

<b>TITLE</b>	<b>Revenue Monitoring 2018/19 - Outturn</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 30 May 2019
<b>WARD</b>	None Specific;
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers
<b>LEAD MEMBER</b>	Executive Member for Finance - tbc

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

Report the revenue outturn position of the Council for 2018/19 financial year highlighting the effective management of the Council's finances to ensure value for money for council tax payers, housing 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 £2,043,820 as set out in Appendix B to the report;
- 3) note the significant reduction in the overspend on the general fund revenue account achieved since the last report; substantially this is a result of the continuous improvement work in the Adults Social Care and Customer and Localities directorates.

## **EXECUTIVE SUMMARY**

This report is to allow the Executive to note and consider the financial outturn for 2018/19 for the Council's net revenue expenditure, its General Fund Balance (GFB), the Housing Revenue Account (HRA), and the Schools' Block funding. The Executive has agreed to consider Revenue Monitoring Reports on a quarterly basis.

At the end of the financial year 2018/19, the General Fund (Revenue) is reporting a total spend of £129.03 million against planned spend (budget) of £128.25 million resulting in an adverse variance of £0.78 million (0.61%); the Housing Revenue Account has an adverse variance of £30k (2.39%) against a net planned spend of £1.2 million and Schools Block an adverse variance of £1.05 million (0.81%) against a net planned spend of £130 million.

The following table shows the breakdown by directorate:

Directorate	2018/19 - End of Year Position		
	Approved Budget £,000	Actual Spend £,000	(Favourable) / Adverse Variance £,000
Adult Social Services	47,483	47,550	67
Chief Executive	5,763	5,918	155
Children's Services	30,795	32,163	1,368
Corporate Services	10,255	9,605	(650)
Customer and Localities	33,956	33,797	(159)
<b>Net Expenditure Total</b>	<b>128,252</b>	<b>129,033</b>	<b>781</b>

Although reporting an adverse variance of just over £¾million, this represents a significant improvement on the position forecast at the mid-year point (which was predicting an adverse variance of just under £2 million. The movement is due to the work of the improvement boards in both Adults' and Children's services and the re-allocation of the Customer and Localities budgets following the C21 programme Phase 2 transition. Corporate services achieved an underspend on its debt financing due to prudent treasury management and optimising the debt drawdown points.

Details of the outturn position and variances are in the main body of the report and also shown at Appendix A. Generally across the Council there is a pressure on staffing budgets due to the increased use of agency staff, be it to fill gaps where permanent recruitment has not been successful or where posts are temporarily filled pending the outcome of change programmes. Both the social services directorates are experiencing demand led pressures although it is considered the recent growth provided in the 2019/20 budgets will have addressed these issues.

Following the year-end closing process, the Council's General Fund Balance (GFB) is £6.7 million which although less than last year, still represents a prudent level above the CIPFA recommended minimum. The 2019/20 MTFP plans to restore this balance to around £10 million which is considered the appropriate level for this reserve.

Through prudent financial planning and though additional returns from the business rate pilot the Council has been able to increase its earmarked reserves to a level that will ensure the Council has sufficient capacity to cope with some of the uncertainties over future funding levels from central government.

The Council's C21 change programme has continued to deliver its mandated savings targets for Phase 2. These represent an ongoing cost reduction to the Council. Phase 3 of this programme has been subsumed in to the Continuous Improvement Programme going forward. It will be working in conjunction with the Adults' and Childrens' improvement boards to further continue the work to date in improving process and practice to allow the services to deliver the efficiency targets agreed in the February 2019 Medium Term Financial Plan (MTFP) for the next three years.

Shortfalls in the level of the Dedicated Schools Grant funding from central government will cause a pressure for both the Council and its maintained schools. Particular concern is the High Needs Block and the Home to School Transport. The Council will be carrying forward a deficit on the HNB (which is permitted) and a turnaround plan is being developed to not only prevent this from increasing annually, but will eventually reduce the ongoing deficit. Underfunding in this area by DfE is a national issue and Wokingham BC is not alone in facing a deficit.

The Council's ambitious property investment portfolio has successfully increased throughout the year, and although this is a capital programme, it is generating gross revenue income across the portfolio of over five per cent return on investment.

The Council's treasury portfolio has investment balances of just under £100 million at year-end, generating interest returns of £2.6m. This is invested (in order of priority) with consideration for the security of funds, the liquidity of the cash and to provide a return on investment. Thus security and liquidity outweigh the need to make a return.

