

TITLE	Revenue Monitoring 2023-24 Quarter 3
FOR CONSIDERATION BY	The Executive on 25 January 2024
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.

EXECUTIVE SUMMARY

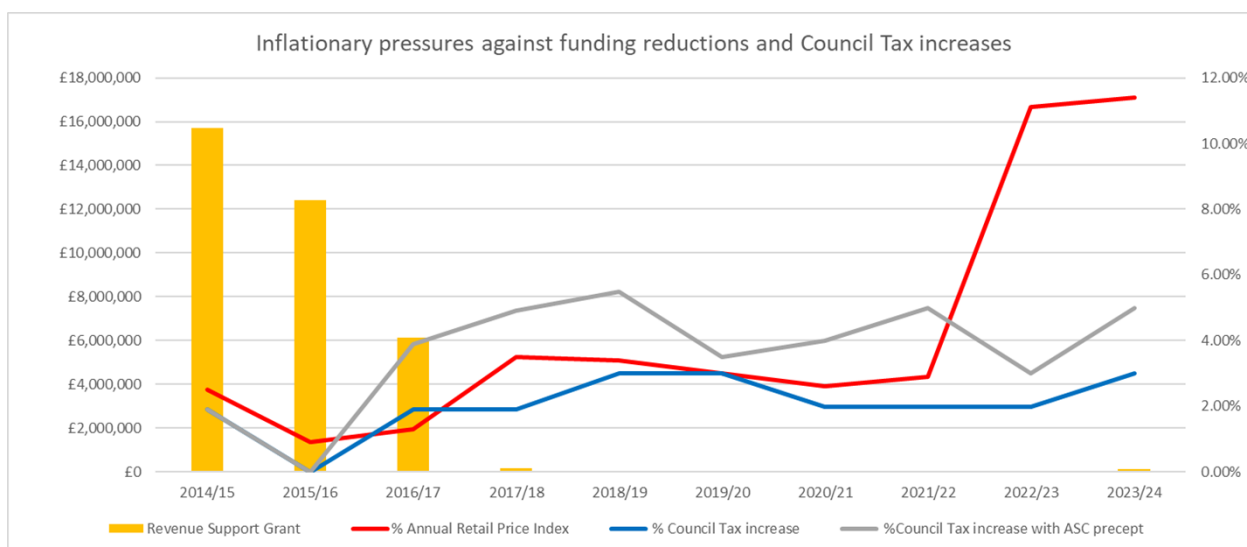
This report is to allow the Executive to note the current of the forecast outturn positions for 2023/24 for the Council's net revenue expenditure, its General Fund Balance (GFB), the Housing Revenue Account (HRA), and the Dedicated Schools Grant (DSG).

BACKGROUND

Recommendation 1 – Current Position

The Council continues 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£11m 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.

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 previously reported the context of the financial landscape remains hugely challenging. Over the past few 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 including additional levels of controls and approvals to support bringing us back to budget.

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	65,961	66,391	430
Chief Executive	12,199	12,092	(106)
Children's Services	42,802	45,422	2,620
Place & Growth	53,743	54,307	564
Resources & Assets	5,782	5,850	67
Net Expenditure	180,487	184,062	3,575

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 £0.43m overspend represents small (0.65%) variance against budget. This has reduced slightly from £0.48m reported at the end of quarter two. The overspend relates to continued pressures from inflation increasing market rates and increased demand for services. Work will continue to attempt to mitigate and manage through the remainder of the year.

Chief Executive

The forecast underspend of £0.106m 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.

There are emerging pressures in legal costs due to challenges for our provider being able to provide Legal Counsel in house resulting in a £0.5m pressure across the service.

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 £0.56m is predicted which amounts to a 1% variance against budget. This has increased by £0.19m since quarter two.

The overall variance is a result of 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 £0.56m.

Resources and Assets

The directorate is forecasting an overspend of £0.067m. 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. The revaluation of business rates in corporate properties has resulted in savings in quarter 3.

General Fund

The General Fund Forecast is approximately £7m. 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 forecast to be £12k over budget come year end, a small increase from quarter two. Risks however continue to exist around rental income, the level of voids and maintenance costs, which are all significant budgets and continue to be monitored.

The original budget included a proposal to increase the HRA revenue reserve balance by £161k. However, the starting position on the HRA reserve of £1.08m was higher than anticipated when the budget was set and is 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.

Subject to the final year end position the proposal is therefore not to increase the reserve balance by £161k but to use the funds to make a higher than budgeted repayment of borrowing. This helps reduce the level of borrowing within the HRA more quickly, reducing repayment costs and increasing capacity for future borrowing if required. The HRA reserve balance is therefore forecast to be £1.08m on 31st March 2024.

Dedicated Schools Grant (DSG)

An in-year deficit of £12.18m is projected, as demand for EHCPs continues, rising 9% 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 £15.3m is now projected to 31st March 2024. This includes income received via the Safety Valve Agreement and use of the Equalisation Fund.

The current in-year forecast represents an adverse movement of £4.02m on the £8.15m deficit included in 2023/24 budget setting. The movement being:

- £0.3m increase in the Schools Block
- £3.7m 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.

Our Safety Valve Programme is now well established and whilst the HNB continues to be in a deficit position, we are building support from some schools as they accommodate complex children within their settings, however, we are still seeing an increase in requests from other settings and parents. In addition to the increased requests, the effects of a lack of specialist provision continues, forcing the local authority to continue to make expensive placements. The schools have recently approved the 0.5% transfer from the schools block to the HNB, demonstrating their support. 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.

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 is 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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