

<b>TITLE</b>	<b>Revenue Monitoring 2020/21 - Outturn</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 24 June 2021
<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)**

Report the revenue outturn position of the Council for 2020/21 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 and Schools Block.
- 2) agree the General Fund carry forward requests of £7,464,939 as set out in Appendix B to the report.
- 3) approve a supplementary estimate of £16,000 for Digital Infrastructure Group.

## **EXECUTIVE SUMMARY**

This report is to allow the Executive to note and consider the financial outturn 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. The Executive has agreed to consider Revenue Monitoring Reports on a quarterly basis.

At the end of the financial year 2020/21, the General Fund (Revenue) is reporting a total spend of £147.2m; the Housing Revenue Account has a favourable variance of £0.5m against a net planned spend of £1.2m and Schools Block an in year variance of £3.2m against a net planned spend of £150.7m.

The following table shows the breakdown by directorate for the General Fund (Revenue). **The overall variance (actual spend less budget) was £0.8m favourable.** This has been split in the table below to show the business as usual (BAU) variance of £1.2m favourable and an adverse variance from COVID pressures of £0.4m.

Directorate	2020/21 - End of Year Position				
	Approved Budget	Actual Spend	(Favourable) / Adverse Variance (Actual Less Budget)	(Favourable) / Adverse Variance split into:	
				Business as Usual (BAU)	Covid Impact
£,000	£,000	£,000	£,000	£,000	£,000
Adult Social Care	£53,346	£53,338	(£8)	(£1,484)	£1,476
Chief Executive	£9,215	£9,226	£11	£11	£0
Children's Services	£36,004	£37,266	£1,262	(£124)	£1,386
Community, Insight & Change	£8,774	£9,270	£496	(£52)	£548
Place & Growth	£38,553	£40,836	£2,283	£531	£1,752
Resources & Assets	£2,118	£4,928	£2,810	(£102)	£2,912
COVID - Other	£0	£1,714	£1,714	£0	£1,714
COVID - Grant funding from Government	£0	(£9,356)	(£9,356)	£0	(£9,356)
<b>Net Expenditure Total</b>	<b>£148,010</b>	<b>£147,222</b>	<b>(£788)</b>	<b>(£1,220)</b>	<b>£432</b>

2020/21 has been a challenging year with regards to the impact of Covid-19. From a financial monitoring perspective there was a lot of uncertainty at the start of the year. Throughout the year, the financial impact from Covid-19 has been monitored closely and reported to government on a monthly basis and reported in the quarterly Executive reports. Throughout the year, the Council have received new tranches of government grant to help with the impact from Covid-19. As highlighted in the table above, the net impact from Covid-19 for 2020/21 was £0.4m. In 2021/22, the Council will continue to track and report the impact of Covid-19 and will utilise government grants and other available funding streams where appropriate. As government funding support reduces, it is likely that some covid costs will naturally start to become business as usual. Any impact from this will help inform future budget setting and financial monitoring reports.

Details of the outturn position and variances are in the main body of the report and also shown in Appendix A.

Following the year-end closing process, the Council's General Fund Balance (GFB) is estimated to be £10.4 million. This balance remains in line with the reasonable level of balances set out in the general fund reserves policy statement as part of the Medium Term Financial Plan.

In relation to school budgets, these 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 £3.2m against a net income of £152.4m – this represents 2% of the total income.

The Housing Revenue Account (HRA) had budgeted to use £1.2m of reserves to fund expenditure for 2020/21. Through service efficiencies on day to day running costs, a reduction in debt costs and combined with rent collection above target and less voids, the HRA will require £0.7m of reserves to cover expenditure for 2020/21 rather than the budgeted £1.2m.

## BACKGROUND

### General Fund

Comparing the actual spend vs the approved budget, the table below shows the outturn position for 2020/21 by Directorate. Further details are shown in Appendix A.