## BACKGROUND

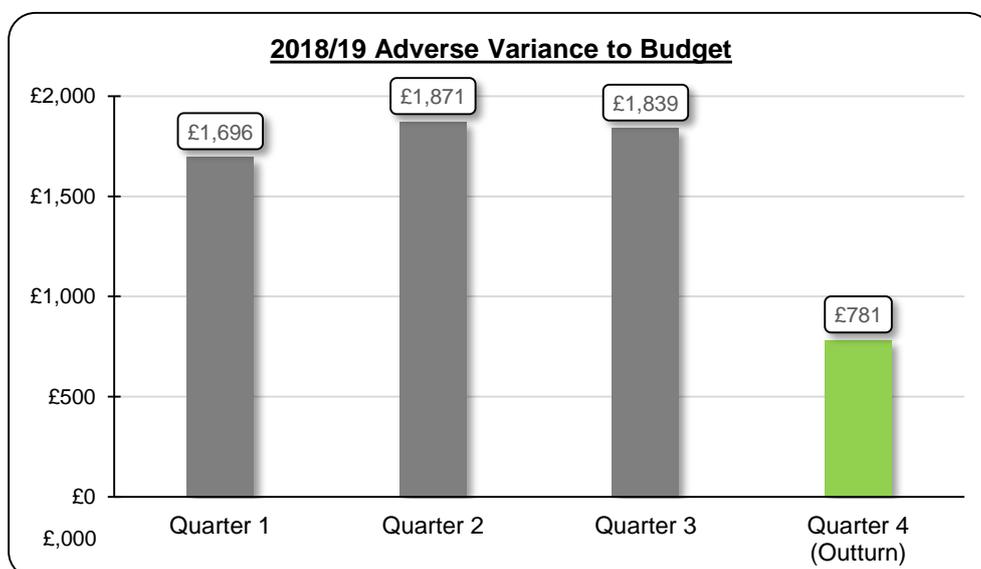
### General Fund

Comparing the actual spend vs the approved budget, the table below shows the outturn position for 2018/19 by Directorate. Further details are shown in Appendix A.

Directorate	2018/19 - End of Year Position		
	Approved Budget	Actual Spend	(Favourable) / Adverse Variance
	£,000	£,000	£,000
Adult Social Services	£47,483	£47,550	£67
Chief Executive	£5,763	£5,918	£155
Children's Services	£30,795	£32,163	£1,368
Corporate Services	£10,255	£9,605	£(650)
Customer and Localities	£33,956	£33,797	£(159)
<b>Net Expenditure Total</b>	<b>£128,252</b>	<b>£129,033</b>	<b>£781</b>

The end of year position represents an adverse variance of £781k on the General Fund. This will be funded from the general fund reserve. A summary of the General Fund reserve for 2018/19 is shown in Appendix C.

2018/19 has been a challenging year financially, it was recognised in quarter one, Children's Services were facing demand pressures on SEN related services. Similarly, Adult Social Care also faced demand led pressures around commissioned care and support. In June 2018, improvement boards were established to bring spend in line with base budget. The work of the improvement boards have now started to make successful changes in bringing spend back in line with budget and importantly, working to minimise ongoing financial pressures from demand led services. This is highlighted below in the improved financial position for outturn compared to previous reported positions.



Material areas of favourable / adverse variances include;

Adult Social Services – net adverse variance of £67k. Significant pressure was identified earlier in the financial year, in particular around commissioned care and support for those individuals with a 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.

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 managed in year. 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 vastly improved financial position for the service.

In addition, pressure anticipated at Month 11 from winter trends and provider failures has not been experienced to 31<sup>st</sup> March.

Chief Executives – net adverse variance of £155k. Unbudgeted costs due to recruitment costs for vacant Chief Executive and Director posts, severance pay and other specialist / consultancy services spend.

Children's Services – net adverse variance of £1.37m. This reflects demand led pressures in Children's social care staffing budgets (£1.7m), with significant pressures also experienced in Home to School Transport particularly in relation to children and young people with special educational needs and disabilities (£0.5m). Additional pressures across the service (£0.4m). Pressures in part offset by underspends in placement budgets (£1.2m).

The establishment of the Children's Continuous Improvement Board in the latter part of the year has brought an enhanced level of scrutiny and understanding on the complex areas of pressure experienced. This has provided for some initial stability against what was a worsening position, and ensures appropriate plans are in place going forward to bring costs in line with available resources.

Corporate Services – net favourable variance of £650k. 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, additional income from traded legal services and staffing efficiencies across the service. In addition, £0.2m of additional levy was returned by Government in January '19.

Customer and Localities – favourable variance of £159k. Having identified budget pressures earlier in the year, the management team working with their finance specialists have strengthened up the financial management arrangements and have delivered cost reductions where possible to keep within overall budget. This includes a drive on permanent recruitment to reduce expenditure on agency costs and realising efficiencies to deliver a favourable variance.

## **General Fund Balance**

General Fund balances as at 31 March 2019 are £6.66m after including carry forwards of £2.04m.

