

TITLE	Revenue Monitoring 2021/22 - Outturn
FOR CONSIDERATION BY	The Executive on Thursday, 30 June 2022
WARD	None Specific;
LEAD OFFICER	Graham Ebers, Deputy Chief Executive
LEAD MEMBER	Executive Member for Finance, Imogen Shepherd-DuBey

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

Report the revenue outturn position of the Council for 2021/22 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 Dedicated Schools Grant.
- 2) agree the General Fund carry forward requests of £667,000 as set out in Appendix B to the report. This request is significantly less than in the previous year where carry forwards were £7.5m.
- 3) approve a supplementary estimate of £1.002m for the 1.75% cost of living pay award for 2021/22. This was factored in, in arriving at a budgeted GF balance for March 23 in excess of £8m.

EXECUTIVE SUMMARY

This report is to allow the Executive to note and consider the financial outturn for 2021/22 for the Council's net revenue expenditure, its General Fund Balance (GFB), the Housing Revenue Account (HRA), and the Dedicated Schools Grant (DSG). The Executive has agreed to consider Revenue Monitoring Reports on a quarterly basis.

At the end of the financial year 2021/22, the General Fund (Revenue) is reporting a total spend of £149.94m; the Housing Revenue Account has a small favourable variance of £0.04m and Dedicated Schools Grant an in-year variance of £4.2m against a net planned spend of £161.96m.

The following table shows the breakdown by directorate for the General Fund (Revenue). **The overall variance (actual spend less budget) was (£0.05m) favourable.** This has been split in the table below to show the business as usual (BAU) variance of (£0.39m) favourable and an adverse variance from COVID pressures of £0.34m.

Table 1

2021/22 - End of Year Position					
Directorate	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
Resources and Assets	1,643	3,068	1,425	(279)	1,704
Chief Executive	11,632	11,720	88	0	88
Children's Services	37,044	37,543	499	21	478
Adult Social Care & Health	56,322	56,205	(117)	(117)	0
Place and Growth	43,349	44,881	1,532	(19)	1,551
COVID - Other	0	(289)	(289)	0	(289)
COVID - Grant funding from Government	0	(3,187)	(3,187)	0	(3,187)
Revenue	149,990	149,941	(49)	(394)	345
Expenditure Total					

2021/22 has again been a challenging year with a continuing impact of Covid-19 on our services. From a financial monitoring perspective there continued to be a lot of uncertainty at the beginning of the year. Throughout the year, the financial impact from Covid-19 has been monitored closely, reported to government monthly and reported in the quarterly Executive reports. 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 2021/22 was £0.35m. As government funding support has now discontinued, 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 c£9 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 statutory support services. This year the DSG reports an in year adverse variance of £4.2m against a net income of £161.96m – this represents 2.6% of the total income.

The Housing Revenue Account (HRA) reports a small overall underspend of £0.04m. Underspends have been driven from service efficiencies on day to day running costs including some vacancies and rent collection above target with less voids. This has offset the pressures arising from maintenance costs associated with mothballing properties at Gorse Ride; using other properties for temporary accommodation; higher than anticipated reactive maintenance costs and inflationary increases. The HRA reserve balance as at the 31st March 2022 is £1.3m, shown in Appendix D.

BACKGROUND

General Fund

Comparing the actual spend vs the approved budget, table 1 shows the outturn position for 2021/22 by Directorate. Further details are shown in Appendix A.

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2021/22 - End of Year Position					
Directorate	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
Resources and Assets	1,643	3,068	1,425	(279)	1,704
Chief Executive	11,632	11,720	88	0	88
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Material areas of favourable / adverse variances include;

Adult Social Care

BAU - Underspend of £0.12m. Continued work within the service has led to a small overachievement of savings from embedding demand management practices and continuing healthcare claims.

The previously reported covid costs relating to the impact of increasing demand from the hospital discharge programme have been removed as the service has managed within the agreed budget.

Chief Executive

The £0.09m covid pressure relates to the additional costs relating to communications in responding to pandemic.

Children's Services

BAU - Overspend of £0.02m for the year. This is largely driven by an increase in the number of looked after children and pupils statutorily entitled to home to school transport, offset against cost savings in other areas as the Directorate drives forward the transformation programme.

