

TITLE	Revenue Budget Monitoring Report FY 2020/21 - Quarter 3
FOR CONSIDERATION BY	The Executive on Thursday, 28 January 2021
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)

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:

- 1) note the significant financial impact of the COVID-19 crisis as illustrated in the Executive Summary.
- 2) note 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) note the potential General Fund carry forward requests of £2.113m as set out in Appendix B to the report.
- 4) approve an in year supplementary estimate for £1.2m for Priority Covid-19 related issues, to be allocated by the Deputy Chief Executive (CFO) in consultation with the Lead Member of Finance & Housing.
- 5) approve an in year supplementary estimate for £16,000 for a review and refresh of the Council's Corporate Plan.

EXECUTIVE SUMMARY

This report is to allow the Executive to note the current expenditure to date (as at 31 December 2020) for the third 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.

It is not yet possible to determine the full financial impact of COVID-19 so the position will be kept under close review for this year and for the impact on future years.

The Council continues to report the financial impact of COVID-19 on a regular basis to MHCLG. In addition we are working with partners (e.g. CCG, Leisure operator) and other local authorities to further understand the impact. The Council has submitted a bid of £330k under the national leisure recovery fund however this is only a relatively small part of the annual cost of supporting our leisure provider estimated at £2m in 2020/21. Furthermore, the Council has no guarantee it will be successful with the bid it has made. Representations will continue to be made in this area for a more realistic reimbursement of our costs.

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	£17,017
Lost Income	£5,287
Delayed Saving Plans	£830
3rd Party Income (CCG, grants)	(£13,039)
Impact from Covid-19	£10,110
Less: Emergency Government Funding	(£9,356)
Net Impact from Covid-19	£754

The £0.754m net impact from Covid-19 has improved from the £2.629m (£5.732m – Q1) reported to Executive in October 2020. This improvement has been driven mainly from additional emergency government funding and some cost pressures not materialising as much as expected in quarter 2.

The above figures do not take into account the impact of the leisure bid (£330k) and may be subject to change when the impact of Lockdown 3 is more fully understood.

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 £146.269 million; following year end, this was further adjusted to account for agreed carry forward of budget and movements between directorates. This gives a working budget for each of the Council’s Directorates. The working budgets, spend to date and forecast outturn are shown in the table below.

Directorate	2020/21 – net budget position - as at 31 December 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	53,312	52,207	(1,105)	1,472	367
Chief Executive	9,213	9,213	0	0	0
Children's Services	35,947	35,867	(80)	1,361	1,281
Communities, Insight & Change	8,827	8,827	0	626	626
Place and Growth	38,292	38,842	550	1,846	2,396
Resources and Assets	679	679	0	3,809	3,809
Other (Direct covid spend + Impact on Ctax base)	0	0	0	996	996
Emergency Covid grant funding from Government	0	0	0	(9,356)	(9,356)
Revenue Expenditure Total	146,269	145,635	(635)	754	119

* 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 £1,105k. 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 increase in underspend from £450k to £1,105k in relation to the BAU budgets relates to good work from the staff in Adult Social Care in achieving higher than previously forecast delivery against the services savings targets and a reduction in the number of people receiving care in older people’s services.

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.

Chief Executive – no BAU material variances identified.

Children's Services – A small BAU underspend for Children's Services is now forecast for the year of £80k. Pressures within Social Care Placements, the SEND service and Home to School Transport remain, however are being off-set by in-year managed underspends and non-recurring opportunities in other areas of the Directorate. Placement forecasts assume a prudent level of additional activity in the remaining 3 months of the financial year, and this will be kept under close review. The underspend demonstrates the ongoing significant good work across the Directorate, focussing on close control of spend aligned to strategic priorities, while delivering service improvements. The £1.3m covid pressure reflects the impact on the service in supporting and safeguarding vulnerable children and families during the ongoing pandemic. Figures have been revised down slightly from that reported previously and assume that schools remain open for the spring term and that staff levels are not impacted by further spread of covid.

Communities, Insight & Change – No BAU material variances identified. Covid pressures include costs of £626k relate to lost income of £214k across some facilities and land charges. Other cost pressures include support service costs such as IT, HR and benefit assessments.

Place and Growth – Pressures on the Revenue Drainage Budget £100k and £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.

