

TITLE	Revenue Monitoring Report 2018/19 – End of June 2018
FOR CONSIDERATION BY	The Executive on 26 July 2018
WARD	None Specific;
DIRECTOR	Director of Corporate Services - Graham Ebers
LEAD MEMBER	Executive Member for Finance - Julian McGhee-Sumner

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

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 quarter one 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) note that there are no Carry Forwards estimates to the general fund identified at this stage as shown in Appendix B to the report;
- 3) approve a supplementary estimate of £15,780 for 2018/2019 in relation to the decisions agreed at Personnel Board on 19th June 2018 in relation to the recruitment of Chief Executive post, and note the ongoing full year effect at a cost of £49,120 per year for 2019/2020 onwards;
- 4) approve a supplementary estimate of £67,580 for 2018/2019 in relation to the recommendations at Personnel Board on 19th June 2018 in relation to the restructuring staffing at Tier 2 in People Services, and note the ongoing full year effect at a cost of £94,240 per year for 2019/2020 onwards;
- 5) note the updates on the Adult Social Care action plan and the High Needs Block action plan.

EXECUTIVE SUMMARY

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 £1,696k (1.3%) against planned spend of £126.4m, Housing Revenue Account a variance of £0k (0%) against a net planned spend of £1.0m and Schools Block an adverse variance of £1,593k (1.2%) against a net planned spend of £136.9m.

Background

General Fund

The table below shows the forecast outturn position for 2018/19 by Directorate. Details of the General Fund summary are shown in Appendix A.

Directorate	2018/2019 - End of Year Position		
	Approved Budget	Forecast Spend	(Favourable) / Adverse Variance
	£,000	£,000	£,000
Chief Executive	£5,110	£5,110	£0
Corporate Services	£8,402	£8,402	£0
Customer and Localities	£35,885	£35,885	£0
People Services	£78,586	£80,282	£1,696
Net Expenditure Total	£127,983	£129,679	£1,696

The end of year position represents a forecast variance of £1,696k on the General Fund.

Material areas of favourable / adverse variances include;

Chief Executives – no material variances identified at present.

Corporate Services – no material variances identified at present. Some staffing pressures in benefits and assessment team to cover staff sickness. These pressures are offset by debt management and other savings.

Customer and Localities – no material variances identified at present.

People Services – net adverse variance of £1,696k. This reflects continued significant pressures in adult social care commissioned care and support for Older People and, in particular, Learning Disability. In addition, continued pressures on Home to School Transport reflects the increasing costs associated with SEN services.

While there has been significant investment in Learning Disability budgets in recent years, the number of individuals living longer, and being supported to live independently in the community, has continued to exert budget pressure.

The impact of the national living wage has driven increases in placement prices across the sector. While the number of older people being admitted to care home settings is reducing as more people are supported in their own homes, care home spend has continued to rise reflecting increasing cost of placements.

General Fund

General Fund balances as at 31 March 2019 are estimated to be £5.840m including estimated carry forwards of £0m.

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

Housing Revenue Account (HRA)

The Housing Revenue Account reports a forecast variance of £0k against a net planned spend of £1,044k.

No material variances identified at present.

The estimated HRA balance as at the 31st March 2019 is £3,012m. 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 a forecast variance of £1,593k against a net budgeted spend of £136,925k – this represents 1.2% of the total budget. Shown in Appendix E.

The overspend on the DSG relates to ongoing pressure on the High Needs Block, in particular in relation to placements made out of borough and with independent special schools.

The number of pupils with SEN within Wokingham has risen by almost 15% since 2015/16, with the proportion of those with Social, Emotional and Mental Health or Autistic Spectrum Disorder increasing beyond that seen both nationally and across South East local authorities. Demand for suitable placements has out-stripped that available locally, resulting in an increasing reliance on costly independent and out of borough provision. This in turn has increased pressure on Council funded home to school transport budgets.

As at 31st March 2019, the estimated DSG balance will be a deficit of £1.593m. An action plan to address this deficit is referred to later in this report and involves close working with the DfE.

