

Report Title:	2023/24 Month 5 Revenue Monitoring Report
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Jones, Deputy Leader and Cabinet Member for Finance
Meeting and Date:	Cabinet – 25 th October 2023
Responsible Officer(s):	Elizabeth Griffiths, Executive Director of Resources Andrew Vallance, Deputy Director of Finance
Wards affected:	All



REPORT SUMMARY

This report details the forecast outturn against budget for the 2023/24 financial year. It includes the revenue and capital budgets along with the financial reserve position at year end.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet:

- i) notes the forecast revenue outturn for the year at M5 is an overspend on services of £7.312m which reduces to an overspend of £3.589m when including unallocated contingency budgets and changes to funding budgets (para 4);**
- ii) notes that the Council’s approach to in-year budget monitoring and management is being strengthened – as part of a wider approach to improving corporate governance at RBWM - as set out in paragraph 5.1;**
- iii) notes the forecast capital outturn is expenditure of £47.769m against a budget of £87.199m (para 10); and**
- iv) agrees the virements in Appendix B.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Options

Table 1: Options arising from this report

Option	Comments
To note the Council’s outturn.	This is the recommended option.
To not note the Council’s outturn.	This is not the recommended option.

3. SUMMARY

- 3.0 RBWM faces significant financial challenges. In the Cabinet meeting of 27th of September, the Chief Executive and S151 Officer gave an update to Cabinet on the M5 position reported below, stating that the Council's reserves would be so significantly depleted by the current forecast in year overspend and projected gap in next year's budget that the Council would no longer be able to finance its budget and is therefore at risk of issuing a S114 notice.
- 3.1 This briefing has since been repeated in three separate sessions attended by members of all parties with the opportunity to ask questions, and then discussed at an extraordinary Council session held on the 10th of October.
- 3.2 The key variances in each directorate are outlined below. The main pressures being an increase in both costs and usage in demand led services. These increases are being offset where possible by the use of external grants. The remainder is largely higher than expected inflationary increases in contracts. All of these increases have been negotiated down as much as possible but, as they stand, have been unavoidably incurred, are ongoing, and are therefore expected to flow into next year's budget requirement meaning that large offsetting savings must be found to compensate for them.
- 3.3 Every service area has been working to generate proposals for additional income, cost reduction, service efficiencies and transformation programmes in order to reduce the current year overspend and the corresponding gap in next year's budget. These have been reviewed and challenged in a series of meetings initially with Directors, Exec Directors, the Chief Exec, the S151 Officer and subsequently, Cabinet members.
- 3.4 A Spending Control Panel has been established which reviews and challenges all internally funded spending requests over £500 for revenue, capital or recruitment (temporary and permanent), unless they relate to a previously agreed contract, a clearly referenceable statutory obligation or an urgent need to safeguard vulnerable people. This review process is also being implemented by both Adult Services and Children's Services.
- 3.5 The cost of servicing debt remains a key concern and the forecast increase in interest costs is a large contributor to next year's budget gap. In order to address this, all current and proposed capital expenditure is under review in order to reduce any new borrowing requirements and all assets are being evaluated to identify any potential disposals which would generate capital receipts which could be used to repay some of the existing debt.
- 3.6 Monthly reviews of the financial position are given to the Executive Leadership Team and Cabinet. Improvements to the Governance of our Property Company and all outsourced partners are underway and new boards have either been set up, or are in the process of being set up, to monitor and drive performance, transformation and cross departmental projects.
- 3.7 The organisation as a whole is responding to the challenge with regular communications, staff Q&A sessions and member involvement. Both Cabinet and Council have voiced and agreed their support to resolving the situation.

4. KEY IMPLICATIONS

- 4.1 The Council faces considerable financial risks that could have a significant and immediate impact on its finances. However, whilst reserves are currently above the minimum level that the S151 Officer has deemed are required to protect against financial and service risks, they remain low compared to the optimum level that should be held. The Medium-Term Financial Plan agreed in February 23 assumed that the Council would deliver sustainable savings over the medium term and therefore remain above the minimum level of reserves identified by the S151 Officer (£7.900m).

Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
General Fund Reserves	<£7.9m	£7.9m to £12m	£12m to £15m	> £15m	Ongoing

5. 2023/24 MONTH 5 REVENUE FORECAST OUTTURN

- 5.1 The month 5 forecast is an overspend on service budgets of £7.312m. Assuming the contingency budget is not used and the budgeted contribution to general reserves not made, this reduces to an overspend of £3.589m.

