TITLE	**Revenue Monitoring 2023-24 Q2**
FOR CONSIDERATION BY	The Executive on Thursday, 26 October 2023
WARD	None Specific;
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 update on the update on the Energy Procurement Contract
3) approve the supplementary estimate of £86k in 2023/24 to support the procurement of the Waste Collection, Highways and Street Cleaning contracts.

EXECUTIVE SUMMARY

This report is to allow the Executive to note the current of the 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).

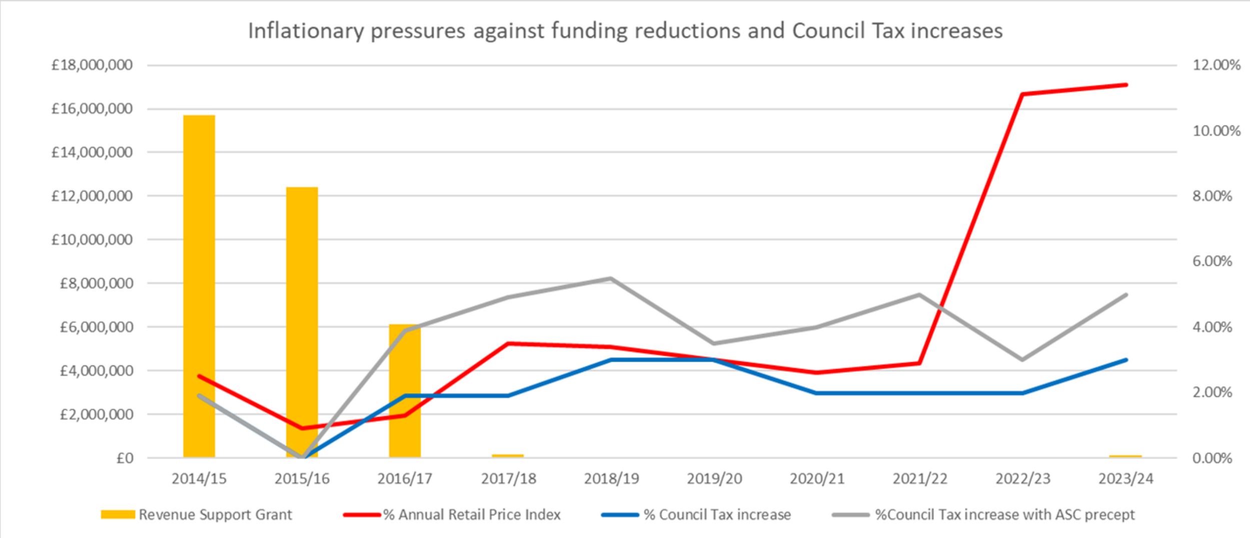
Recommendation 1 – Current Position

The Council continue to face significant financial challenges from rising inflation, interest rates and demand for statutory services. The underlying spending pressures in excess of budget facing the Council are c£10m however there is significant levels of mitigating actions supporting to deliver the current projected overspend position of c£3.6m. This will continue to be closely monitored and further options will be explored as we move through the financial year to manage this position.

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 and months 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, 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. Most recently in Berkshire, The Royal Borough of Windsor & Maidenhead have reported significant financial stress and risk to future financial sustainability.

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.

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

	Budget		spend
	£,000	**£,000**	**£,000**
Adult Social Care	65,925	66,401	476
Chief Executive	12,167	12,068	(100)
Children's Services	42,734	45,347	2,613
Place & Growth	53,666	54,039	374
Resources & Assets	5,995	6,279	283
Net Expenditure	**180,487**	**184,133**	**3,646**

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 £0.48m overspend represents small (0.72%) variance against budget. This has increased from £0.3m reported at the end of quarter one. The increase is generated from continued pressures from inflation increasing market rates and increased demand for services. Work will continue to attempt to mitigate and manage through the rest of the year.

Chief Executive

The forecast underspend of £0.1m 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

Children's are forecasting a £2.6m overspend mainly due to external pressures which are masking in-service efficiencies.

Home to School Transport (HTST) accounts for £1.6m of the overspend, driven by continued pressure from SEND children being educated out of borough as well as higher cost price which is being driven by high inflation, and wider pressures in the market such as driver availability. Policy changes have driven a reduction in mainstream children as well as root optimisation, but this has been eclipsed by the increases in SEND HTST provision.

Placement cost per night continues to be a challenge as market demand and complexity of needs continues to put pressure on the service. A balanced service ecosystem to support children at the right time means 14% a year on year reduction in Looked after Children (excluding UASCs) but eclipsed by cost price increases where they have seen a 50% increase in residential costs.

