

Agenda Item 9.

TITLE	Revenue Monitoring 2022-23 - Outturn
FOR CONSIDERATION BY	The Executive on 29 June 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)

Report the revenue outturn position of the Council for 2022/23 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 £317k as set out in Appendix B to the report. This request is lower than in the previous year where carry forwards were £667k.
- 3) note general fund balance as at 31 March 2023 is c£9.1m, 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.

EXECUTIVE SUMMARY

This report is to allow the Executive to note and consider the financial outturn 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). The Executive has agreed to consider Revenue Monitoring Reports on a quarterly basis.

At the end of the financial year 2022/23, the General Fund (Revenue) is reporting a total spend of £161.98m; the Housing Revenue Account has an adverse variance of £240k and Dedicated Schools Grant an in-year adverse variance of £3.3m against a net planned spend of £171.8m.

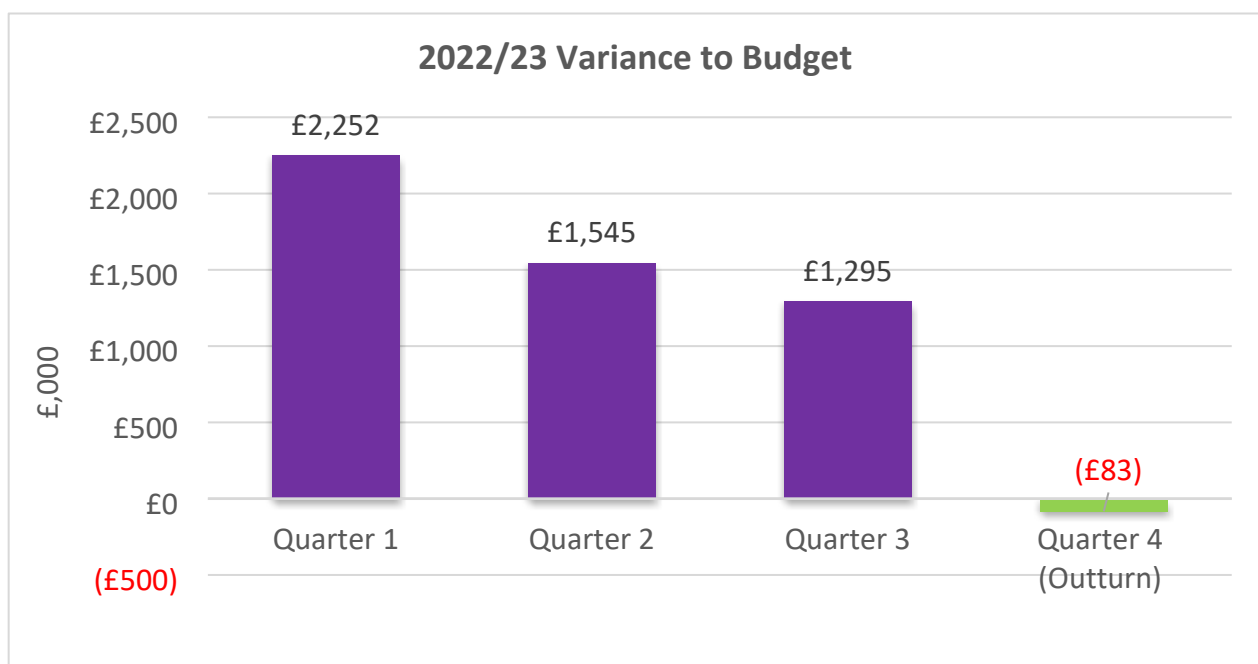
The following table shows the breakdown by directorate for the General Fund (Revenue). **The overall variance (actual spend less budget) was (£83k) favourable.**

Table 1

	End of Year Position		
	Budget	Actual	Net over /

Department	£,000	£,000	(under) spend £,000
Adult Social Care	61,971	61,673	(298)
Chief Executive	12,398	11,967	(431)
Children's Services	38,808	40,002	1,194
Place & Growth	47,015	46,701	(314)
Resources & Assets	1,870	1,636	(234)
Net Expenditure	162,062	161,979	(83)

2022/23 has been a challenging year with high inflation, rising interest rates, shortages of workforce and delays to goods and services impacting the wider cost of living and our services. Therefore, financial monitoring and governance remains to be of high importance to support delivery of the Council's objectives. Throughout the year, the financial position has been monitored closely and reported in the quarterly Executive reports. Significant work has been undertaken in 2022/23 to manage the Council's budget from a potential significant overspend of £2.25m reported in quarter one to an outturn position of an £83k underspend. This is highlighted below in the improved financial position for outturn compared to previous reported positions.