Table 3: 2023/24 Month 5 Revenue Budget Forecast

	Current Budget	Forecast Outturn	Over / (under) spend
	£000	£000	£000
Adult Social Care and Health	39,999	44,879	4,880
Children's Services	27,759	27,974	215
Place	11,672	14,648	2,976
Resources	12,300	11,508	(792)
Chief Executive Department	959	992	33
TOTAL SERVICE EXPENDITURE	92,689	100,001	7,312
Contingency and Corporate Budgets	3,037	541	(2,496)
Other funding and non-service expenditure	(95,726)	(96,953)	(1,227)
DECREASE IN GENERAL FUND RESERVE	0	3,589	3,589

GENERAL FUND		
Opening balance	(10,213)	(10,213)
Transfer out	0	3,589
CLOSING BALANCE	(10,213)	(6,624)

- 5.2 This would lead to the general reserve falling below the minimum required level of £7.9 million.
- 5.3 Appendix C details budget virements requiring Cabinet approval. The Council constitution states that any virements over £0.100m (or £0.025m where budget is moved between departments) require Cabinet approval.

6. Strengthening in-year budget monitoring and management

- 6.1 Steps are being taken to strengthen the Council's approach to in-year budget monitoring and management. The following changes are being implemented:
- All directorates have been asked to draw up action plans as to how they can reduce the overspend.
 - A spending review panel has been introduced scrutinising all non-essential spend above £500 and approving all recruitment.
 - Earmarked reserves are being actively reviewed to determine where these can be released.

7. ADULT SOCIAL CARE AND HEALTH

- 7.1 The Adult Social Care & Health directorate forecast outturn at M5 is an overspend of £4.880m.

Table 4: Adult Social Care and Health

	Budget £000	Forecast Outturn £000	Over / (under) spend £000
Executive Director and Commissioning	1,576	1,713	137
Adult Social Care	38,253	42,996	4,743
Transformation and Community	170	170	0
Public Health Spend	5,403	5,403	0
Public Health Grant	(5,403)	(5,403)	0
Total	39,999	44,879	4,880

- 7.2 The overspend is primarily due to residential care costs for older people. With continuing staffing challenges, previously planned savings in respect of staff costs are unlikely to be met. There are currently £1.27m (31%) of targeted revenue budget savings which remain RAG rated red, meaning that there is a significant risk that they won't be achieved.

- 7.3 Actions in progress to address the overspend include establishing a rigorous panel process to review potential new care placements, the Homefirst project that seeks to support people as they leave hospital which reduces the need for care home placements, and a targeted review of care packages between August and November. There are early indications that the panel review and Homefirst are having positive impacts, but demand led services such as these can fluctuate unpredictably.
- 7.4 There is significant inflationary pressure from all providers, especially those not bound by long term contracts. This is particularly noticeable in residential and nursing home places where we are seeing requests for 8-16% uplifts on existing placements, having budgeted 5%.

8. CHILDREN'S SERVICES

- 8.1 The Children's directorate forecast outturn at M5 is an overspend of £0.215m.

Table 5: Children's Services

	Budget	Forecast Outturn	Over / (under) spend
	£000	£000	£000
Management & Business Services	3,158	3,315	157
Education	1,279	1,261	(18)
Special Educational Needs & Disabilities	3,676	3,891	215
Social Care and Early Help	21,043	20,806	(237)
Public Health	(11)	87	98
RBWM Retained Grant Budgets	(1,387)	(1,387)	0
Total	27,758	27,973	215

- 8.2 There are continuing pressures on SEN (special educational needs) Transport costs and Legal support costs. For the current year, this has been mostly mitigated by using appropriate government grants to offset costs.
- 8.3 Since month 3 there has been a high cost placement costing £14k per week. Cost outliers such as this cause disproportionate pressures on the budget and can quickly consume additional budget allowance for growth in demand, meaning that this expected growth then becomes an overspend.
- 8.4 There are currently £0.550m (18%) of targeted revenue budget savings which remain RAG rated RED, meaning there is a significant risk they will not be achieved.
- 8.5 Actions in progress to address the areas of budget pressure include increased scrutiny by the service around SEN appeals to ensure only eligible young people are offered transport.