£1.8m Covid pressures include consists mainly of lost income across car parking, licensing, planning, street works and country park income which will be compensated for in part from income claims to government. The compensating income is shown within the line called "other" on the table above.

Resources and Assets – Pressures in relation to reduction of shared service income from RBWM in operational property service have been met through winning of work through Housing Companies. Some income pressures in relation to shared legal services currently offset from additional income from Solar investments.

£3.8m Covid pressures include costs pressures of c£2.4m relating to our Leisure Services, c£900k relating to our property portfolio including commercial, operational and regeneration. Other costs include c£200k on additional temporary accommodation provided during covid, a £113k contribution to a Berkshire wide temporary place of rest and smaller costs relating to additional cleaning, staff support, etc.

General Fund

Taking account of the net overspends above and the known effect of Covid-19 pressures (assuming no further government funding), and the approval of the supplementary estimates, the balance on the General Fund as at 31 March 2021 is

estimated to be £9.766m. This will obviously deteriorate if further pressures from a second wave of the pandemic materialise.

See Appendix C 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. Rent collection is on target against budget. The impact from Covid 19 on the HRA has been minimal to date with some small costs incurred in relation to setting up temporary accommodation. Uncertainty around longer term impacts on rental income remain a risk.

The balance on the HRA reserve is forecast to be £0.865m at 31st March 2021. See appendix D for further detail.

Dedicated Schools Grant (DSG)

The DSG is currently forecasting an in-year deficit of £2.75m, with the budget pressure continuing to be within the High Needs Block. Taken with the previous deficit of £3.36m, a forecast cumulative deficit of £6.12m is now projected to 31st March 2021.

High Needs Block

The updated forecast position represents an adverse movement of £1.17m 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. DfE have confirmed that DSG deficits are not to be held against the General Fund.

See appendix E for further details.

Recommendation 3 – Carry Forwards

The Executive are asked to note the proposed carry forwards of £2.113m into 21/22 financial year. Approval will be requested in the Outturn report in May 2021. In most financial years there will always be an element of budget that is planned to be spent but for various reasons is delayed beyond the financial year the budget was approved for. During this year, COVID has had a significant impact on this which is reflected in the value of the proposed carry forwards. Many projects have been delayed due to resources / priorities being focussed on the Council's response to COVID.

See Appendix B for further details.

Recommendation 4 – Supplementary Estimate

The Executive are asked to approve an in year supplementary estimate for £1.2m for Priority Covid-19 related issues, to be allocated by the Deputy Chief Executive (CFO) in consultation with the Lead Member of Finance & Housing.

We are currently at a critical part of the Covid-19 response and it is essential we have sufficient resources in place to ensure that the Council is able to continue to play a key role, whether this be through direct provision or assisting other agencies. The vaccine roll out to our community is of vital importance and we need to ensure that in working with the Health Sector, the immunisation programme is enacted as effectively as possible. It is also of vital important that we are able to continue to support those in hardship (both businesses and individuals) and we require an additional resource both to enact our hardship schemes speedily and effectively and are able to supplement the national schemes where necessary. It should also be recognised that the pandemic has generated some unforeseen high profile service pressures, such as 'fly-tipping' and we therefore need additional budget to address issues like this within our community. A supplementary estimate of £1.2m is therefore requested to fund these high priority activities.

Recommendation 5 – Supplementary Estimate

The Executive are asked to approve an in year supplementary estimate for £16,000 for a review and refresh of the Councils Corporate Plan. In the light of the Covid-19 it is considered necessary to review the Council's Corporate Plan and priorities and given the general staffing pressures with regards to our response to the pandemic, an

additional specialist resource is needed to assist with this work. The timetable for any revision to the Corporate Plan is tight to make it impactful for next financial year and the intention is to ensure sufficient consultation takes place prior to its presentation to March Council.

2021/2022 Budget

The budget setting (Medium Term Financial Plan) for next financial year, 2021/22 is progressing well, ahead of February's Council budget meeting. The finance team are currently reviewing the outcome of the provisional local government finance settlement announced by MHCLG on 17th December '20.

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 £tbc	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 – 20/21 Carry Forward Forecast
 Appendix C – General Fund Balance
 Appendix D – Housing Revenue Monitoring Summary
 Appendix E – Dedicated Schools Grant Monitoring Summary

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