Directorate	2020/21 - End of Year Position				
	Approved Budget £,000	Actual Spend £,000	(Favourable) / Adverse Variance (Actual Less Budget) £,000	(Favourable) / Adverse Variance split into:	
				Business as Usual (BAU) £,000	Covid Impact £,000
Adult Social Care	£53,346	£53,338	(£8)	(£1,484)	£1,476
Chief Executive	£9,215	£9,226	£11	£11	£0
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Material areas of favourable / adverse variances include;

#### Adult Social Care

Underspend of £1.5m. As a result of the expert determination there is a reduction in the central management costs to the Council from Optalis of c£0.3m 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 £1.2m in relation 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.

Covid-19 has had a significant impact on Adult Social Care services specifically relating to hospital discharges and supporting the vulnerable in our community. The £1.5m

reflects the financial impact of supporting our customers and care market during the pandemic.

### Children's Services

Underspend of £0.1m for the year on BAU. Continued focus on social care placements has allowed earlier risks identified in the forecast to be well managed which, taken alongside reduced Home to School Transport costs during the spring term, has provided for a small underspend in year.

The £1.4m covid pressure reflects the impact on the service in supporting and safeguarding vulnerable children and families during the pandemic.

### Community, Insight & Change

Underspend of £0.1m, relates to savings in Library stock purchases, project costs and general operational spend.

Covid pressures resulting in a net full year actual of c£0.6m. This includes lost income of c£0.3m across some facilities and land charges. Other cost pressures include support service costs such as IT, HR and benefit assessments and additional resources for Covid Communications.

### Place & Growth

Additional essential drainage work has resulted in £100k overspend with a further additional £620k in essential reactive highway maintenance, compounded by uplifts in the maintenance contract rates, this has in part been offset by lower than expected winter maintenance cost to the tune of £170k. These rate increases have been reflected in next year's budget (21/22) and agreed as growth through the MTFP.

£1.8m Covid pressures consists mainly of lost income across car parking, licensing, planning and street works income.

### Resources & Assets

BAU – Over-achievement of income from Solar investments has been greater than anticipated. Across the directorate various smaller pressures have been contained by efficiencies.

£2.9m Covid pressures include costs pressures of c£2.0m relating to our Leisure Services offset by £0.3m leisure grant. c£0.8m relating to our property portfolio including commercial, operational and regeneration. Other costs include c£0.4m on additional temporary accommodation provided during covid, a £0.07m contribution to a Berkshire wide temporary place of rest and smaller costs relating to additional cleaning, staff support, lost income, etc.

### Covid - Other

These costs include direct covid costs such as PPE, resources and other support over the past 12 months. Also included is provision for the impact on collection fund of Council Tax and Business Rates.

## Emergency Grant Funding

This includes the four tranches of emergency government grant received to support all covid costs incurred within each directorate.

## **Carry Forwards**

The Executive are asked to approve the general fund carry forwards set out in Appendix B. The request for carry forward approval is an annual process and nothing new. For 2020/21 and due to the impact from Covid-19, the carry forward balance is higher than in previous years. Resources in services were targeted to support Covid-19 through 2020/21 meaning many improvement projects such as the Continuous Improvement Plan and the Local Plan have been deferred and will now be planned for 2021/22. Many of these projects will deliver service improvements and efficiencies and are still seen as key priorities for the Council as we recover from the impact of Covid-19. As part of the Medium Term Financial Plan budget process for 2021/22, many one off budget items were reduced on the assumption that money would be carried forward from 2020/21, thus allowing services to catch up on agreed programmes before committing to additional workloads. Additionally there is a carry forward request for budget allocated for Covid-19 Response to be carried forward and made available in 2021/22.

The budget for these carry forwards is already approved in the 2020/21 budget that was agreed and set at Council in February 2020, and as such the carry forwards are fully budgeted for. This will not create any additional pressure on the 2021/22 budgets. Further information on the carry forwards can be found in Appendix B.

## **General Fund Balance**

General Fund balances at 31 March 2021 are £10.4m.

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 £6.6m set out in the general fund reserves policy statement in the Medium Term Financial Plan. This is 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 £1.2m of reserves to fund expenditure for 2020/21. Through service efficiencies on day to day running costs, a reduction in debt costs and combined with rent collection above target and less voids, the HRA required £0.7m of reserves to cover expenditure for 2020/21 rather than the anticipated £1.2m, which is favourable variance of £0.5m. The HRA reserve balance as at the 31st March 2021 is £1.4m, 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 £3.2m against a net income of £152.4m – this represents 2% of the total income (shown in Appendix E).