9. PLACE

9.1 The Place directorate forecast outturn at M5 is an overspend of £2.976m.

Table 6: Place

	Budget	Forecast Outturn	Over / (under) spend
	£000	£000	£000
Executive Director of Place	20	20	0
Neighbourhood Services	9,277	11,615	2,338
Planning Service	1,331	1,661	330
Communities including Leisure	(1,250)	(882)	368
Housing	2,018	1,959	(59)
Property	(2,908)	(2,908)	0
Infrastructure, Sustainability & Transport	3,184	3,183	(1)
Total	11,672	14,648	2,976

9.2 The overspend includes the following significant factors:

- Contract costs, including £0.600m on the SERCO contract and £0.400m on the Volker highways contract, have risen sharply due to inflation staying higher than expected for longer than expected.
- Daily parking income has improved significantly but there remains an underachievement of parking income targets partly due to the continued lower levels of season ticket sales (1.020m). The service believe this to be due to the change in working habits post pandemic with more and more people working from home.
- There has been an increase in costs for waste recycling (£0.430m) with rates that are higher than anticipated, mainly due to the stockpiling of material in overseas markets and paper mills in Europe being shut due to the energy crisis.
- The leisure centre contract renewal is still in progress but the service is reporting a shortfall against budget of £0.560m.

9.3 There are currently, £0.220m (9%) of targeted revenue budget savings which remain RAG rated red, meaning that there is a significant risk they will not be achieved.

9.4 The Place Directorate Leadership Team have developed a range of in-year actions to address the overspend, these include:

- Increased contract Management – working within existing contract frameworks, officers are identifying potential cost saving opportunities, which are also informing future procurements.

- Improvement of parking income – Development of a parking strategy and communications campaign to increase parking use in key locations such as Maidenhead. There is also a review of additional on-street parking provision that will support ongoing service costs.
- Enforcement - consideration of options on moving traffic enforcement in relation to the award of a new Parking and Enforcement contract.

10. RESOURCES

10.1 The Resources directorate forecast at M5 is an underspend of £0.792m.

Table 7: Resources

	Budget	Forecast Outturn	Over / (under) spend
	£000	£000	£000
Executive Director of Resources	198	126	(72)
Revenues, Bens, Library & Res Services	4,380	3,811	(569)
Housing Benefit	(377)	(377)	0
Human Resources, Corporate Projects & IT	3,346	3,321	(25)
Corporate Management	(196)	(146)	50
Finance	1,580	1,575	(5)
Governance	2,392	2,363	(29)
Legal Services	977	835	(142)
Total Resources	12,300	11,508	(792)

10.2 The underspends in the table above are mainly related to staff vacancies and government grant funding, although some of the grant income forecast in this latter category this latter has not yet been received as it is typically notified by central government on an ad hoc basis throughout the year. There are no planned savings in this directorate which are RAG rated red.

11. SUNDRY DEBT

11.1 The current level of overdue sundry debt is £7.909m. On subsidiary systems there is also debt of £3.917m and £0.217m in relation to Housing Overpayments and Housing Rents respectively. This is an area of high focus with additional resource recently agreed.

11.2 Some of the efficiency savings in this year's budget relate to reductions in debt. As such, work is currently ongoing to establish a more holistic, corporate led approach to debt. This includes:

- clearer and more frequent reporting of debt to encourage directorates to engage in the debt recovery process.

- data cleansing, including write off of historic uncollectable debts, to allow efforts to be focused on collectable debts. Debts are only ever approved to be written off where they are truly uncollectable. This step is important as debt recovery is inevitably a time consuming process so available resource must be focused on debts which are actually recoverable.
- ensuring processes are in place for debt on subsidiary systems that do not automatically follow corporate procedures (e.g. Housing Rents)
- adopting tailored approached where relevant, such as Adult Social Care where Optalis has recently recruited a dedicated income collection officer.
- Review of billing processes and collection of current debtors. While increased effort has been put into the reduction of aged debt, it's important to improve early collection so the problem does not reoccur.

Table 8: Aged Debt and bad debt provision

	> 1 month	> 2 month	> 6 month	> 1 year	Total	Bad Debt Prov cost
	£000	£000	£000	£000	£000	£000
Adults & Health						
Adult Social Care	261	761	719	2,546	4,286	343
Deferred Payments	68	106	60	488	722	0
Children's Services	12	24	9	6	50	7
Place						
Housing	3	3	21	1332	1,359	100
Commercial property	1	700	99	118	918	186
Other Place	97	171	117	45	430	1
Resources	44	21	3	76	144	(21)
Total	485	1,786	1,027	4,610	7,909	616

Debt on other systems:

HB Overpayments	2,917	0
Housing Rents	217	64
Total debt	10,981	7,232

12. CAPITAL

- 12.1 The 2023/24 budget of £87.695m includes the original capital programme budget of £34.766m approved by Council in February 2023 and an expenditure slippage of budget of £52.929m carried-forward from 2022/23.