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£9.1 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. At the time of budget setting, an in-year pressure of £3.9m was identified due to reported pressures within the High Needs Block. This year the DSG reports an in year adverse variance of £7.2m against a net income of £167.9m – this represents 4.3% of the total income, and an adverse movement of £3.3m against the position projected at the time of budget setting.

The Housing Revenue Account (HRA) reports an overall overspend of £0.24m. The overspend is predominantly as a result of additional maintenance expenditure caused by the cost of living crisis and increasing material costs. The HRA reserve balance as at the 31 March 2023 is £1.08m, shown in Appendix D.

BACKGROUND

General Fund

Comparing the actual spend vs the approved budget, table 1 shows the outturn position for 2022/23 by Directorate. Further details are shown in Appendix A.

Table 1

Department	End of Year Position		
	Budget	Actual	Net over / (under) spend
	£,000	£,000	£,000
Adult Social Care	61,971	61,673	(298)
Chief Executive	12,398	11,967	(431)
Children's Services	38,808	40,002	1,194
Place & Growth	47,015	46,701	(314)
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Net Expenditure	162,062	161,979	(83)

Material areas of favourable / adverse variances include;

Adult Social Care

Underspend of £0.3m. 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 for the service. In addition, careful management of agency staffing levels and some delays in recruitment have led to some underspends on staffing.

Chief Executive

The underspend on the Chief Executive directorate of £0.431m is as a result of vacancies and delayed recruitment across the directorate, £0.18m of additional income from the Registrars service and a £0.17m prior year refund on the Archives joint arrangement.

Children's Services

Overspend of £1.19m for the year. Significant budget pressure from rising numbers of children in care / care leavers (placements / permanence overspend of £880k), along with recruitment challenges have driven budget pressure within social care. Home to School Transport budgets have overspent by £1.1m through the impact of both rising demand and cost inflation. The overall budget impact experienced across the service has in part been mitigated by reserves held and management action on discretionary spend.

Place & Growth

Underspend of £0.3m. Predominantly as a result of £0.9m underspend on waste disposal. £0.3m overspend Highways and Transport from an overspend/less than budgeted income in relation to parking and reduced spend on highways maintenance. £0.3m overspend from a combined overspend on Housing and favourable outturn position in Planning and Environment and Safety.

Resources & Assets

The directorate shows an underspend of £0.234m. The main forecast variances include an income shortfall in leisure of £0.5m, this is an on-going risk as the service rebuilds following the pandemic and encounters further income loss as a result of hardship pressures. There are vacancies of £0.074m as a result of delayed recruitment in the Internal audit service and the pay award of £0.3m is to be funded from Corporate Inflation. These are offset against a saving of £0.96m on interest on balances as a result of the recent changes in interest rates on investments and delaying/curtailing capital spend where practicable.

Carry Forwards

The Executive are asked to approve the general fund carry forwards, requests totalling £317k are set out in Appendix B to the report. This request is lower than in the previous year where carry forwards were £667k.

General Fund Balance

General Fund balances at 31 March 2023 are c£9.1m. The estimated balance reported in quarter three to the Executive was c£7.7m. The reason for difference is in relation to favourable movements in service variances of c£1.4m achieved 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 c£7.9m 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 an overall overspend of £0.24m. The overspend is predominantly as a result of additional maintenance expenditure caused by the cost of living crisis and increasing material costs. The HRA reserve balance as at the 31st March 2023 is £1.08m, 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 £7.2m against a net income of £167.9m – this represents 4.3% of the total income, and an adverse movement of £3.3m against the position projected at the time of budget setting. 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. An ambitious programme of work is underway, as set out in the Safety Valve agreement between WBC and the Department for Education, that drives forward system wide changes in order to deliver a balanced budget by 2028/29. The Safety Valve Agreement brings funding of £20m from the DfE subject to successful delivery of programme milestones. An initial payment of £8m was received in March 2023.

As at 31st March 2023, the DSG balance will be a deficit of £9.17m made up of the in year deficit of £7.2m, the brought forward deficit of £10.04m, partially offset by £8m Safety Valve funding.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces unprecedented financial pressures as a result of; the longer term impact of the COVID-19 crisis, Brexit, the war in Ukraine and the general economic climate of rising prices and the increasing cost of debt. It is therefore imperative that Council resources are optimised and 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)	£161.98m	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 – <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>
N/A - This is a report of past performance

List of Background Papers
<p>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</p>

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