

<b>TITLE</b>	<b>Revenue Budget Monitoring report FY2020/21 - Quarter 2</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 29 October 2020
<b>WARD</b>	None specific;
<b>LEAD OFFICER</b>	Deputy Chief Executive - Graham Ebers
<b>LEAD MEMBER</b>	Executive Member for Finance and Housing - John Kaiser

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

To deliver the Council Priorities for the Community, ensuring the efficient effective and safe use of resources. The Council agrees and sets its budget in the February preceding the current financial year and this report seeks to update Executive on the budget position throughout the year and provide an estimate of the outturn position and impact on balances at year-end (31 March 2021).

## **RECOMMENDATION**

That the Executive note:

- 1) the significant financial impact of the COVID-19 crisis as illustrated in the Executive Summary and note that any unfunded additional responsibilities falling on the Council as a result of any further lockdown measures are not included in the 2020/21 forecasts;
- 2) the overall forecast of the current position of the General Fund revenue budget, Housing Revenue Account (HRA) and Dedicated Schools Grant (DSG) illustrated in the Executive Summary and appendices attached to the report;
- 3) the recent announcement from the Prime Minister confirmed that there would be a further package of support for local government, of around £1 billion. Further details of this funding will be confirmed shortly. Any income and related expenditure from this is currently not factored in the figures in this report;
- 4) that on 22 September, the Council were allocated £55k from Local Authority Compliance and Enforcement Grant. Any income and related expenditure from this is currently not factored in the figures in this report.

## **EXECUTIVE SUMMARY**

This report is to allow the Executive to note the current expenditure to date (as at 30 September 2020) for the second quarter of the current financial year and to inform the Executive of the forecast outturn positions for 2020/21 for the Council's net revenue expenditure, its General Fund Balance (GFB), the Housing Revenue Account (HRA), and the Schools' Block funding.

## **Recommendation 1 – Financial Impact of Covid-19**

Like all councils across the country, Wokingham have been impacted by the Covid-19 pandemic. This unprecedented event has had immediate financial implications (for example spend on PPE to support the local community, loss of income from closed services.) and has longer lasting financial implications (health of national / local economy). Central Government have been pro-active in supporting Local Authorities with emergency funding and upfront grant payments to ease cashflow. All additional funding and support is needed and greatly appreciated. However, the Council are still estimating a significant financial impact as highlighted in the 'High Level Financial Impact' table below.

The Council's finance team have prioritised the monitoring of the financial impact, working closely with all services across the Council to understand the implications. This has been a complex task, not least with the situation emerging on a regular basis at a national level but also the significant impact the pandemic has had across all services of the Council.

As the pandemic continues to develop the financial monitoring and reporting has remained flexible. Mindful of the impact of a second wave of infections and the renewed increased workload for Council staff and additional resource implications for re-initiating the local response to any second wave and any new burdens on local authorities this imposes, the Council continues to undertake further work to understand the longer term financial implications beyond the 20/21 financial year. These implications are actively being considered as part of budget setting for the 21/22 financial year.

The Council continues to report on a regular basis to MHCLG, in addition to working with partners (e.g. CCG, Leisure operator) and other local authorities to further understand the impact. The Council will always aim to recover as many of the costs of the pandemic that it is allowed to under central government funding streams.

### **High Level Financial Impact**

The table below shows the current estimate of the financial impact from Covid-19. It is important to note with the situation changing almost on a daily basis, the short term and long term financial effect from Covid-19 is difficult to predict. Assumptions have been made using actual costs incurred to date and estimates for the costs during recovery phases over the financial year.

	£,000
Additional Expenditure	£13,880
Lost Income	£4,825
Delayed Saving Plans	£1,185
3rd Party Income (CCG, grants)	(£8,958)
<b>Impact from Covid-19</b>	<b>£10,932</b>
Less: Emergency Government Funding	(£8,303)
<b>Net Impact from Covid-19</b>	<b>£2,629*</b>

The £2.629m net impact from Covid-19 has improved from the £5.732m reported to Executive in July'20. This improvement has been driven mainly from additional emergency government funding and reimbursement of lost income from the government.

These figures do not include (at this stage) the impact of any second wave of the pandemic and any associated local lockdown that may be imposed. If this were to occur, then the cost estimates above are likely to increase.

### **Recommendation 2 – Current Position**

The Executive has agreed to consider Revenue Monitoring Reports on a quarterly basis. In February 2020, the Council agreed and set its net General Fund (Revenue) budget at £146.215 million; following year end, this is to be further adjusted to account for agreed carry forward of budget and movements between directorates. This gives a working budget for each of the Councils Directorates. The working budgets, spend to date and forecast outturn are shown in the table below.

Directorate	2020/21 – net budget position - as at 30 September 2020				
	Approved (Working) Budget*	BAU** Forecast (Excl. Covid Impact)	Excl. Covid Net over / (under) spend	Covid Forecast	Incl. Covid Net over / (under) spend
	£,000	£,000	£,000	£,000	£,000
	a	b	c = b - a	d	e = c + d
Adult Social Care & Health	52,782	52,382	(400)	2,210	1,810
Chief Executive	9,212	9,212	0	0	0
Children's Services	35,261	35,261	0	1,680	1,680
Communities, Insight & Change	7,813	7,813	0	448	448
Place and Growth	37,293	37,843	550	1,261	1,811
Resources and Assets	3,909	4,119	210	4,032	4,242
Other (Direct covid spend + Impact on Ctax base)	0	0	0	1,301	1,301
Emergency Covid grant funding from Government	0	0	0	(8,303)	(8,303)
<b>Revenue Expenditure Total</b>	<b>146,270</b>	<b>146,630</b>	<b>360</b>	<b>2,629</b>	<b>2,989</b>

\* Approved Working Budget is based on budget agreed at Council in February '20 plus any restructures, and approved carry forwards.

