

Agenda Item 56.

TITLE	Revenue Budget Monitoring report FY2022/23 - Quarter Two
FOR CONSIDERATION BY	The Executive on Thursday, 27 October 2022
WARD	(All Wards);
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance - Imogen Shepherd-DuBey

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 2023).

RECOMMENDATION

That the Executive note:

- 1) 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.
- 2) delegate authority to the Deputy Chief Executive in consultation with the Executive Member for Environment, Sport, and Leisure to discount or uplift Leisure charges.

EXECUTIVE SUMMARY

This report is to allow the Executive to note the current of the forecast outturn positions for 2022/23 for the Council's net revenue expenditure, its General Fund Balance (GFB), the Housing Revenue Account (HRA), and the Dedicated Schools Grant (DSG).

Recommendation 1 – Current Position

The Executive has agreed to consider Revenue Monitoring Reports on a quarterly basis. In February 2022, the Council agreed and set its net General Fund (Revenue) budget at £161.3 million; following year end, this is to be further adjusted to include supplementary estimates and agreed budget movements. This gives a working budget for each of the Councils Directorates. The working budgets and forecast outturn are shown in the table below.

Department	End of Year Position		
	Current Approved	Current Forecast	Net over / (under)

	Budget		spend
	£,000	£,000	£,000
Adult Social Care	61,248	61,248	0
Chief Executive	11,918	11,918	0
Children's Services	37,743	38,848	1,105
Place & Growth	45,884	46,044	160
Resources & Assets	5,268	5,548	280
Net Expenditure	162,062	163,607	1,545

The current financial landscape continues to present an unprecedented challenge for the Council in terms of levels of demand on front line services and price inflation, as a result budgets are stretched.

Services are working extremely hard, supported by finance in understanding the impact of the demand on budgets, seeking to find options to mitigate pressures as they arise. In addition, programmes have been instigated to support the financial challenge including close control of expenditure; assessing sensible delays to capital projects to minimise exposure to borrowing; curtailing any other form of service delivery whilst minimising the impact and holding recruitment to posts where appropriate to support the in-year financial position.

There is still significant residual risk on the Council's financial position which will continue to be closely monitored as we move through the remainder of the financial year.

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

Adult Social Care

No material variances identified at present however the continued impact of growing demand coupled with the hospital discharge service stopping at the end of March 2022 is causing some pressures to market costs and volumes and is being closely monitored.

Chief Executive

No material variances, some small pressures being managed within the service.

Children's Services

The £1.1m reported overspend relates to ongoing pressures from rising demand across both Children in Care and Home to School Transport, along with recruitment challenges for essential case holding teams.

The number of Children in Care in Wokingham has now reached over 140, the highest ever experienced locally and a 22% increase on the same point last year. Despite targeted service work, such as that of the Compass Team, demonstrating successful outcomes in supporting children to remain at home thus avoiding expensive placement costs, demand levels have significantly exceeded budget projections. Market pressures and availability of suitable placement options for rising complexity within the cohort is also having an adverse impact on unit cost. Changes to thresholds within the mandatory National Transfer Scheme (NTS) for Unaccompanied Asylum Seeking Children will further increase budget pressure.

In-year applications for mainstream school places are currently at unprecedented levels, with over 460 applications received in June 2022, compared to around 180 for the same month in previous years. For SEND, current assessment requests for Education Health & Care Plans are currently over 30 pupils per month. While not all mainstream and SEND pupils will be eligible for funded transport, given the current place sufficiency challenges faced locally, risks remain that the number of pupils statutorily entitled to transport will continue to rise over the remainder of the financial year.

Place and Growth

The £160k reported variance is due to lower than budgeted levels of car parking income, mitigated by reducing the amount of planned and reactive maintenance works being undertaken in year, as well as waste disposal tonnages being reduced. This is thought to be at least in part due to the current costs of living resulting in reduced waste disposal levels and therefore cost savings. This position in relation to waste disposal is £1m better than report at quarter one.

Risks do continue to exist around waste disposal due to the size of the contract and also around Temporary Accommodation demand which has stabilised significantly since the increases seen during the first quarter of the year. Significant work has been undertaken in relation to the prevention of homelessness, but a risk around future increases in demand still exists.

Resources and Assets

The £280k reported variance includes income shortfall in leisure of £290k, this is an ongoing risk as the service rebuilds following the pandemic; property pressures from voids and income shortfalls totalling £287k. These are partly offset by surplus forecast income on interest on balances because of the recent changes in interest rates.

General Fund

The General Fund Forecast is just under £7.5m however this needs to be taken in the context that it is early in the year and that work will continue throughout the year to contain costs and maximise efficiencies where possible to improve and firm up the year-end position.

See Appendix B for further details.

Housing Revenue Account (HRA)

The Housing Revenue Account is currently expecting to exceed budget by £140k. This is a result of rental income being slightly less than budgeted and staffing related costs. The variance in rental income is less than 1% but there is an impact due to the size of the budget. Risks continue to exist around the exact amount of rental income due to regular fluctuation as well as the level of voids and maintenance costs due to increases in costs of materials and labour. HRA reserves are estimated to be £1.3m on 31 March 2023. 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 £5.7m against a total budget of £168m (3.4% of total income). This represents a movement of £1.2m from Q1, reflecting the risk identified at that time within the High Needs Block.

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.

The number of children and young people with an EHCP in Wokingham has risen by 75% since 2018, with a 30% increase over the 2021/22 financial year of those in receipt of 'top-up' funding from the High Needs Block.

Key risks to the HNB forecast

Current indications from assessment activity are for potentially an additional 30 Education Health & Care Plans per month. While the movement at Q2 reflects much of the changes associated with the new academic year, risks remain that costs associated with supporting children and young people with an EHCP will increase further.

SEND Innovation & Improvement Programme / HNB Deficit Management Plan

The SEND IIP is a large, ambitious programme of improvement and innovation, which currently runs until December 2022. Its purpose is to deliver the SEND Strategy (0-25), with five 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

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.

WBC is participating in the Department for Education’s Safety Valve Intervention Programme from September 2022, with significant work being undertaken to inform that process.

See Appendix D for further details.

Recommendation 2 – Delegated Authority

You will note from the revenue monitoring an area under potential pressure is Sports and Leisure. The area is undergoing a comprehensive review and as part of this we require a much more responsive approach to the setting of fees and charges.

There needs to be flexible in our approach to pricing and understanding the customer needs against the commercial offering will always require a balance that ensures customer access can always be maintained and grown where practical. Managers need the flexibility to respond to local circumstance; support the wider customer experience and encourage greater participation in activities in parallel to the needs to be commercial in our service approach.

The Sports and Leisure service is aligned to wider Public Health ambitions around addressing inequality of access; increasing participation and supporting wider needs especially those who suffer long term health conditions. By providing flexibility of pricing alongside a framework that encourages and supports increased usage across our services can only enhance the delivery of these core services.

The Executive are asked to delegate authority to the Deputy Chief Executive in consultation with the Executive Member for Environment, Sport, and Leisure to discount or uplift Leisure charges.

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)	MTFP net budget of £163.6 million	Yes	Revenue
Next Financial Year (Year 2)	N/A	Yes	Revenue
Following Financial Year (Year 3)	N/A	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 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 two.

Reasons for considering the report in Part 2
None

List of Background Papers
Appendix A – Revenue Monitoring Summary
Appendix B – General Fund Balance
Appendix C – Housing Revenue Account Monitoring Summary
Appendix D – DSG Monitoring Summary

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