TITLE	**Revenue Monitoring 2022/23 Q3**
FOR CONSIDERATION BY	The Executive on 26 January 2023
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.

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).

<u>**Recommendation 1 – Current Position**</u>

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 Budget **£,000**	Current Forecast **£,000**	Net over / (under) spend **£,000**
Adult Social Care	61,365	61,274	(91)

Chief Executive	11,871	11,761	(110)
Children's Services	37,813	39,041	1,227
Place & Growth	46,377	46,492	115
Resources & Assets	4,635	4,789	154
Net Expenditure	**162,062**	**163,357**	**1,295**

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

The continued impact of growing demand and hospital discharge is causing some pressures to market costs and volumes and continues to be closely monitored. Delivery of savings is slightly ahead of target supporting a small underspend of (£91k) for the service.

Chief Executive

The (£110k) reported underspend relates to vacancy savings in Customer and Digital services. Of these savings £52k is on-going and built in the 23-24 budget, the remaining savings are all one-off in 22/23.

Children's Services

The £1.2m reported overspend relates to ongoing pressures from rising demand across both social care and home to school transport, along with recruitment challenges for essential case holding teams.

The number of children in care in Wokingham is now 144, a 30% 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 £115k 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.

Risks do continue to exist around waste disposal due to the size of the contract and 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 £154k reported overspend includes a forecast income shortfall in leisure of £350k, this is an on-going risk as the service rebuilds following the pandemic and encounters further income loss because of hardship pressures. There are property pressures from voids and income shortfalls totalling £287k. The pay award of £300k is to be funded from Corporate Inflation and these are to be offset against a saving on interest on balances as a result of the recent changes in interest rates (£783k).

General Fund

The General Fund Forecast for 31st March 2023 is £7.731m, an improved position from the previous quarter. Work will continue throughout the last quarter of 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 £322k. This is a result of condensation and heating issues related to the cost of living crisis, as a result of tenants trying to save on heating. Also, a steep rise in costs relating to burst pipes, 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 £1.0m 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 £6.4m against a total budget of £168m (3.8% of total income). This represents a movement of £0.7m from Q2, 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. In addition, a number of pupils await specialist placements which may increase costs as arrangements are made. While the movement at Q3 reflects further changes associated with the new academic year, risks remain that costs associated with supporting children and young people with an EHCP will increase further.

See Appendix D for further details.

SEND Innovation & Improvement Programme / DSG Deficit Management Plan
The SEND IIP is a large, ambitious programme of improvement and innovation, with its purpose 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, with work ongoing to reach formal agreement by February 2023. This sets out an ambitious programme of work for the next 6 years, building on the SEND IIP, but further targeting financial sustainability for the local SEND system by reaching an in-year DSG budget balance by 2028/29.

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)	£163.4m	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 three.

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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