As is the case with the vast majority of authorities across the country, the overspend on the DSG relates to ongoing pressure on the High Needs Block, driven largely by continuing increases in the number of children and young people with Education Health and Care Plans (EHCPs) and their related needs resulting in demand for specialist placements. The number of children & young people within Wokingham assessed as requiring an Education Health & Care Plan (EHCP) has risen significantly since 2015, doubling since 2017, with a large proportion of those having a Social, Emotional and/or Mental Health need and/or Autistic Spectrum Disorder. Wokingham's numbers in these two categories of need are increasing beyond that seen both nationally and across South East local authorities. Demand for suitable placements and support has outstripped the current available local supply, resulting in the need for costly independent and out of borough provision in order to ensure legal and statutory duties and responsibilities are met.

A large-scale programme is underway through the SEND Innovation and Improvement Programme to align future High Needs Block spend to available in-year resources, working in conjunction with key strategic partners and the Department for Education (DfE), who are visiting us in the next few months to receive an update on progress and discuss what support they can offer. Several strands of work within the SEND Innovation and Improvement Programme will collectively deliver better outcomes whilst addressing the HNB deficit by increasing local provision and inclusion within all local settings. To achieve this, deliverables within the SEND Innovation and Improvement Programme include a programme of Sufficiency work to ensure that the HNB is commissioned intelligently; ensuring that local Resource Bases are effectively utilised and Wokingham maximises the opportunities from the new Special School operational from academic year starting September 2022; working with stakeholders to ensure a greater level of SEND support in the mainstream is Ordinarily Available; and ensuring that the Council works effectively with strategic partners across Health, Education and the Voluntary and Community Sector to ensure that resources are used effectively and costs are met by the most appropriate agency/organisation.

2020/21 was a particularly challenging year financially for the High Needs Block due to the necessary additional investment needed to deliver on enhanced local provision, such as the expansion of Addington School, in advance of the wider programme benefits being realised. Early projections for the 2021/22 financial year indicate that the gap between available resources and cost base is now reducing, and discussions with the DfE over the summer will continue to inform multi-year financial planning while the outcome of the national SEND Review is awaited.

### **Recommendation 3 – Supplementary Estimate**

The Executive are asked to approve a supplementary estimate for £16k for the Digital Infrastructure Group (DIG).

The Digital Infrastructure Group (DIG) is a Berkshire-wide group comprising senior officer representatives from all the Berkshire Unitary Authorities and the Local Enterprise Partnership (LEP) and Chaired by the Chief Executive of West Berkshire Borough Council. The DIG has evolved from the Superfast Berkshire project steering group with a broadened remit and has developed the Thames Valley Berkshire Digital Infrastructure Strategy and Vision with the following primary objectives:

- Full-fibre Coverage: Increase Percentage of Berkshire premises connected to full fibre from 11% now to 95% by 2025;
- 4G Mobile Coverage: Eliminate all 4G ‘not spots’ across Berkshire by 2022;
- 5G Mobile Development: Establish a 5G testbed and small cell technology roll-out by 2023.

World-class digital infrastructure in Berkshire is key to ensuring that it maintains its current strong social and economic position and to assist post-covid recovery but there is insufficient resource in the current Superfast Berkshire project office to move initiatives forward at the pace that is required to realise Berkshire’s Digital Strategy and Vision. With the prospect of significant resources becoming available nationally to expedite digital infrastructure and the need for Berkshire to be able to compete effectively for a share of these resources, all the Berkshire local authorities and the LEP agreed in principle to contribute £16k each (£112k in total) to bolster capacity in the Superfast Berkshire project office. Use of these additional resources will be overseen by the DIG.

### **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)	£147.2m	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
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<b>Public Sector Equality Duty</b>
Public Sector Equality is considered during the business cases before spend is committed.

<b>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></b>
N/A - This is a report of past performance

<b>List of Background Papers</b>
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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