

TITLE	Revenue Budget Monitoring Report FY2021/22 - Quarter Two
FOR CONSIDERATION BY	The Executive on Thursday, 28 October 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 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 £151,270 for Equalities and Diversity programme;
- 4) approve a supplementary estimate of £250,000 for the re-integration of Trading Standards and Environmental Health to WBC. This money was identified in last years Medium Term Financial Plan to be spent in 2022/23 however the project costs are forecast to now be spent in 2021/22 rather than 2022/23.

EXECUTIVE SUMMARY

This report is to allow the Executive to note the current expenditure to date (as at 30 September 2021) for the second 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 £0.2m. 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.

Although we are forecasting a net impact from Covid-19 of £0.2m, this has improved from the £0.6m forecast in quarter one. This is due to favourable movements which include an improved position on the impact on leisure services, a reduction in the impact from lost car parking income and an improved position on delivery of saving plans. These have been offset in part by some additional cost pressures around Children Services legal costs and further emergency temporary accommodation costs.

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	£7,236
Lost Income	£2,245
Delayed Saving Plans	£250
3rd Party Income (CCG, Income compensation)	(£6,328)
Impact from Covid-19	£3,403
Less: Emergency Government Funding	(£3,187)
Net Impact from Covid-19	£216

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 and forecast outturn are shown in the table below.

Directorate	2021/22 – End of September Position				
	Approved Budget	Forecast Spend	(Favourable) / Adverse Variance (Forecast Less Budget) £,000	(Favourable) / Adverse Variance split into:	
				Business as Usual (BAU) £,000	Covid Impact £,000
Adult Social Care	£55,677	£55,827	£150	£0	£150
Chief Executive	£8,696	£8,696	£0	£0	£0
Children's Services	£36,560	£37,021	£461	£0	£461
Community, Insight & Change	£5,592	£6,437	£845	£0	£845
Place & Growth	£40,175	£41,111	£936	£0	£936
Resources & Assets	£1,109	£2,625	£1,516	£205	£1,311
COVID - Other	£0	(£300)	(£300)	£0	(£300)
COVID – Government Grant Funding	£0	(£3,187)	(£3,187)	£0	(£3,187)
Net Expenditure Total	£147,809	£148,230	£421	£205	£216

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

Adult Social Care & Health - BAU - No material variances identified.

Covid - The covid costs of £150k show the impact of early indications of increasing demand from the hospital discharge programme. The delay in the expected delivery of savings has been removed as the service is making significant progress towards achieving targets.

Children's Services - BAU - no material variances identified yet however unbudgeted placement costs of individuals on remand, stepping down from inpatient mental health services and unaccompanied asylum seekers are being offset by cost savings in other areas as the Directorate drives forward the transformation programme. 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 Corporate Transport Review, a robust programme of actions has been established to bring costs back in line with financial planning assumptions.

Covid - The £461k covid pressure reflects the ongoing financial impact on the service of supporting and safeguarding vulnerable children and families during the pandemic.

Changes to that previously reported are increased legal costs on particular complex cases and further loss of income from community facilities.

Communities, Insight & Change - BAU - No material variances identified.

Covid - c£0.8m 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 (Libraries) and additional support service costs such as IT to support the WBC Infrastructure.

Place and Growth - BAU - No material variances identified.

Covid - c£0.9m 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 - BAU - £160k pressure from the dissolution of the Shared Legal Services and Internal Audit Shared Services with RBWM, £45k from budget risk due to lower number of schools signing up to managed services.

Covid - c£0.5m Leisure Contract Impact. Working closely on a regular basis with Leisure partner to review the full year impact. c£0.6m relating to our property portfolio, primarily operational property. c£0.1m lost income from activity and prevention programmes.

Emerging Pressures

The following items have been identified as emerging pressures which are being closely monitored. These include dual fuel prices rises, the Council is currently protected against energy price changes until April 2022 through our energy contracts. The current estimates for 2022/23 suggest an increase of c30% which would equate to c£300k impact.

The NJC pay award for 2021/22 has still not been resolved, a supplementary estimate will be brought forward once agreed. The current estimate is an impact is c£960k.

The Adult Social Care reform impact is expected from October 2023 with a full year effect expected from 2024/25 financial year. The impact is unknown at this stage.

Further information on these emerging pressures will be presented at later Executive meetings when required.

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 c£10.2m. 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 c£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, education and support for children with Special Educational Needs & Disabilities (SEND), and to fund relevant support services.

The DSG is forecasting an in-year adverse variance of £3.1m against a total budget of £158m – this represents 1.9% of total income.

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 (HNB), 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.

