year being greater than expected. In addition, money was transferred into the bad debt provision to help cover potential rent pressures in future years. Other pressures included additional reactive maintenance costs and void property repairs.

Capital financing charges also increased as depreciation charges for all HRA assets increased in respect of the stock valuation. These costs were offset by lower Voluntary Principal Repayments of debt after a prudent review of debt management.

The HRA balance as at the 31st March 2018 is £4.056m. Shown in Appendix D.

Schools Block (Dedicated Schools Grant (DSG))

Schools are funded through a direct grant from Central Government known as Dedicated Schools Grant (DSG). This is used to fund individual schools through an agreed formula, costs associated with Early Years Services, support for children with Special Educational Needs (SEN), and to fund relevant support services. This year the Schools Block reports an adverse variance of £453k against a net budgeted spend of £309k – this represents less than 0.4% of the total budget. Although an adverse variance, this represents a favourable movement of £277k from the position reported to Executive in January 2018. Shown in Appendix E.

Within the DSG, there were continued pressures on the High Needs Block, mainly in relation to high-cost placements for those with SEN and post-16 provision. The Council are in the process of carrying out a review of the High Needs Block funding and

expenditure with head teachers from various schools to develop solutions to contain future financial pressures that arise.

As at 31st March 2018, the Council does not hold any DSG balance in reserve.

Investment Portfolio

The authority's investment portfolio shows current investments of £60.5m being invested by the Council. This is made up of £54m invested with approved institutions (e.g. banks, building societies, councils, etc.) and £6.5m invested in daily money market funds.

Analysis of Issues

Effective monitoring of budgets is an essential element of providing cost effective services and enables any corrective action to be undertaken, if required. Many of the budgets are activity driven and can be volatile in nature.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	General Fund £127m	Yes	Revenue
Next Financial Year (Year 2)	£130m – based on MTFP budget	Yes	Revenue
Following Financial Year (Year 3)	N/A – subject to MTFP review	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

The Council will continue to review cost reduction measures to contain expenditure with the overall budget.

Cross-Council Implications

None

List of Background Papers

None

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REVENUE MONITORING REPORT OUTTURN 2017/2018

GENERAL FUND SUMMARY

	Year End Position			Details of Year End Variance
	Budget £,000	Actuals £,000	Variance £,000	
Chief Executive	2,301	2,208	(93)	Overachievement of procurement savings, through the use of matrix system. Strategic Asset rental income compensated for underachievement in Town Centre rental income.
Corporate Services	12,638	12,524	(114)	Net overspend in employee cost due to use of interim staff. Favourable increase in government grants and other miscellaneous income.
Customer and Localities Services	35,370	35,187	(183)	Overachievement primarily as a result of salary efficiencies in Development and Regeneration and capitalisation of salary costs in SDL's.
People Services	76,285	77,489	1,204	Reflects pressures in Home to School Transport, demand and cost pressures in Adult Social Care (including previously unbudgeted costs from the application of National Minimum Wage to sleep-in services), and agency costs across the Directorate. While Social Work & Early Intervention in Children's has experienced an overall underspend for the 2017/18 financial year, increasing case loads and significant pressures on front door services are being experienced.
Total	126,594	127,408	814	

Note

Actual figure includes carry forward request amounts.

Budget has been reduced as a result of lower capital depreciation charges.

GENERAL FUND SUMMARY - CARRY FORWARDS

Service	Budget Description	Reason for Carry Forward	Amount £
Chief Executive	21st Century Council Project	21st Century Council programme delays resulting in spend commitments estimated to be in 18/19.	272,500
Chief Executive Total			272,500
Corporate Services	Corporate Training	To support investment in 21st Century Council related training.	25,000
Corporate Services Total			25,000
Customer and Localities Services	Major inquiry for site allocations	At Executive in July 2016, an amended process for taking forward the Local Plan Update was agreed. This pushed the preferred option stage and key areas of spending into later project years. The carry forward will go towards meeting future year costs.	462,070
	Minerals and Waste	The original draft contract envisaged larger initial payments in the early years to reflect up front evidence work however the final contract incorporates an amended payment profile of consistent yearly payments. The carry forward will go towards meeting future year costs.	136,240
	School Crossing	School Crossing Patroller service to continue in line with school year rather than financial year. Budget spend aligned with phased approach to ending the delivery of the SCP service. Funding relates to a two year "special item" funding.	26,000
	LPU – Strategic Master Planning	Spend is profiled for 2018/19 in accordance with the updated contract payment plan.	400,000
	Staffing	Cover the additional costs of agency staff pending 21st CC for EDO role (6 months agency contract) and extra planned business engagement activity for 18/19.	18,000
Customer and Localities Services Total			1,042,310
People Services	Optalis Contract	Delayed start of a 2 year consultancy contract with Optalis, part of contract will now fall into 18/19.	69,000
	Deprivation of liberty cases	There is a back log of cases (including MCA DOLs doctors' assessments pending review in line with legal ruling in 2013/14, dedicated resources over and above existing establishment is required to clear this backlog and ensure that in the coming year only current cases are being reviewed. There is a risk with the backlog that the council is not meeting its legal obligations and may be at risk of significant financial and reputational damage.	94,000
	Multi Agency Safeguarding Hub (MASH)	Continue to invest in development of Multi Agency Safeguarding Hub (MASH) arrangements at WBC. Carry forward is remaining part of 2017/2018 supplementary estimate.	60,000
	Improvement and Change Programme	In 2018-19 there are various high profile programmes and events around quality of social care, safeguarding that require dedicated resources in order to ensure WBC is meeting its statutory responsibilities. This includes an Ofsted inspection. Carry forward is remaining part of 2017/2018 supplementary estimate.	35,860
People Services Total			258,860
17/18 Carry Forward Requests Total			1,598,670