The service has accommodated £0.8m unbudgeted Unaccompanied Asylum Seeking Children (UASC) and UASC care leaver costs into the service. Funding from central government falls significantly short of costs. The average net care cycle cost of each UASC into WBC is c.£0.1m. As the council keeps to its 0.1% government target number, we will need to support a new UASC for each one that ages out, leading to significant growth in former UASC care leavers, a significant future cost to the council if sufficient housing that matches funding isn't found.

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.

<u>Place and Growth</u>

An overspend of £0.4m is predicted as a result of £600k 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. Planning income is also down compared to budget and forecast to remain low for the remainder of the year mainly as a result of the impact of the current economic climate.

Further forecast pressures exist around the use of temporary staff and demands on temporary housing accommodation which are exacerbated by increasing numbers of asylum seekers and refugees entering the borough. The forecast offsets of additional one-off income in relation to bulky waste and additional grant income result in the overall forecast overspend of £0.4m.

<u>Resources and Assets</u>

The directorate is forecasting an overspend of £0.265m. 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.

<u>General Fund</u>

The General Fund Forecast is approximately £6.9m. 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.

See Appendix B for further details.

Housing Revenue Account (HRA)

The Housing Revenue Account is currently expecting to be £11k over budget although this position still allows for the HRA reserve to increase from the 31st March 2023 position having been built into the budget. Risks do however continue to exist around rental income, the level of voids and maintenance costs, which are all significant budgets and are monitored on an ongoing basis. HRA reserves are estimated to be £1.2m on 31st 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 £11.9m is projected, as demand for EHCPs continues, rising 7% since the start of the financial year. Taken with the brought forward deficit of £9.2m, and expected Safety Valve funding received in-year, a forecast cumulative deficit of £19.8m 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:

- £0.2m increase in the Schools Block
- £3.5mincrease 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.

Our Safety Valve Programme is now well established and whilst HNB continues to be to be in a deficit position we are seeing good support from some schools as they accommodate complex children within their settings, but we are still seeing an increase in requests from other settings and parents. Coupled with the increased requests we are still seeing the effects of lack of specialist provision, forcing the local authority to continue to make expensive placements. Safety valve projects are on track to deliver but impacts won't begin to be felt until early 24/25 and will incrementally increase from there.

See Appendix D for further details.

Recommendation 2 - Update on the Energy Procurement Contract

In January 2023 the Executive approved the migration of the Council's energy buying strategy from the current framework provider – Crown Commercial Service (CCS) – to the Laser Framework. This approach was subsequently approved by Council in February 2023. The rationale for this move was to ensure the Council was receiving best value on the energy price and receiving greater levels of additional flexibility/adaptiveness and responsiveness in tariff pricing and trading arrangements. The move would also offer greater opportunities for the purchase of more Green energy, through REGO (Renewable Energy Guarantees of Origin) contracts, as well as looking at trading opportunities for energy developed by the council and opportunities for 'time of use' tariffs.

The January 2023 Executive and February 2023 Council decisions delegated authority to the Director of Resources and Assets, in consultation with the Executive Members for Finance and Contracts, to engage with framework suppliers and negotiate on future contract provision, in line with the approved procurement strategy.

The Executive and Council decision noted that an updated Procurement Business Case will be reported back to Executive and Council, with proposed contract terms and timescales for implementation. This update forms this reporting back.

Since the approvals earlier this year, the Council has been working on and has now agreed and finalised a contract with the Laser Framework. The full contract will commence in April 2024, following the mobilisation (buying) process. In preparing for the new contract to go live from April 2024, we have traded the majority of the Council's energy supply for the year 2024-25 and the pricing achieved for this has delivered against the objectives of the decision to transfer to the Laser Framework, achieving a saving for the Council.

Recommendation 3 – Supplementary Estimate request for £86k in 2023/24 for contract procurement costs

There are two significant contracts within Place and Growth that either expire (Waste Collection – Veolia) or could be extended (Highways and Street Cleaning – Volker Highways) in 2026 meaning specialist procurement expertise is required to support this important piece of work. A special item has been included in the MTFP to cover the main costs for Waste Collection and Street Cleaning, and Highways in 2024/25 and 2025/26, however there is a need to begin the options appraisal and any subsequent procurement process for these contracts in 2023/24.

This request is therefore for £86k to be made available in the current financial year (2023/24) to allow these works to begin which is necessary in order to complete the options appraisal and commence any determined procurement within the time frame available and to highest quality standards whilst achieving best value.

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)	£184.1m	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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