

TITLE	Revenue Monitoring 2019/20 - Outturn
FOR CONSIDERATION BY	The Executive on Thursday, 28 May 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)

Report the revenue outturn position of the Council for 2019/20 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 £2,734,399, 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 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.

At the end of the financial year 2019/20, the General Fund (Revenue) is reporting a total spend of £124.7 million (excluding depreciation charges) against planned spend (budget) of £124.3 million (excluding depreciation charges) resulting in an adverse variance of £0.47 million (0.38%); the Housing Revenue Account has net spend of £0.62 million against a net planned spend of £0.96 million and Schools Block an in year adverse variance of £1.78 million (1.24%) against a net income of £142.9 million.

The following table shows the breakdown by directorate:

Directorate	2019/20 - End of Year Position		
	Approved Budget	Actual Spend	(Favourable) / Adverse Variance
	£,000	£,000	£,000
Adult Social Care	£49,994	£49,553	(£441)
Chief Executive	£6,234	£6,354	£120
Children's Services	£26,384	£28,483	£2,099
Corporate Service	£13,443	£12,609	(£834)
Customer and Localities	£28,209	£27,735	(£474)
Net Expenditure Total	£124,264	£124,734	£470

Although reporting an adverse variance of just under £0.5 million, this represents a significant improvement on the position forecast at the mid-year point (which was predicting an adverse variance of under £1 million). The movement is due to the continued work of the improvement boards in both Adults' and Children's services and the delivery of favourable variances across Customer and Localities. Corporate services achieved an underspend on its debt financing due to prudent treasury management and optimising the debt drawdown points. In addition, greater returns than budgeted from the Council's investment property portfolio have contributed to a reduced overspend.

Details of the outturn position and variances are in the main body of the report and also shown at Appendix A. Both the social services directorates are experiencing demand led pressures although it is considered the recent growth provided in the 2020/21 budgets will have addressed these issues.

Following the year-end closing process, the Council's General Fund Balance (GFB) is £9.1 million which has improved by £0.3m from last year, and also represents a prudent level above the CIPFA recommended minimum. The 2020/21 MTFP plans to restore this balance to over £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.

Shortfalls in the level of the Dedicated Schools Grant funding from central government will cause a pressure for both the Council and its educational settings. Particular concern is the High Needs Block, and the Council will be carrying forward a deficit on this area, which is permitted and ringfenced. The deficit recovery plan in place focuses

on firstly establishing in-year balance to prevent the cumulative deficit from increasing annually, while also seeking to eventually reduce the overall position. 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 5.1 per cent return on investment.

The Council's treasury portfolio has investment balances of £123 million at year-end, generating interest returns of just under £1 million. 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