STATEMENT OF GENERAL FUND BALANCE

	£,000	£,000
General Fund Balance (as at 31/3/2017)		(10,036)
<u>Supplementary Estimates</u>		
Customer and Localities Services (Jun'17 Exec Approval)	35	
Customer and Localities Services (Jul'17 Exec Approval)	400	
People Services (Oct'17 Exec Approval)	300	
Customer and Localities Services (Oct'17 Exec Approval)	49	
Customer and Localities Services (Feb'18 Exec Approval)	36	
		820
<u>Carry Forwards from 2016/17</u>		
Corporate Services	50	
Chief Executive	129	
People Services	69	
Customer and Localities Services	630	
		878
<u>Service Variance (excluding 17/18 carry forwards requests)</u>		
Corporate Services	(139)	
Chief Executive	(366)	
People Services	945	
Customer and Localities Services	(1,226)	
		(786)
General Fund Balance 31/3/2018 - Before Carry Forwards		(9,124)
	17/18 Carry Forward Request Total	1,599
General Fund Balance 31/3/2018 - After Carry Forwards		(7,525)

HOUSING REVENUE ACCOUNT

Director: Graham Ebers

Lead Member, Housing Services: Richard Dolinski

Service	Year End Position			Details of Year End Variance	
	Budget £,000	Actuals £,000	Variance £,000		
Rents	Expenditure	85	0	(85)	Increase in the HRA tenant bad debt provision and loss of rental income due to void properties.
	Income	(15,134)	(14,653)	482	
	Net	(15,049)	(14,652)	397	
Fees & Charges / Capital Finance Charge	Expenditure	33	104	72	Electricity bill for communal areas and additional insurance costs not recoverable.
	Income	(60)	(112)	(52)	
	Net	(27)	(8)	19	
Housing Repairs	Expenditure	2,737	2,817	80	Increased reactive maintenance jobs, increase in average repair cost per void property completed and waste management contract offset by efficiencies in the heating repairs & maintenance contract and new ground maintenance contract.
	Income	(30)	(21)	9	
	Net	2,707	2,796	89	
General Management	Expenditure	733	716	(17)	Lower than anticipated community orientated programmes for tenants in 2017/18.
	Income	0	(19)	(19)	
	Net	733	697	(36)	
Sheltered Accommodation	Expenditure	694	665	(28)	Additional recoverable service charges received in year and lower than anticipated repairs and maintenance jobs.
	Income	(483)	(469)	15	
	Net	211	197	(14)	
Other Special Expenses	Expenditure	150	134	(16)	Lower than anticipated community orientated programmes for tenants in 2017/18.
	Income	0	0	0	
	Net	150	134	(16)	
Capital Finance	Expenditure	7,282	6,503	(780)	Lower than anticipated Voluntary Principal Repayments of loan than budgeted for in 2017/18.
	Income	(36)	(29)	7	
	Net	7,246	6,473	(773)	
Subtotal Excluding Internal and Capital Charges		(4,029)	(4,363)	(334)	
Internal and Capital Charges		4,029	4,357	328	Depreciation charge higher than expected as a result of an increased valuation of housing stock being greater than budgeted.
Total		0	(6)	(6)	

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Housing Revenue Account Reserve		£,000
HRA Reserves as at 31st March 2017		(4,922)
2017/2018 Planned Spend		872
2017/2018 Variance		(6)
Estimated HRA balance as at 31st March 2018		(4,056)

SCHOOLS BLOCK MONITORING REPORT

Director: Paul Senior

Executive Member, Children's Services: Mark Ashwell

	Year End Position			Details of Year End Variance
	Budget £000	Actuals £000	Variance £000	
Total Individual Schools Budgets, High needs & Early Years Allocations	122,668	122,831	163	Costs pressures around Independent Special Schools (part of the High Needs Block).
Total Central Expenditure	2,351	2,381	30	Overspend in Growth fund, which some has been offset by underspends in schools admissions.
Total Schools Budget Expenditure	125,020	125,213	193	
Total Schools Block Funding Income	(123,355)	(123,094)	260	DFE reduced the income allocated in 18-19 due to recalculating the Early year income on the January 2017 census.
Total in-year (surplus)/ deficit	1,665	2,118	453	
Brought Forward (surplus) / deficit balance	(1,356)	(1,356)	0	
Total Year End (Surplus) / Deficit	309	762	453	