Movement on the previous reported forecast of £600k (0.4% of total DSG income) reflects the movements and changes for the 2021/22 academic year. Previous forecast assumptions were based on 1,066 funded EHCPs by September 2021, an anticipated rise of 7% on that experienced in the previous academic year. The actual September position is 1,132 funded EHCPs, a rise of 14% on that experienced in June.

SEND Innovation & Improvement Programme / HNB Deficit Management Plan

The purpose of the SEND Innovation and Improvement Programme (SEND IIP) is to deliver the SEND Strategy (0-25). It has 5 priority aims:

1. To strengthen local provision and quality of local practice
2. To improve the efficiency of processes (including timeliness and quality of EHCPs and the Annual Review process)
3. To ensure effective Transitions at all ages and stages
4. To strengthen sufficiency of local provision, more effective strategic commissioning and Value for Money, and greater impact on outcomes
5. All of the above enabled through effective and meaningful coproduction

The SEND IIP is a large, ambitious programme of improvement and innovation, which currently runs until December 2022.

In addition to improving outcomes for children and young people with SEND, the IIP is also designed to ensure that Wokingham gets the best value for money from its allocation of resources to support delivery of services for children and young people with SEND, and their families.

In order to achieve this, deliverables within the programme are being reviewed for their impact on Value for Money, particularly in terms of their contribution to containment of pressures on the High Needs Block (HNB), and ensuring that the full range of resources across the local area are used in an intelligence-led, smart and strategic way.

Some examples of projects and activities within the SEND IIP which will help to achieve this include:

- Strengthening SEND Team operations to monitor and manage every child and young person with SEND currently in the system and coming through, with details of needs, costs and likely future costs
- Develop new models of delivery to meet needs more cost effectively (including the Ordinarily Available project, Outreach support, training and development for professionals)
- Restructuring services to ensure efficient permanent teams are in place
- Redesign of Local Offer and IAG platforms for parents, carers and professionals to help make support, information advice and guidance easier to access
- Transform model of working with VCS providers to support fundraising & target their support around priority issues
- Strengthen arrangements around contracts, Service Level Agreements
- Work strategically with partners across the landscape of SEND provision, and national agencies, to develop the most robust and sustainable approach to the High Needs Block
- Sharpen the focus of multiagency work on strategic commissioning, addressing Wokingham budget and resource challenges
- Ensure through the Sufficiency Planning (see section below) that Wokingham builds and makes best use of local provision, and dependency on Out-of-Borough provision is addressed in a sustainable way

Addressing the challenges on the High Needs Block in the short term is complex, particularly in light of the continuing significant rise in the number of children and young people with an EHCP.

The significant work being taken forward under the governance of the SEND IIP provides a platform for a longer term reduction of out of borough placements, the key to unlocking financial sustainability. Work continues across a range of actions in support of that overall objective.

The Council are working closely with the Department for Education on the deficit management plan, with a meeting held in recent weeks to review with them the challenges faced locally and the ongoing significant programme of work being undertaken by WBC.

Future funding levels across local government finance are uncertain. The government has been clear they would keep plans under review given the unprecedented uncertainty of Covid-19, and as such a one-year Spending Review was announced by the Chancellor last November. While schools were identified as one of the 'cornerstone(s) of society', funding levels beyond next financial year are unclear. A major national review into support for children and young people with SEND was announced in 2019 by central government and it is therefore likely that future activity locally will be influenced by outcomes from that.

Appendix D provides a financial summary for the DSG.

Recommendation 3 – Supplementary Estimate

The Executive are asked to approve a supplementary estimate for £151,270 for the Equalities and Diversity programme. This investment will be targeted into the following key areas;

- Residents' Equality Forum
- BME Forum support
- Officer support for community capacity building
- Improve the experience of residents who need to communicate in other languages
- Easy Read Training Course
- Materials for EQIA Training

Recommendation 4 – Supplementary Estimate

The Executive are asked to approve a supplementary estimate of £250,000 for the re-integration of Trading Standards and Environmental Health to WBC. Budget was identified in last year’s Medium Term Financial Plan as a special item and profiled as £250,000 in 2021/22 and £250,000 in 2022/23. Costs are now expected to fall in this financial year and therefore we require £250,000 to be moved from 2022/23 into 2021/22.

As stated in the 18 March 2021 Executive report, liability costs relating to the dissolution of the Public Protection Partnership will be presented for consideration at a future Executive. These are still unknown at this stage.

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)	£0.4m	No, shortfall of £0.4m	Revenue
Next Financial Year (Year 2)			
Following Financial Year (Year 3)			

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 – <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>
None – this is only a report on the financial position for quarter two.

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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