

TITLE	Revenue Budget Monitoring report FY2019/20 - Quarter 2
FOR CONSIDERATION BY	The Executive on Thursday, 31 October 2019
WARD	None specific
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

The Council agrees and sets its budget in February for the following financial year and this report seeks to update Executive on the budget position throughout the year and provide an estimate of the outturn position at year-end (31 March 2020)

RECOMMENDATION

That the Executive:

- 1) note the current position of the revenue budget to date;
- 2) note the forecast of outturn and the projected level of balances in respect of the General Fund;
- 3) are asked to recommend to the Constitution Review Working Group that future spend approval of available S106 developer contributions in relation to the Council's My Journey travel programme can be approved through Individual Executive Member Decisions;
- 4) are asked to approve an in year supplementary estimate of £630k in relation to increased pressure for legal support and additional workload from planning appeals and note additional pressures for future years of £320k in 20/21 and £170k in 21/22.

EXECUTIVE SUMMARY

This report is to allow the Executive to note the current expenditure to date (as at 30 September 2019) for the first 6 months of the current financial year and to inform the Executive of the forecast outturn positions for 2019/20 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.

In February 2019 the Council agreed and set its net General Fund (Revenue) budget at £134.281 million; following year end, this is to be further adjusted to account for agreed carry forward of budget and approved supplementary estimates. This gives a working budget for each of the Council's Directorates. The working budgets, spend to date and forecast outturn are shown below

Directorate	2019/20 - net budget position - as at 30 September 2019				
	Approved (working) budget	Spend to date (Qtr 2)	%age budget spent to date	Forecast outturn	Variance of outturn
	£,000	£,000	%	£,000	£,000
Adult Social Services	£50,057	£21,231	42%	£50,057	£0
Chief Executive	£8,639	£3,883	45%	£8,691	£52
Children's Services	£31,186	£15,181	49%	£32,518	£1,332
Corporate Services	£11,915	£2,666	22%	£11,465	(£450)
Customer and Localities	£34,673	£18,159	52%	£34,673	£0
Net Expenditure Total	£136,470	£61,120		£137,404	£934

Details of the outturn forecast position and variances are also shown at Appendix A. The main items of variance identified to date are:

Adult Social Services – While the current forecast assumes a break even position for ASC a number of increasing risks have been identified, in particular price uplifts for providers and higher than anticipated Older People demand. Work is underway to investigate and review the impact on forecast assumptions.

Chief Executive – One off costs of £52k due to redundancy costs.

Children's Services – Overspend of £1.332m. The main areas of overspend include children in care placements, where increased demand and complexity of cases has led to an increase in spend on expensive residential and semi-independent placements. Pressures in legal costs, where an increase in cases entering the court system combined with a small number of complex cases and rising costs of commissioning QCs and experts has led to increased costs. Home to school transport continues to be a pressure for the Council and in staffing, where there is a higher than anticipated use of agency staff;

A number of areas have been identified for further investigation or action:

1. Staffing: Action is being taken to reduce the number of agency staff. Seek further detail on the in-year benefit of this work.
2. Placements: Review of the assumptions for the current forecast to ensure it takes account of higher cost placements not needed for the full year and potential placement moves.
3. Legal Costs: Review of the forecast figure to ensure it takes account of a small number of cases being unusually complex and unlikely to be repeated in-year.

4. Home to School Transport: Confirm the impact of an additional 50 requests received at the start of the school year. Analyse of the costs of transport of children with Special Educational Needs and Disability (SEND) and those in the mainstream.
5. Budget Forecast Review: Line by Line review of budgets to identify any areas of potential non-essential spend not yet included in the forecast.

Corporate Services – £450k of additional income from commercial properties. Returns greater than budgeted. Savings also expected from debt management costs due to delayed borrowing.

Customer and Localities – Whilst the current forecast assumes a break even position for Customer and Localities, this is dependent on the supplementary estimate being agreed. Other pressures which are currently being managed within the directorate budget include pressures in Customer Delivery, relating to impact of year on year demographic growth not being reflected in front-line staffing levels. Options are being looked at with regards to technology improvements which will aim to reduce the impact on staffing costs longer term. One off pressures on postage costs in Income and Assessments as a result of delay to moving to online billing which we are working to resolve in-year. Planning Fee income is currently forecast to be less than budgeted, reflecting current market conditions and lack of large site applications coming forward.

Taking account of the overspends above and the effect of the supplementary estimates, the balance on the General Fund as at 31 March 2020 is estimated to be £8.493 million. See Appendix B.

Housing Revenue Account (HRA)

The HRA is currently forecasting a nil variance against planned spend of £962k in relation to housing repairs and general management costs. The balance on the HRA reserve is forecast to be £1.821 million at 31st March 2020. See appendix C for further detail.

Dedicated Schools Grant (DSG)

Shortfalls in the level of the Dedicated Schools Grant funding from central government continue to 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 is predicting to carry forward a deficit on the HNB (which is permitted) of £2.973 million. A turnaround and recovery plan is being developed with the DfE to not only prevent this from increasing annually, but will eventually reduce the ongoing deficit.