\*\* BAU = Business as usual.

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

Adult Social Care & Health – underspend of £400k. As a result of the expert determination there is a reduction in the central management costs to the Council from Optalis of c£300k in 20/21. This efficiency has been achieved earlier than anticipated as this is built into the savings assumptions for 21/22 and beyond. Negotiations surrounding any further changes to central management costs in Optalis is ongoing.

The Covid-19 pandemic has had a significant impact on Adult Social Care services. There continue to be many variables to understand as we work through potential impacts of phase 2 specifically relating to hospital discharges and supporting the vulnerable in our community. A small underspend of £100k in relation the BAU budgets is reported which we will continue to monitor closely.

Chief Executive – no BAU material variances identified.

Children's Services – While an overall on budget BAU position is reported for Children's Services, two key areas of current and emerging pressure underly this.

#### Social Care Placements

The number and cost of social care placements has been impacted by covid [£321k] but, in addition to this, forecasts are now reaching above the budget model [£240k]. While this is currently being managed through targeted offsetting budget areas within the Directorate, a small number of complex cases provide for financial challenge. Secure placements for children and young people in Wokingham are rare and therefore not part of budget setting assumptions, however current developing circumstances may require costs above that assumed in the Q2 forecast. A supplementary estimate request may be considered for Q3 should unbudgeted costs in this area be experienced.

#### Home to School Transport

Current forecasts for Home to School Transport project an overspend in-year [£537k] through a combination of covid related loss of income / delayed savings programme, and BAU higher than budgeted demand levels.

Additional covid related grant of £146k is available for the first half of the autumn term but is ringfenced for very particular additional covid response activity, and therefore does not contribute to the overall budget position.

SEND transport continues to be the key area driving the budget pressure, with costs rising above that assumed at the time of budget setting. This corresponds with a period of significantly increased SEND demand and activity. Please see DSG section below.

Communities, Insight & Change – no BAU material variances identified.

Place and Growth – Pressures on the Revenue Drainage Budget £100k & £620k on the Highways Reactive Maintenance budget due to increase in schedule of rates prices in the new highways contract. Offset by savings (£170k) from Winter maintenance reserve.

Resources and Assets – overspend of £210k in relation to reduction of shared service income from Royal Borough of Windsor and Maidenhead in operational property service. Work ongoing to review options to mitigate this pressure.

#### General Fund

Taking account of the net overspends above and the known effect of Covid-19 pressures (assuming no further government funding), the balance on the General Fund

as at 31 March 2021 is estimated to be £8.631m. This will obviously deteriorate if further pressures from a second wave of the pandemic materialise.

See Appendix B for further details.

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

There are no material variances (favourable or non-favourable) forecast in the HRA on the business as usual for quarter one. There are no material variances from the impact from Covid 19 on the HRA.

The balance on the HRA reserve is forecast to be £0.889m at 31<sup>st</sup> March 2021. See appendix C for further detail.

### **Dedicated Schools Grant (DSG)**

The DSG is currently forecasting an in-year deficit of £2.6m, with the budget pressure continuing to be within the High Needs Block. Taken with the brought forward deficit of £3.36m, a forecast cumulative deficit of £5.98m is now projected to 31st March 2021, representing 3.9% of total DSG budget.

#### High Needs Block

The updated forecast position represents an adverse movement of £1.09m on that reported at Q1, with the main movements due to increased numbers and costs for the 2020/21 academic year across:

- Out of Borough Maintained
- Post-16
- Independent Special and Non-Maintained

While actions associated with the SEND Strategy continue to be driven forward, overall progress against the Deficit Management Plan has been impacted by both Covid and a significant rise in the number of children and young people with an Education Health & Care Plan (EHCP). At the start of the 2020/21 academic year 1,211 EHCPs were in place against a figure of 1,002 at the same point the previous year, an increase of 21%.

In recent weeks the ESFA has issued guidance and a template to use as a planning tool, to develop evidence-based and strategic plans covering SEND provision.

Use of the tool is being explored as part a review of planning assumptions given the ongoing increases in demand. Further information is available on the line below.

<https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-deficit-management-plan>

#### Individual school budgets

As we progress through the financial year, the impact of covid on individual school budgets is becoming clearer. Loss of income and increased staffing costs in managing 'bubbles' and sickness represent the areas of most significant financial challenge.

The Department for Education (DfE) launched a scheme to allow schools to claim for exceptional costs experienced during the summer term, however the scope of the scheme was limited and excluded, for example, loss of income. Information gathered from maintained schools in Wokingham indicated lost income levels at the end of the summer term to be in excess of £595,000.

A small number of schools were already facing a very difficult financial position for the 2020/21 financial year, and it is therefore likely that a greater number will now face a budget deficit. Discussion is being led through Schools Forum on the impact on schools across the Borough, seeking opportunities to support and learn from colleagues, and to provide an overall view from both maintained schools and academies for strategic discussion with the DfE.

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

***The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.***

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Working budget of £146.270 million	No – forecast o/s of £0.360 million	Revenue
Next Financial Year (Year 2)	to be agreed in MTFP		Revenue
Following Financial Year (Year 3)	to be agreed in MTFP		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 Duty assessments are undertaken during individual business cases.

***Climate Emergency – 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***

None

### List of Background Papers

Appendix A – Revenue Monitoring Summary  
 Appendix B – General Fund Balance  
 Appendix C – Housing Revenue Monitoring Summary

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