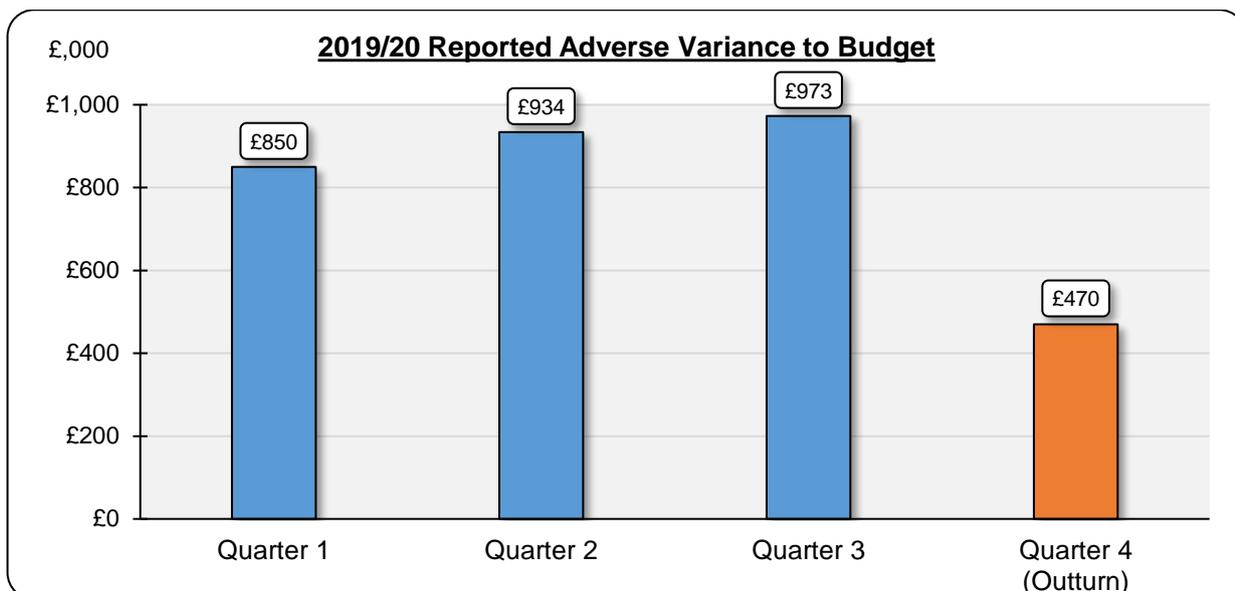
Comparing the actual spend vs the approved budget, the table below shows the outturn position for 2019/20 by Directorate. Further details are shown in Appendix A.

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* The figures above exclude depreciation budget and actuals; these will have no impact on the variance figure.

The end of year position represents an adverse variance of £470k on the General Fund. This will be funded from the general fund reserve. A summary of the General Fund reserve for 2019/20 is shown in Appendix C.

2019/20 has been another challenging year financially, it was recognised in quarter one, Children's Services were facing pressures on social care staffing and home to school transport. Cost pressures driven by demand have increased during the year in Children's Services however the leadership team have been successful in mitigating the extra cost pressures during the final quarter of the year. Favourable variances have been delivered across other Directorates which has helped reduced the reported position across the year. 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 Care – net favourable variance of £441k. Most of the underspend consists of one-off benefit, including backdated income from health and one-off income from Optalis. Through 2019/20 the service has enhanced the financial monitoring and control of budgets. This has contributed to the containment of the increasing cost of care and numbers of clients entering the service. Improvements made through the Adult Social Care transformation programme together with achieving savings has enabled delivery of better outcomes for clients whilst staying within the overall budget.

Chief Executives – net adverse variance of £120k. Unbudgeted one off costs due to redundancy pay and other specialist / consultancy services spend.

Children's Services – net adverse variance of £2.099m. This reflects demand led pressures in Children's social care staffing budgets (£0.8m), and significant pressures in both placements (£1.3m) and legal costs (£0.6m). In addition, the Service has experienced significant pressures on Home to School Transport budgets, particularly in relation to children and young people with special educational needs and disabilities (SEND) (£0.6m). Pressures have in part been offset through mitigating actions taken by Children's Leadership Team (£1.2m), through a combination of dragging vacancies not related to case holding social workers, slowing spend in non-statutory areas, and utilising non-recurring budget opportunities.

Significant work done during the year has continued to improve the level of scrutiny and understanding on the complex areas of pressure experienced, to ensure that the work plan underpinning the Continuous Improvement Programme is targeted at key priorities and fully exploiting opportunities for the most effective use of resources in the face of continuing demand pressures.

Corporate Services – net favourable variance of £834k due to additional income from commercial properties and savings in debt management costs due to delayed external borrowing costs. One off costs in relation to decanting tenant for Toutley site masterplan.

Customer and Localities – net favourable variance of £474k. The management team have worked in conjunction with the finance specialists to tighten up budgetary spend, delivering cost reductions where possible and increasing income targets in order to keep within overall budget. Furthermore, efficiencies have been derived from the delivery of the new waste management contract, particularly with regard to the introduction of food waste collection, and the resulting reduction in residual waste.

