

## RBWM financial position:

1. Update on budget pressures
2. Actions required to rectify

Extraordinary Council  
 October 2023

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## Forecast in-year (2023/24) and 2024/25 position

### Current year – 2023/24

- Forecast in-year position for 2023/24 (at month 5) shows an overspend on service budgets of £7.3m.
- Available in-year contingency of £3.3m and forecast underspend on non-service budgets reduces net overspend to £3.6m.
- General fund reserves currently at £10.2m - this would reduce reserves to £6.6m, which is below the minimum requirement set by s151 Officer.

### 2024/25 forecast budget gap

- Process for setting 2024/25 budget continues, with current gap at £6.2m.
- Intensive work in train to bring this down, with draft budget report to Cabinet in November.
- Scale of gap for 2023/24 and 2024/25 puts RBWM at risk of having to issue a Section 114 notice unless further urgent and significant action is taken.

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## Causes of increasing budget pressures (1)

### Higher than budgeted inflation costs

- Inflation has continued to remain higher than expected, for longer.
- Impacts all areas of council spend - increases costs of goods, services, premises, transport and utilities.
- In total, higher than budgeted for inflation has added a £1m pressure to large contracts in the Place directorate.

### Level of council debt and rising interest rates

- Increasing interest rates have increased the cost of council borrowing.
- Currently, the council's total borrowing stands at £203m.
- Borrowing costs (including MRP) are forecast to reach £8m this year and £14m in 2024/25 (interest of £10.8m and MRP of £3.5m).

### Increasing cost of adults and children's social care

- As well as demand for care increasing, the cost of social care (adults and children's) is also increasing which is adding a total pressure of £5m in 2023/24.

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## Causes of increasing budget pressures (2)

### Rising demand for and complexity of statutory services

- Demand is increasing for a range of statutory services including temporary accommodation; referrals to children's services and adults needing complex social care.
- Older people client numbers are 36% more than budgeted, causing a £2.7m overspend against the adult social care budget in 2023/24.
- Number of people receiving mental health support is 56% over budget, creating a pressure of £1m in 2023/24.

### Difficulty in recruiting social workers and delivering agency savings

- Recruitment of children's and adult's social workers made more difficult by RBWM salaries compared to neighbouring boroughs which has led to increased reliance on higher-cost agency placements.

### High risk savings

- 2023/24 budget included £5.76m of savings which are rated as 'red' in terms of deliverability. Increasingly likely that not all of these savings will be achieved, adding a £2m pressure to the budget.

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## 2023/24 M5 Summary

### MONTH 5 FORECAST OUTTURN

	Budget	Forecast over (under) spend	Prior month variance	Change
	£'000	£'000	£'000	£'000
Adults & Health	39,999	4,880	4,635	245
Children's	27,758	215	270	(55)
Place	11,672	2,976	2,526	450
Resources	12,300	(792)	(718)	(74)
CEX	959	33	0	33
<b>TOTAL</b>	<b>92,688</b>	<b>7,312</b>	<b>6,713</b>	<b>599</b>

### SAVINGS

	RAG	£'000	%
Total	Red	(2,040)	19%
	Amber	(4,012)	37%
	Green	(2,603)	24%
	Blue	(2,269)	21%
<b>Total</b>		<b>(10,923)</b>	<b>100%</b>

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### Actions needed to reduce the deficit (1)

1. Service challenge sessions to go through forecasts, pressures, opportunities line by line. **In progress**
2. Removal of budget lines which have historically underspent. **In progress**
3. Review all earmarked reserves to help in-year position. **In progress**
4. Establish a Spending Control Panel to control all non-essential spend, including recruitment. **Go live October**
5. Reduce agency staff costs. **In progress**
6. Maximise income from discretionary fees and charges. **In progress**
7. Explore opportunities to maximise external funding. **In progress**

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### Actions needed to reduce the deficit (2)

8. Review all services to develop proposals for transformation. **In progress**
9. Review capital programme to determine which schemes can be deferred, re-phased or stopped to reduce borrowing costs and maximise use of CIL/S106. **In progress**
10. Review Treasury Management Strategy. **In progress**
11. Review all council assets to maximise income and look at options to sell assets to reduce borrowing where it makes financial and strategic sense to do so (final decisions taken by Cabinet). **In progress**
12. Formally write to and meet partners and contractors to identify ways of reducing costs. **In progress**

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### Implementing a Spending Control Panel

- Used by other councils to control non-essential spending.
- All new non-essential expenditure over a certain threshold - even where budget provision is in place - will require SCP approval before goods and services can be ordered or new staff can be recruited (temporary and permanent).
- Business case submitted to SCP setting out justification for expenditure; why it represents best value; and implications if not agreed.
- SCP to remain in place until a demonstrable improvement in the council's finances is shown.
- To go live early October, meeting weekly.
- ToR and guidance to services being developed.

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### **What do we mean by essential spending?**

- Spending relating to a clear and referenceable statutory obligation such as adults and children's social care; or regulatory and legal requirements such as health and safety.
- Urgent spending needed to safeguard vulnerable people.
- Spending already legally or contractually committed, such as staff pay and pensions; spending through existing legal agreements or contracts; and payments for goods/services already received.
- Spending entirely funded through ring-fenced or external grants.
- Spending which improves the council's financial position e.g. permanent recruitment to replace more expensive agency staff or one-off spending which delivers ongoing savings.