

# APPENDIX A

<b>TITLE</b>	<b>Revenue Monitoring Report 2018/19 - End of December 2018</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 31 January 2019
<b>WARD</b>	None specific
<b>LEAD OFFICER</b>	Deputy Chief Executive – Graham Ebers
<b>LEAD MEMBER</b>	Executive Member for Finance, HR and Corporate Services – Anthony Pollock

## **PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)**

Update the Executive on the Council's 2018/2019 revenue monitoring position as at the end of the December 2018.

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 three 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 the estimated general fund budget carry forwards of £575k identified at this stage;
- 3) note the updates on adult social services and children services action plans;
- 4) approve a supplementary estimate of £100k in 18/19 for "Optalis IT business case feasibility study";
- 5) approve a supplementary estimate of £200k in 18/19 for "HRA void costs".

## **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 £1,839k (1.43%) against planned spend of £128.3m, Housing Revenue Account a variance of £51k against a net planned spend of £1.0m and Schools Block an adverse variance of £2,948k 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	£47,810	£523
Chief Executive	£5,630	£5,630	£0
Children's Services	£30,798	£32,189	£1,391
Corporate Services	£10,188	£9,763	£(425)
Customer and Localities	£34,417	£34,767	£350
<b>Net Expenditure Total</b>	<b>£128,320</b>	<b>£130,159</b>	<b>£1,839</b>

The end of year position represents a forecast adverse variance of £1,839k on the General Fund.

Material areas of favourable / adverse variances include;

Adult Social Services – net adverse variance of £523k. 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 not followed the same pattern reflecting increasing cost of placements.

As a result of positive progress made under the governance of the Adult Social Care Improvement Board, the initial £1,500k adverse variance reported in quarter one has been brought down significantly. Savings through maximising NHS funding for appropriate individuals, targeted use of equipment to reduce the need for double handed home care support, and reviews of very expensive packages of support has contributed to a much improved financial position for the service.

Chief Executives – no material variances identified at present.

Children's Services – net adverse variance of £1,391k. This reflects demand led pressures in Children's social care staffing budgets, with significant pressures also experienced in Home to School Transport particularly in relation to children and young people with special educational needs and disabilities. Pressures in part offset by underspends in placement budgets and will continued to be reviewed to seek additional savings.

Corporate Services – net favourable variance of £425k. This reflects cost pressures from increased business rates at Shute End and other corporate properties. These pressures will be offset by underspends in debt management costs as a result of delayed external borrowing.

Customer and Localities – an adverse variance of £350k. This reflects cost pressures in planning consultancy due to increase in demand of planning appeals. Additional pressures in agency costs in relation to long term sickness cover in a key part of the service.

### **General Fund Balance**

General Fund balances as at 31 March 2019 are estimated to be £5.597m including estimated carry forwards of £575k.

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 £51k 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 £2.761m (including £200k supplementary estimate to be approved). 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 £2,948k against a net budgeted spend of £136,925k – this represents 2.15% 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 SEND within Wokingham has risen by almost 15% since 2015/16 and continues to rise, 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 outstripped 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 £2.948m. 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 £93.2m being invested by the Council. This is made up of £91m invested with approved institutions (e.g. banks, building societies, councils, etc.) and £2.2m invested in daily money market funds.

### **Adult Social Care Action Plan Update**

Targeted actions through the Improvement Board have successfully delivered in year savings against the opening financial position for the year, with the forecast overspend now reduced to £523k (1.1%).

Focussed work remains ongoing to minimise the impact of rising demand on service budgets, with future delivery models and improvements being developed in conjunction with the 21c programme. The improvement boards have introduced additional focus, assurance and governance on the key areas of adult social care including finance and commissioning.

### **Children's Services & High Needs Block**

A Children's Services Improvement Programme, across both social care and education, is working in conjunction with the 21c programme to take forward identified opportunities for aligning strategic priorities within available resources.

As part of this, a multi-year plan supporting action on the High Needs Block deficit is being developed and will inform expected year end reporting to the Department for Education.

The improvement board also follows the same principles from the adult social care improvement board, good governance, assurance and a focus on finance and commissioning.

### **Council Wide Continuous Improvement Plan**

In future revenue monitoring reports, on a quarterly basis the Executive will be updated on the Council wide continuous improvement plan. This will provide updates from the Adult Social Care improvement boards, Children services and high needs block improvement boards and 21<sup>st</sup> century council programme.

### **Supplementary Estimates**

1. The Executive are asked to approve a supplementary estimate for £100k in relation to an IT business case feasibility study for Optalis. The feasibility will identify options which support the importance of technology as a critical success factor for effective and needed transformation within Optalis. If the IT

procurement is agreed then the possibility of capitalising these costs will be investigated.

2. The Executive are asked to approve a supplementary estimate for £200k in the HRA. This relates to ongoing budget pressures from voids. Due to the Gorse Ride South redevelopment project we are preparing many more voids for letting than in previous years. In addition, the Gorse Ride voids are on average in a worse condition than expected.

## 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 January with the quarter three 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 December 2018.

Appendix B – General Fund carry forwards.

Appendix C – Statement of general fund balance.

Appendix D – Housing Revenue Account monitoring report December 2018.

Appendix E – Schools Block monitoring report December 2018.

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