

<b>TITLE</b>	<b>Revenue Budget Monitoring Report FY2021/22 - Quarter One</b>
<b>FOR CONSIDERATION BY</b>	The Executive on Thursday, 29 July 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)**

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 2022).

## **RECOMMENDATION**

That the Executive is asked to:

- 1) note the 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) approve a supplementary estimate of £31,500 for Tone of Voice project.

## **EXECUTIVE SUMMARY**

This report is to allow the Executive to note the current expenditure to date (as at 30 June 2021) for the first quarter of the current financial year and to inform the Executive of the forecast outturn positions for 2021/22 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**

The financial impact from Covid-19 continues to be present as highlighted in the table below. 2020/21 was a challenging year financially, with a full year impact of £0.4m reported in the Outturn Report to June 2021 Executive. For 2021/22, we are estimating a full year impact of £0.6m. This relates largely to areas which had significant pressures in 2020/21 and includes loss of income across many services and the impact on costs of

the leisure services the Council provide. In addition, the emergency grant support from central government has reduced for this year, adding to the pressure.

Throughout the year, the financial impact from Covid-19 will continue to be monitored closely and reported to government monthly and reported quarterly to Executive. 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.

Back in December and January, the Executive agreed £1.7m of additional budget to support the Covid recovery. The majority of this budget was approved to be carried forward in the Outturn report at June Executive. This money will continue to support the recovery from Covid 19 throughout 2021/22. This budget is ringfenced to Covid-19 recovery and has been excluded from the table below.

	£,000
Additional Expenditure	£6,413
Lost Income	£2,483
Delayed Saving Plans	£250
3rd Party Income (CCG, Income compensation)	(£5,323)
<b>Impact from Covid-19</b>	<b>£3,822</b>
Less: Emergency Government Funding	(£3,187)
<b>Net Impact from Covid-19</b>	<b>£635</b>

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

The Executive has agreed to consider Revenue Monitoring Reports on a quarterly basis. In February 2021, the Council agreed and set its net General Fund (Revenue) budget at £147.763 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	2021/22 – End of June Position				
	Approved Budget £,000	Forecast Spend £,000	(Favourable) / Adverse Variance (Forecast Less Budget) £,000	(Favourable) / Adverse Variance split into:	
				Business as Usual (BAU) £,000	Covid Impact £,000
Adult Social Care	£55,821	£56,311	£490	£0	£490
Chief Executive	£8,481	£8,481	£0	£0	£0
Children's Services	£36,498	£36,873	£375	£0	£375
Community, Insight & Change	£5,775	£6,506	£731	£0	£731

Place & Growth	£40,373	£41,659	£1,286	£0	£1,286
Resources & Assets	£815	£2,475	£1,660	£220	£1,440
COVID - Other	£0	(£500)	(£500)	£0	(£500)
COVID – Government Grant Funding	£0	(£3,187)	(£3,187)	£0	(£3,187)
<b>Net Expenditure Total</b>	<b>£147,763</b>	<b>£148,618</b>	<b>£855</b>	<b>£220</b>	<b>£635</b>

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

**Adult Social Care & Health** – The covid costs of £490k show the impact of early indications of increasing demand from the hospital discharge programme. This is both increasing costs of care packages and delaying the benefit expected to be received from the demand management programme.

**Children’s Services** – While we are forecasting an on budget BAU position for the year, unbudgeted costs of individuals on remand, stepping down from inpatient mental health services, along with an increased number of unaccompanied asylum seekers, have flagged early risks on the placement budget which will be kept under close review.

Expenditure on statutory Home to School Transport has outstripped previous projections, largely as a result of a significant rise in the number of children and young people with an Education Health & Care Plan. Under the governance of the Community Transport Programme, a robust programme of actions has been established to bring costs back in line with financial planning assumptions.

The £375k covid pressure reflects the ongoing financial impact on the service of supporting and safeguarding vulnerable children and families during the pandemic.

**Communities, Insight & Change** – no material business as usual variances identified.

c£0.7m Covid pressures relates mainly to additional costs for emergency accommodation and homelessness B&B costs. Additional resources to support communication on Covid 19. Some pressures relate to lost income and additional support service costs such as IT.

**Place and Growth** – no material business as usual variances identified.

c£1.3m Covid pressures consists mainly of lost income across car parking 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** – quarter one estimate is a pressure in the region of £220k across the directorate. This is made up of £160k pressure from the dissolution of the Shared Legal Services and Internal Audit Shared Services with RBWM and an additional £60k from an increase in External Audit fees following a national review of the local authority audit fee arrangements.

In addition to the overspend currently identified in Resources and Assets, the Council have identified a financial risk in relation to the funding of the “National Cost of Living” pay award for Council employees. Like most local authorities, the Council had budgeted for a 0% pay award in 2021/22 on the guidance from central government however it now looks likely that a pay award will be agreed for this financial year. If agreed, this will be an additional cost in the region of c£1m based on initial estimates.

c£1.4m Covid pressures include c£0.9m relating to our Leisure services, c£0.4m relating to property portfolio and c£0.1m of lost income from activity and prevention programmes.

### **General Fund**

Taking account of the net overspends above and the effect of Covid-19 pressures (if assuming no further government funding), the balance on the General Fund reserve as at 31 March 2022 is estimated to be £8.2m. This remains a prudent level of reserves and above the minimum recommended reserve balance of £6.6m set out in the Medium Term Financial Plan. See Appendix B for further details.

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

The Housing Revenue Account is currently expecting to be on budget with no material variances. Some additional costs are expected around specialist cleaning due to Covid-19 however these are planned to be met within existing budgets. HRA reserves are estimated to be £1.4m on 31 March 2022. This remains a prudent level of reserves and above the minimum recommended reserve balance of £0.9m set out in the Medium Term Financial Plan. See Appendix C for further details.

### **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 is forecasting an in year adverse variance of £2.4m against a net income of £162.5m – this represents 1.5% of the total income.

Similar to last year and 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 Council are working closely with the DfE on the deficit recovery plan with the next meeting in August.

See Appendix D for further details.

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

The Executive are asked to approve a supplementary estimate for £31,500 for Tone of Voice project.

The project is to work in partnership with an external branding company to help us improve our tone of voice when interacting with customers. The principles and approaches can be applied across the organisation to help drive cultural change and improve the way we communicate and interact with customers, to improve their experiences. The support we receive will leave a legacy of principles, tools and approaches for us to continue momentum of positive change and outcomes, ensuring sustainability and value for money.

The desired outcomes are;

- Give customers a positive experience every time they interact with us
- Improve our reputation and create a positive impression of the Council
- Reduce repeat customer contact and increase early resolution in complaints
- Boost confidence in teams, when communicating with customers, starting with complaints
- Streamline complaints processes and make them more efficient
- Objective measurement around the quality of customer communication, and a quality assessment team with the skills to apply it consistently

### **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)	£635k	No, shortfall of £635k.	Revenue
Next Financial Year (Year 2)	N/A		
Following Financial Year (Year 3)	N/A		

### **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 assessment 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 – this is only a report on the financial position for quarter one.

**List of Background Papers**

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

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