

TITLE	Revenue Budget Monitoring report 2023/24 - Quarter One
FOR CONSIDERATION BY	The Executive on Thursday, 27 July 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 resource and seek remedial action to achieve a balanced budget where possible.

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 2024).

RECOMMENDATION

That the Executive:

- 1) 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.
- 2) note the proposed consultation and timeline on grass cutting, public bin collections and street cleaning as set out in the report.

EXECUTIVE SUMMARY

This report is to allow the Executive to note the current forecast outturn positions for 2023/24 for the Council's net revenue expenditure, its General Fund Balance (GFB), the Housing Revenue Account (HRA), and the Dedicated Schools Grant (DSG).

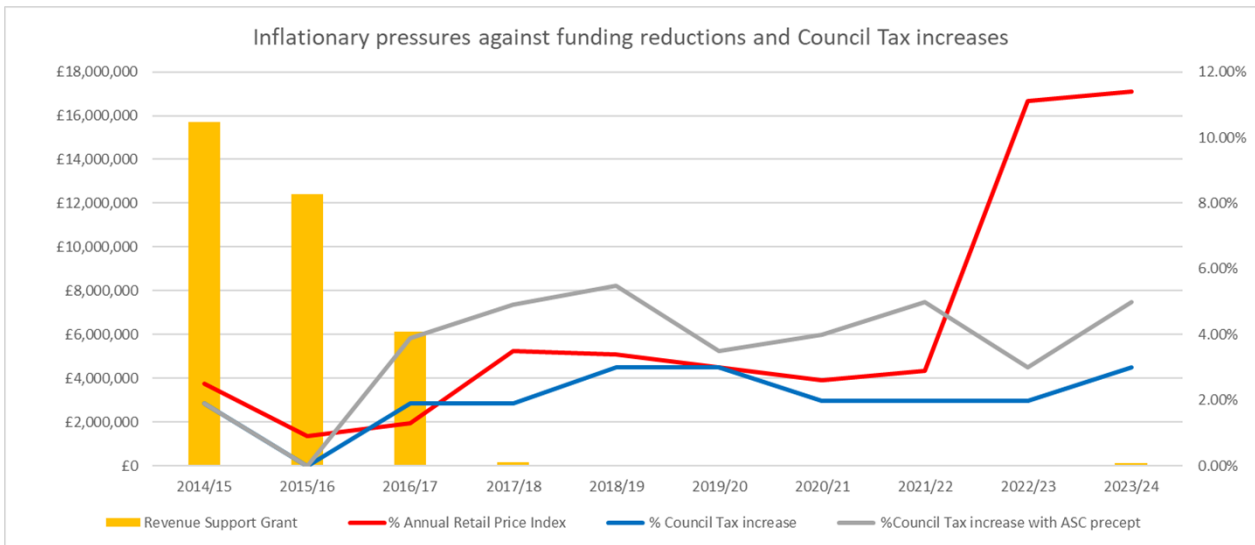
Recommendation 1 – Current Position

The Council continue to face significant financial challenges from rising inflation, interest rates and demand for statutory services. The current projected overspend position of c£2.9m will be closely monitored as we move through the financial year.

In addition, the pay award for 2023/24 is still to be agreed and based on discussions to date this may add a further pressure to the Council once known. This could be an additional c£500-700k of additional pressure.

The graph below shows how acute the difference between inflation and the Council's ability to fund those costs (revenue support grant and council tax) has become in 2022/23 and 2023/24. This is placing a significant pressure across the organisation on

current year budgets, before factors such as specific service demand which are detailed in the report.



As further context to the significant financial pressures faced by the Council, over the past few weeks a number of authorities have been reported as facing the real possibility of considering a Section 114 notice (issued when an authority is in financial distress and unable to balance its budget) in view of their current financial position and recent forecasts. Southampton City Council, Guildford Borough Council, Hastings Borough Council, Birmingham City Council and Kent County Council have all been quoted as facing significant challenges which if not addressed may mean the financial position of the council is unsustainable.

Given the significance of the financial challenge Directors together with their teams are working hard to come up with ways of reducing expenditure to support bringing us back to budget. Amongst these measures are the potential changes to the home to school transport policy which will be brought back to Executive in August and the proposed consultation on grass cutting, public bin collections and street cleaning referenced elsewhere in this report.

The Executive has agreed to consider Revenue Monitoring Reports on a quarterly basis. In February 2023, the Council agreed and set its net General Fund (Revenue) budget at £180.1 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	Current Forecast	Net over / (under) spend
	£,000	£,000	£,000

Adult Social Care	66,217	66,517	300
Chief Executive	10,796	10,696	(100)
Children's Services	43,022	45,168	2,146
Place & Growth	53,899	54,147	248
Resources & Assets	6,390	6,655	265
Net Expenditure	180,324	183,183	2,859

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 predicted £300k overspend represents small (0.45%) variance against budget. The budget target for 2023/24 was set with low net growth, high inflation pressures and continued increased demand for services are creating a small overspend against budget. Work will continue to attempt to mitigate and manage through the rest of the year.