Investment balances

The Council's treasury portfolio has investment balances of just under £97 million as at the end of the quarter. Predicted interest on this portfolio is forecast to be £0.735 million by year-end. The portfolio is managed (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.

MTFP outlook

There are funding pressures in years 2 and 3 of the current MTFP that are being addressed, An MTFP refresh has been completed and work on the next three-year financial plan is progressing in accordance with the agreed timetable.

Recommendation 3 - My Journey Funding

The Executive are asked to recommend to the Constitution Review Working Group that it is agreed that future spend approval of available S106 developer contributions in relation to the Council's My Journey travel programme can be approved through Individual Executive Member Decisions.

S106 approval for spend over £100k is to be agreed by the Executive as per finance regulation 12.1.17.3. In July 2015, the Executive agreed to S106 funding to be used for the Council's My Journey travel programme up to the value of £263k per year. Availability of developer funding has increased above the £263k annual limit and due to the nature of the funding being ring fenced, officers are seeking that the Executive agree to delegate future "My Journey" spend approval to Individual Executive Member Decisions rather than full Executive. Spend in any financial year will not be allowed to exceed the available S106 resources.

My Journey is a behaviour change programme which promotes active and sustainable travel in order to reduce single occupancy car use. My Journey exists because it is a more effective way to encourage active and sustainable travel for our new residents than developers implementing travel plans through the planning system. With the Council coordinating the programme, the My Journey team can target not only new homes where residents travel from but also the places where residents travel too, such as schools, workplaces, town centres and train stations.

The four objectives of the programme are:

- To encourage active and sustainable travel in our local communities, to promote the health and well-being of all our residents, improve local air quality, improve road safety and reduce the level of congestion on our highway network
- To encourage active and sustainable travel to schools, colleges & other educational facilities to promote the health, well-being and independence of our young people and improve local air quality.
- To work with businesses to encourage active and sustainable travel for journeys to and from workplaces, in order to attract and retain talented employees, encourage business investment and reduce the impact of business travel on the local highway network.
- To improve & encourage active and sustainable travel to our town & local centres and public transport interchanges in order to improve the reliability of journeys and provide high quality alternative ways of travel to the private car.

My Journey is funded from S106 funds provided by developers and can only be spent on mitigating the impact of car travel through the My Journey programme. The funding is used to support the staffing costs of the team, as well as resources and the delivery of activities. The S106 contribution continues to be collected in lieu of travel plans for new developments, but it still remains optional for developers. Key trends linked to the success of the programme so far include:

- Bus travel continuing to grow with a 4% increase in Wokingham compared to just 1% in the South East region (2017/18 DfT)
- The number of adults reporting that they cycle at least once a week has increasing by 7% in 2018/19 compared to the previous year (NHT)
- The number of adults reporting that they walk at least once a week has increasing by 5% in 2018/19 compared to the previous year (NHT)

Some of the key intervention successes are:

- 16 schools logging over 20,800 journeys on foot, scooter or cycle in a two week period for the big pedal,
- over 1700 children being trained in bikeability, with the level 2 pass rate increasing by 2% compared to 2017/18,
- 36% growth in number of hits / visitors to our My Journey website since April 2019
- 38% growth in the number of web hits/visitors on the Bus Information page of the My Journey website since April 2019
- 4% growth in followers on Twitter since April 2019
- 4% growth in the number of Facebook followers since April 2019

Recommendation 4 - Supplementary Estimates

The Executive are asked to approve the following supplementary estimates in relation to increased pressure for legal support and additional workload from the following planning appeals;

Current financial year pressure 2019/20 – supplementary estimate of £630k

- Finchampstead Road - £100k
- Hare Hatch - £100k
- Nine Mile Ride - £100k
- Cutbush Lane - £100k
- The Coombes - £50k
- Ravenswood - £70k
- Workload pressure - £60k
- Retention of counsel - £50k

Financial year 2020/21 – special item of £320k

- Cemex - £150k
- Workload pressure - £120k
- Retention of counsel - £50k

Financial year 2021/22 – special item of £170k

- Workload pressure - £120k
- Retention of counsel - £50k

Note - For 2020/21 onwards, the appeals are not yet known with the exception of a likely Cemex appeal. In the absence of an up to date local plan, it is expected that the number of appeals will continue to be high and additional funding will need to be considered during the 2020/21 budget setting.

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)	Net budget £136.470m	No – forecast o/s of £0.934 million	Revenue
Next Financial Year (Year 2)	Budget gap of £3.95 million		Revenue
Following Financial Year (Year 3)	Budget gap of £5.25 million		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.

Stakeholder Considerations and Consultation

None

Public Sector Equality Duty

N/A

List of Background Papers

Appendix A – Revenue Monitoring Summary
Appendix B – General Fund Balance
Appendix C – Housing Revenue Monitoring Summary
Appendix D – Dedicated Schools Grant

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