General Fund Balance

General Fund balances as at 31 March 2020 are £9.077m after including carry forwards of £2.734m.

During the year, the general fund balance was increased due to a one off rebate from the business rates money paid to the LEP as part of the business rate pilot scheme for 18/19 where rather than paying a Levy to central government, the Council under the pilot scheme were required to passport some of this to the LEP.

In February, 2020 the Government announced £47k of additional income for Wokingham as part of the “Levy Account Surplus” redistribution. This has also been added to the general fund balance.

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 £6.1m at 31st March 2020, within our current general fund balance.

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

Housing Revenue Account (HRA)

The Housing Revenue Account (HRA) had budgeted to use £962k of reserves to fund expenditure in light of the estimated rent reduction impact. Through service efficiencies on day to day running costs, a reduction in debt costs and combined with rent collection above target including previous years arrears, less voids and right to buy sales than budgeted, the HRA will require £618k of reserves to cover expenditure for 2019/20.

The HRA reserve balance as at the 31st March 2020 is £2.17m, shown in Appendix D.

Schools Block (Dedicated Schools Grant ‘DSG’)

Schools are funded through a direct grant from Central Government known as the 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 & Disabilities (SEND), and to fund relevant support services. This year the Schools Block reports an in year adverse variance of £1.78m against a net income of £142.9m – this represents 1.2% of the total income. 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 and non-maintained special schools, although pressure for all services funded in this way

continues to grow. The number of children & young people within Wokingham with an Education Health & Care Plan (EHCP) has risen by around 45% since 2015 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 2020, the DSG balance will be a deficit of £3.3m made up of the in year deficit of £1.78m and the brought forward deficit of £1.57m. Work continues on the deficit recovery plan around the High Needs Block, working in conjunction with partners and the Department for Education (DfE). The strategic focus remains on increasing local provision, and inclusion within all local settings.

Investment Portfolio

The authority's cash investment portfolio shows current investments of £123m being invested by the Council. This is made up of £108m invested with approved institutions (e.g. banks, building societies, councils, etc.) and £15m invested in daily money market funds.

In total, during 2019/2020, the Council received £0.98 million in interest across these investments. Additionally, during the year, the Council acquired investment properties outside of the borough funded from internal borrowing (use of long-term cash balances). This investment now totals £68m and generates an annual income yield of nearly 5.1%.

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 currently covers Adult Social Care improvement board, Children Services (including High Needs Block) improvement board and business services. The Executive are asked to note the following updates.

Adult Social Care Continuous Improvement Programme

The Adult Social Care continuous improvement programme has successfully delivered its efficiency targets and a number of key development projects for 2019/20.

These projects include: -

- Establishing the Adult Safeguarding Hub
- Transitions staff and services transferred safely from Children's Services
- Delivery of the ASC, Learning Disability and Voluntary Sector strategies
- Successful transfer of the Brokerage and Support function back from Optalis

We will build on this foundation and continue the transformation journey with Impower on our wider transformation of Adult Social Care in 20/21 once the COVID-19 situation has stabilised.

Children's Services Continuous Improvement Programme

A Children's Services Continuous 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 follows the corporate principles of good governance, assurance and a focus on finance and commissioning.

Other Continuous Improvement Programme Work

The business change team have also created and are delivering a programme of improvements across Business Services to focus on key areas of improvement, targeted at supporting our workforces to self-serve, becoming more efficient and enhancing the customer experience.

The team also delivered a programme of improvement across Customer and Localities to support the new Directorate to embed the changes delivered as part of the 21st Council programme.

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)	General Fund - £124.7m	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.

Stakeholder Considerations and Consultation

None

Public Sector Equality Duty
Public Sector Equality is considered during the business cases before spend is committed.

Climate Emergency – <i>This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030</i>
No impact

List of Background Papers
Appendix A – Revenue summary Appendix B – List of carry forwards Appendix C – General fund balance Appendix D – HRA summary Appendix E – Schools block summary

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