The £0.5m covid pressure reflects the ongoing financial impact on the service of supporting and safeguarding vulnerable children and families during the pandemic.

Place & Growth

Overspend of £1.5m relating to covid pressures on the service. This mainly relates to c£0.9m of lost income across car parking which has been compensated for in some part from income claims to government shown on the "other" line in table 1 and £0.47m of additional costs for emergency accommodation and homelessness bed & breakfast costs.

Resources & Assets

BAU - Underspend of £0.28m mainly consists of reduced debt charges due to efficient treasury planning, partially offset by additional audit fees.

£1.7m covid pressures of c£0.51m Leisure Contract Impact; c£0.75m relating to our property portfolio, primarily operational property; c£.029m lost income from Leisure activity and prevention programmes and c£0.14m lost income from our digital solutions service

Covid - Other

This represents the income the Council has received relating to our Sales, Fees and Charges claim for Quarter 1 which was the only period we were able to claim for in the 2021/22 financial year.

COVID - Grant funding from Government

This includes 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. As was the case in the previous financial year resources in services were targeted to support Covid-19 meaning some projects such as the Change Programme have been delayed and will now be planned for 2022/23. 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. This request is significantly less than in the previous year where carry forwards were £7.5m.

Further information on the carry forwards can be found in Appendix B.

General Fund Balance

General Fund balances at 31 March 2022 are £9.0m. The estimated balance reported in quarter three to the Executive was c£9.9m. The reason for difference is in relation to the £1m supplementary estimate for the cost of living pay award for 2021/22 (recommendation 3 of this report) and the c£0.4m supplementary estimate for Enforcement and Safety Service. These additional costs have been partly offset by a favourable movement in service variances of c£0.6m in the last quarter.

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) reports a small overall underspend of £0.04m. Underspends have been driven from service efficiencies on day to day running costs including some vacancies and rent collection above target with less voids. This has offset the pressures arising from maintenance costs associated with mothballing properties at Gorse Ride; using other properties for temporary accommodation; higher than anticipated reactive maintenance costs and inflationary increases. The HRA reserve balance as at the 31st March 2022 is £1.3m, shown in Appendix D.

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 statutory support services. This year the DSG reports an in year adverse variance of £4.2m against a net income of £161.96m – this represents 2.6% of the total income. Shown in Appendix E.

The overspend on the DSG relates to ongoing pressure on the High Needs Block, spend above budget driven largely by continuing increases in the number of children and young people with EHCPs, increasing complexity of need, and demand for specialist placements. The number of children & young people within Wokingham with an Education Health & Care Plan (EHCP) has been rising since 2015 and continues to rise, with the proportion of those with Social, Emotional and Mental Health or Autistic Spectrum Disorder increasing beyond that seen both nationally and across South East local authorities. Demand for suitable placements has outstripped that available locally, resulting in an increasing reliance on costly independent and out of borough provision.

As at 31st March 2022, the DSG balance will be a deficit of £10.04m made up of the in year deficit of £4.2m and the brought forward deficit of £5.8m. Work continues on the deficit management plan around the High Needs Block, working in conjunction with

partners and the Department for Education (DfE). The Council is due to participate in the DfE's Safety Valve Programme from September 2022. The strategic focus remains on producing better outcomes whilst containing costs by increasing local provision and inclusion within all local settings.

Recommendation 3 – Supplementary Estimate

The Executive are asked to approve a supplementary estimate for £1.002m for the 1.75% staff pay award for 2021/22. The Council was notified of the cost of living pay award on the 28th February 2022 with the increase backdated to 1st April 2021. This additional budget requirement was highlighted as an emerging pressure as part of the quarter two revenue monitoring report considered by Executive on 28th October 2021. The estimate at that time was £0.960m. This supplementary estimate was factored in, arriving at a budgeted GF balance for March 23 in excess of £8m.

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)	£149.9m	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

Public Sector Equality Duty

Public Sector Equality is considered during the business cases before spend is committed.

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*

N/A - This is a report of past performance

List of Background Papers

Appendix A – Revenue summary
 Appendix B – List of carry forwards
 Appendix C – General fund balance

Appendix D – HRA summary Appendix E – DSG Schools block summary
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