Chief Executive

The forecast underspend of £100k is because of the successful reduction of the use of contractors and the holding of additional vacancies within the Chief Executive directorate.

Children's Services

Of the reported overspend £980k relates to ongoing pressures from Home to School Transport, the bigger driver is the cost price which is being driven by high inflation, and wider pressures in the market such as driver availability have all contributed to an increasing cost base outstripping available resource.

Placements and Allowances for looked after children are responsible for £1,126 of the overspend, of which £522k relates to Unaccompanied Asylum Seeking Children (UASC) care leavers, where funding from central government is significantly lower than current costs. Funding for UASCs is lower as we have fallen short of our 1% number which in the short-term results in lower income when the UASC is a looked after child, but this represents a longer-term benefit as we are suppressing the number of UASCs reaching care leaver status where placement costs significantly outstrip government funding. An average UASC costs the council £100K in placement costs alone during their care cycle.

Additionally, we have seen an increase in the needs of our high-cost placements. In 2022/23 there were 14 high-cost placements with an average weekly cost of £4,726, in 2023/24 there are 8 high-cost placements with an average weekly cost of £8,892.

The service is also facing significant challenges around recruitment of key staff and increasing demand across all areas. This provides for significant further risk and challenge to the budget as the service meets the costs of statutory services for vulnerable children and young people.

Place and Growth

An overspend of £248k is predicted as a result of £700k underachievement of income from car parking, which is due to delays in the implementation of both on street parking charging and to the increase in off street parking charges as well as challenges around parking enforcement. This underachievement of income is anticipated to be limited to 2023/24, once these schemes are implemented the income is anticipated to be realised in future years.

Further forecast pressures exist around the use of temporary staff and risks around temporary housing accommodation which are exacerbated by increasing numbers of asylum seekers and refugees entering the borough, while the level of income from planning and garden waste are being monitored. The forecast offsets of additional one-off income in relation to bulky waste and additional grant income result in the overall forecast overspend of £248k.

Resources and Assets

The directorate is forecasting an overspend of £265k. Leisure income targets remain under significant pressure following the impacts of COVID and more recently cost of living pressures. Property rental income also remains under pressure from the external market conditions. The reduced capital programme impacts the work of the property team which is currently being reviewed.

General Fund

The General Fund Forecast is approximately £7.8m 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.

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.

See Appendix B for further details.

Housing Revenue Account (HRA)

The Housing Revenue Account is currently expecting to be £16k under budget, although risks exist around rental income, the level of voids and maintenance costs, which are all significant budgets and will become clearer as the year progresses. HRA reserves are estimated to be £1.2m on 31 March 2024. 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)

An in-year deficit of £10m is projected, with the budget pressure continuing to be within the High Needs Block. Taken with the brought forward deficit of £9.2m, and expected Safety Valve funding received in-year, a forecast cumulative deficit of £17.5m is now projected to 31st March 2024.

The current in-year forecast represents an adverse movement of £1.9m on the £8.15m deficit included in 2023/24 budget setting. The movement being:

- £216k increase in the Schools Block
- £1.67m increase in 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 Council has moved at pace to formally establish our Safety Valve programme from 1st April 2023, and starting to deliver on key projects to support bringing the DSG spending in line with provided funding.

A Programme Board with agreed project plans has been established. The Board also oversees programme-wide risks, issues, communications, and the development of our benefits realisation plan and monitoring processes.

See Appendix D for further details.

Recommendation 2 - Consultation

The Council's MTFP highlighted savings of some £60k per annum in relation to the naturalisation of areas within the borough but given the pressure of inflation it was clear that further service reductions were needed in relation to grass cutting, public bin collections and street cleaning.

The Council has worked hard to find a way forward with its contractors and began implementing its budget and service reductions which included the taping over of litter bins. Given the impact of these changes it is recognised that the Council started this work without the appropriate approvals and necessary supportive work in place.

In order to ensure the appropriate response by the council, whilst recognising the need to achieve in year savings as previously agreed in the MTFP, it should be clear that there is a necessary savings requirement. Cost efficiencies from these measures are already reflected in the current reported forecast overspend. It is therefore the approach and method of implementation only that is being addressed in this response. In that context it is acknowledged by the Council that these specific issues relating to grass cutting, litter bin collections and street cleaning are indeed a Key Decision for the

Executive and arrangements are in place to ensure that the accepted protocol for a Key Decision is followed. It is intended to work at pace to ensure the following activity:

- A public consultation (on the approach and rationale of reduction of frequency of service activity) to be prepared and begin in August 2023 .
- A report on the rationale and implementation of the service savings incorporating the consultation headlines will be presented to Community and Corporate Overview and Scrutiny Committee on 2nd October 2023
- A report will be presented to the Executive on 26th October 2023 in relation to proposed implementation of the required savings, the approach and rationale of the implementation and incorporating the outcomes of the wider public consultation and the views of the Overview and Scrutiny Committee.

In parallel, the Council has already begun working with its contractors to identify and implement the restoration or mitigation of service standards and outcomes to previous levels while due decision-making processes are followed. These discussions are ongoing and will be subject to assessment of Best Value and will be concluded shortly.

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)	£183.2m	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 one.

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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