

Agenda Item 65.

TITLE	Revenue Monitoring Report 2018/19 – End of September 2018
FOR CONSIDERATION BY	The Executive on Thursday, 25 October 2018
WARD	None specific
DIRECTOR	Director of Corporate Services - Graham Ebers
LEAD MEMBER	Charlotte Haitham Taylor, Leader of Council

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 two 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.
- 3) note the updates on the Adult Social Care action plan and the Children's Services Action Plan (previously 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 £1,871k (1.46%) against planned spend of £128.3m, Housing Revenue Account a variance of £52k (4.94%) against a net planned spend of £1.0m and Schools Block an adverse variance of £1,853k (1.35%) 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
Adult Social Services	£47,287	£48,087	£800
Chief Executive	£5,630	£5,630	£0
Children's Services	£30,831	£31,827	£996
Corporate Services	£9,422	£9,497	£75
Customer and Localities	£35,151	£35,151	£0
Net Expenditure Total	£128,320	£130,191	£1,871

The end of year position represents a forecast adverse variance of £1,871k on the General Fund.

Material areas of favourable / adverse variances include;

Adult Social Services – net adverse variance of £800k. This reflects continued significant pressures in adult social care commissioned care and support for Older People and, in particular, Learning Disability.

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.

As a result of positive progress made by the Adult Social Care Improvement Board, the adverse variance has reduced from £1.5m reported in quarter one.

Chief Executives – no material variances identified at present.

Children's Services – net adverse variance of £996k. This reflects demand led pressures in Children's social care staffing budgets, with pressures also experienced in Home to School Transport. Pressures in part offset by underspends in placement budgets and will continued to be reviewed to seek additional savings.

Corporate Services – no material variances identified at present. Cost pressures from increased business rates at Shute End and other corporate properties. There are other cost pressures within the directorate, due to use of interim staff to cover staff sickness and vacancies. These pressures will be offset by debt management and other activities efficiencies.

Customer and Localities – no material variances identified at present. Following the recent 21st Century Council transition to the new directorate, budgets are being aligned to reflect the new structures.

General Fund Balance

General Fund balances as at 31 March 2019 are estimated to be £5.665m 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 adverse variance of £52k 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 £2,961m. 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 adverse variance of £1,853k against a net budgeted spend of £136,925k – this represents 1.35% 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 £1.853m. 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 £89.5m being invested by the Council. This is made up of £89m invested with approved institutions (e.g. banks, building societies, councils, etc.) and £0.5m invested in daily money market funds.

Adult Social Care Action Plan Update

The Adult Social Care Improvement Board, initiated by the Chief Finance Officer and Director of Adult Services from June '18, continues to oversee the identification and deliver of 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, with this now reflected in the reduced forecast overspend of £800k.

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

Children's Services Action Plan

Following the previously reported establishment of the High Needs Action Plan, the scope of work has now been widened by the Director of Children's Services in recognition of the increasing pressure also being experienced within Social Care.

Opportunities for in-year cost reductions and longer term financial sustainability are being considered across Education and Social Care services, with all possible actions for delivering a balanced budget position and reduce the deficit under review.

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 £128m	Yes	Revenue
Next Financial Year (Year 2)	- General Fund £N/A Subject to MTFP review	Yes	Revenue
Following Financial Year (Year 3)	- General Fund £N/A Subject to MTFP review	Yes	Revenue

Other Financial Information

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.

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

Contact Bob Watson	Service Business Services
Telephone Tel: 07801 664389	Email bob.watson@wokingham.gov.uk

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