Investment Portfolio

The authority's investment portfolio shows current investments of £86.4m being invested by the Council. This is made up of £84m invested with approved institutions (e.g. banks, building societies, councils, etc.) and £2.4m invested in daily money market funds.

Supplementary Estimates

Supplementary budget requests have been proposed for the following amounts, following recommendations presented to Personnel Board on 19th June 2018;

1. Recruitment of Chief Executive – following a report which went to Personnel Board on 19th June 2018 with a recommendation to agree to a revised salary range for the Chief Executive position, a supplementary estimate of £15,780 has been proposed for 18/19 and to note the ongoing costs of £49,120* per year for 19/20 onwards (*Subject to pension / national insurance inflation, etc.).
2. Restructuring staffing at Tier 2 in People Services – following a report which went to Personnel Board on 19th June 2018 with a recommendation to note the proposed restructure separating out the statutory duties of Director of Children's Services and Director of Adult Services (DASS) and to agree to revise salary ranges for the Director of Children's Services and Shared Director of Adult Services, a supplementary estimate of £67,580 has been proposed for 18/19 and to note the ongoing costs of £94,240* for 19/20 onwards (*Subject to pension / national insurance inflation, etc.). The supplementary estimates above reflect the expected costs to WBC assuming that the DASS post continues to be shared 50% with RBWM (equal to £81,840 per year).

Adult Social Care Action Plan Update

An Adult Social Care improvement board has been initiated by the Chief Finance Officer and Director of Adult Services from 1st June '18 to identify all possible actions with a view to bringing spend in line with the initial base budget.

Actions underway include:

- extensive reviews of high cost packages of care, and a reduction in double handed care plans where appropriate,
- identification and maximisation of appropriate external funding sources,
- improved use of block contracts, and
- more robust contract management, finance and commissioning processes.

It is currently anticipated to generate cost reductions of £800k - £1m for 2018/2019. This would have the effect of reducing the overall overspend to £796k (using mid-point of savings range).

Detailed monitoring of actions and planned benefits is being taken forward, and updates will accompany future revenue monitoring reports.

High Needs Block (Schools Block Funding) Action Plan

An SEN Strategy Group has been established, chaired by the Assistant Director for Education with input from Finance, Strategic Commissioning, and relevant schools. The group are considering service planning in light of pressure on resources and will identify all possible actions for delivering a balanced budget position and reduce the deficit.

Actions underway include:

- review of banding system for the funding of resource bases
- review and recommissioning of block contracts, and
- costed proposals for the expansion of suitable places within WBC.

Council Officers have invited the Department for Education (DfE) to visit WBC to discuss the pressures experienced and potential solutions, and this meeting is planned for mid-July.

Updates will accompany future revenue monitoring reports.

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 £130m - £83,360 Combined supplementary estimates	- Yes - £83,360	Revenue
Next Financial Year (Year 2)	- General Fund £N/A Subject to MTFP review -£143,360 Combined supplementary estimates	Yes - £143,360	Revenue
Following Financial Year (Year 3)	- General Fund £N/A Subject to MTFP review -£143,360 Combined supplementary estimates	Yes - £143,360	Revenue

Other Financial Information

The supplementary estimates above reflect WBCs expected costs assuming that the DASS post is shared 50% with RBWM (equal to £81,840 per year).

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

Stakeholder Considerations and Consultation

Stakeholders should be reassured of the effective management of the Council's resources.

Resourcing and Timeline for Next Steps

Improvement boards have been established with updates being provided to the Executive at the next quarterly revenue monitoring report.

Communication on Decision Made and Implementation

Not applicable, this report provides an update to Executive on the forecast revenue monitoring position.

Timeline for Review and Evaluation

Revenue monitoring reports are reviewed and evaluated on a monthly basis by directorate leadership teams and corporate leadership team (CLT). Executive will be updated in October with the quarter two position. The ASC Improvement board will meet on a regular basis with updates being provided to CLT and Executive.

List of Background Papers

Appendix A – Revenue monitoring report June 2018.
Appendix B – General Fund carry forwards.
Appendix C – Statement of general fund balance.
Appendix D – Housing Revenue Account monitoring report June 2018.
Appendix E – Schools Block monitoring report June 2018.

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