

| | |
|-----------------------------|--|
| TITLE | Revenue Budget Monitoring Report FY 2019/20 - Quarter 3 |
| FOR CONSIDERATION BY | The Executive on Thursday, 30 January 2020 |
| 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.

EXECUTIVE SUMMARY

This report is to allow the Executive to note the current expenditure to date (as at 31 December 2019) for the first 9 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 31 December 2019 | | | | |
|------------------------------|---|-----------------------------|------------------------------------|---------------------|---------------------------|
| | Approved (working) budget | Spend to date (Qtr 3) | %age budget spent to date | Forecast outturn | Variance of outturn |
| | £,000 | £,000 | % | £,000 | £,000 |
| Adult Social Care | £49,991 | £33,168 | 66% | £49,562 | (£429) |
| Chief Executive | £8,752 | £5,603 | 64% | £8,804 | £52 |
| Children's Services | £31,163 | £25,213 | 81% | £33,256 | £2,093 |
| Corporate Services | £12,799 | £3,940 | 31% | £12,256 | (£543) |
| Customer and Localities | £34,395 | £25,983 | 76% | £34,195 | (£200) |
| Net Expenditure Total | £137,100 | £93,907 | | £138,073 | £973 |

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 Care – Completion of work looking at the review and impact of forecast assumptions across the service has now finished. This has resulted in an underspend of £429k. The majority of which is made up of one-off benefit, including backdated income from health and one-off income from Optalis. Close monitoring of budgets through the next crucial period of winter pressures will test system resilience and capacity as the Adult Social Care baseline position remains tight.

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

Children's Services - Variance of £2.093m. The main areas of variance 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 – £543k favourable variance consisting of additional income from commercial properties with returns greater than budgeted. Savings also expected from debt management costs due to delayed borrowing and capitalisation of salaries.

Customer & Localities – £200k favourable variance due to reduction in landfill costs. October Executive have approved an in year supplementary estimate of £630k in relation to increased pressure for legal support and additional workload from planning appeals. 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 variances above and the effect of the supplementary estimates, the balance on the General Fund as at 31 March 2020 is estimated to be £8.454 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 £3.333 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. See Appendix D.

Investment balances

The Council's treasury portfolio has investment balances of just under £129 million as at the end of the quarter. Predicted interest on this portfolio is forecast to be £4.024 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.

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 £137.100m | No – forecast o/s of £0.973m | Revenue |
| Next Financial Year (Year 2) | n/a | Budget set in Feb '20 | Revenue |
| Following Financial Year (Year 3) | n/a | Budget set in Feb '20 | 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

An equalities impact assessment is not required for this report

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 |