The General Fund balance is held to provide a general contingency for unavoidable or unforeseen expenditure as well as providing some stability for longer term planning particularly in uncertain economic times. Professional guidance from the Chartered Institute of Public Finance and Accountancy recommends a minimum general fund reserve of 5% of net expenditure. This equates to a recommended level of £6.45m at 31<sup>st</sup> March 2019, in line with our current general fund balance.

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

## **Housing Revenue Account (HRA)**

The Housing Revenue Account reports an adverse variance of £30k against a net planned spend of £1,244k. The adverse variance will be funded from HRA reserves. The HRA had additional void costs relating to properties unoccupied during the course of the year. Further cost pressures occurred on repairs and maintenance with a higher than expected demand in this area. Costs of using agency staff continued to put pressure on the HRA as recruitment into permanent staff positions took longer than expected.

The HRA reserve balance as at the 31<sup>st</sup> March 2019 is £2.78m, 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 in year adverse variance of £1.045 million against a net budgeted spend of £129.675 million – this represents 0.81% 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, although pressure for all services funded in this way is growing

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 31<sup>st</sup> March 2019, the DSG balance will be a deficit of £1.572 million made up of the in year deficit of £1.045 million and the brought forward deficit of £0.527 million. 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 cash investment portfolio shows current investments of £99.643m being invested by the Council. This is made up of £91.643m invested with approved institutions (e.g. banks, building societies, councils, etc.) and £8m invested in daily money market funds.

In total, during 2018/2019, the Council received £2.6m in interest across these investments.

Additionally, during the year, the Council acquired an investment property outside of the borough funded from internal borrowing (use of long-term cash balances). This investment totals £12.6 million and generates an annual income yield of nearly 5½%.

## **Council Wide Continuous Improvement Plan (CIP)**

The Council wide continuous improvement plan has been established to capture the various improvement workstreams under the governance of Joint Board. CIP covers Adult Social Care improvement board, Children Services (including High Needs Block) improvement board and 21st Century Council Programme. The Executive are asked to note the following updates.

### Adult Social Care Improvement Board

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 £67k.

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 C21 programme. The improvement board has introduced additional focus, assurance and governance on the key areas of adult social care including finance and commissioning.

Successful delivery for 2018/19 does not lessen the focus and drive of the Board for the coming financial year, as opportunities for continual improvement are taken forward. Demand for Adult Social Care services continues to rise, and a multi-year approach to financial planning is key to ensuring successful delivery within available resources.

### Children's Services Continuous Improvement Board

A Children's Services Improvement Programme, across both social care and education, is working in conjunction with the wider Council Transformation 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 the deficit recovery plan reporting required by the Department for Education by the summer.

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.

### 21<sup>st</sup> Century Council Programme

The 21<sup>st</sup> Century change programme involves the implementation of a new model of working and organisation for the Council. It is underpinned by an extensive IT programme and is intended to extend to all parts of the organisation over the implementation period creating a leaner, more efficient Council. Implementation commenced following Executive approval of the business case in September 2016.

The implementation was phased into two parts, to ensure transition to the new model of working is safe and effective.

Phase 1 ran from October 2016 to Spring 2017 and included the establishment of the reconfigured senior leadership team and the reconfiguration of the Council's support services together with strategy and commissioning.

Phase 2 entailed the establishment of the Council's Customer and Localities functions encompassing the following service areas: Environment, Income and Assessments, Housing and Customer Services. During 2018/19, the implementation of the new Customer and Localities Directorate has delivered the full business case saving and every effort has been made to reduce the impact on our staff.

Beyond phase 2 the methodology and principles of 21<sup>st</sup> Century Council will be applied to Adult Social Services and Children's Services, including the lessons learnt and the successes experienced. This will form part of the overall CIP during the next financial year and beyond.

### **FINANCIAL IMPLICATIONS OF THE RECOMMENDATION**

***The Council continues to face severe financial challenges over the coming years as a result of reductions to public sector funding and growing pressures in our statutory services. It is estimated that Wokingham Borough Council will be required to make budget reductions of approximately £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)	£129m	Yes	Revenue
Next Financial Year (Year 2)	As per MTFP	Yes	Revenue
Following Financial Year (Year 3)	As per MTFP	Yes	Revenue

### **Other Financial Information**

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.

<b>Stakeholder Considerations and Consultation</b>
None

<b>List of Background Papers</b>
Appendix A – Revenue summary Appendix B – List of carry forwards Appendix C – General Fund Balance Appendix D – HRA summary Appendix E – Schools block summary

<b>Contact</b> Mark Thompson	<b>Service</b> Business Services
<b>Telephone</b> Tel: 0118 974 6555	<b>Email</b> mark.thompson@wokingham.gov.uk

This page is intentionally left blank