12.2 In light of RBWM’s current financial situation and the urgent need to reduce borrowing costs, all capital schemes are currently under review with the intention of removing the financial burden of additional borrowing costs where possible. Good progress is being made on this.

12.3 The capital budget for the current financial year is summarised in Table 9 below. At current PWLB rates, £20m borrowed and repaid over 20 years would incur an additional revenue cost of circa £1.5m per year.

12.4 **Table 9: Capital programme outturn**

	Budget	Reprofiled to 24/25	Forecast 23/24 Outturn	YTD spend at M5
	£000		£000	£000
ASC and Health	1,610	(1,005)	605	200
Children’s Services	15,009	(4,089)	10,920	2,597
Place	67,095	(34,294)	32,801	4,763
Resources	3,485	(42)	3,443	384
Total	87,199	(39,430)	47,769	7,944

12.5 Table 10 below summarises how the capital programme for 2023/24 is financed:

12.6 **Table 10: Financing of the capital programme**

	Over / (under) spend
	£000
	£000
Government Grants	15,921
Community Infrastructure Levy	9,073
S106	1,826
Capital Receipts & contributions	587
Borrowing	20,362
Total	47,769

13. LEGAL IMPLICATIONS

13.1 In producing and reviewing this report the Council is meeting its legal obligations to monitor its financial position.

14. RISK MANAGEMENT

14.1 Projected variances require mitigation to reduce them during the financial year.

15. POTENTIAL IMPACTS

15.1 Equalities. There are no direct impacts.

15.2 Climate change/sustainability. There are no direct impacts.

15.3 Data Protection/GDPR. There are no direct impacts.

16. CONSULTATION

16.1 None.

17. TIMETABLE FOR IMPLEMENTATION

Implementation date if not called in: 'Immediately'.

18. APPENDICES

18.1 This report is supported by nine appendices:

Appendix A Revenue monitoring statement
Appendix B Budget Virements

19. BACKGROUND DOCUMENTS

19.1 This report is supported by one background document, the budget report to [Council February 2023](#).

20. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputies)</i>			
Elizabeth Griffiths	Executive Director of Resources	11/10/23	13/10/23
Elaine Browne	Monitoring Officer	11/10/23	16/10/23
<i>Deputies</i>			
Andrew Vallance	Deputy Director of Finance	Report Author	
Jane Cryer	Principal Lawyer & Deputy Monitoring Officer	11/10/23	
<i>Directors</i>			
Stephen Evans	Chief Executive	11/10/23	
Andrew Durrant	Executive Director of Place	11/10/23	

Lin Ferguson	Executive Director of Children's Services	11/10/23	
Kevin McDaniel	Executive Director of Adult Services and Health	11/10/23	

Confirmation relevant Cabinet Member(s) consulted	Deputy Leader and Cabinet Member for Finance	Yes
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REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Non-key decision	No	No

Report Author: Andrew Vallance, Deputy Director of Finance, Elizabeth Griffiths, Exec Director of Resources

Service	Current budget	Forecast outturn	Forecast variance
	£000	£000	£000
Chief Executive Department			
Chief Executive	258	291	33
Strategy & Performance	701	701	0
TOTAL CHIEF EXECUTIVE	959	992	33
Children's Services			
Director of Children's Services	(79)	(79)	0
Achieving for Children Contract	44,686	44,901	215
Children's Services - Retained	58,871	58,871	0
Dedicated Schools Grant - Income	(75,719)	(75,719)	0
TOTAL CHILDREN'S SERVICES	27,759	27,974	215
Adult Social Care and Health			
Executive Director and Commissioning	1,576	1,713	137
Adult Social Care	38,253	42,996	4,743
Better Care Fund - Spend	14,579	14,579	0
Better Care Fund - Income	(14,579)	(14,579)	0
Transformation and Community	170	170	0
Public Health Spend	5,317	5,317	0
Public Health Grant	(5,317)	(5,317)	0
TOTAL ADULT SOCIAL CARE and HEALTH	39,999	44,879	4,880
Resources			
Executive Director of Resources	198	126	(72)
Revenues, Benefits, Library & Resident Services	4,380	3,811	(569)
Housing Benefit	(377)	(377)	0
Human Resources, Corporate Projects & IT	3,346	3,321	(25)
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Finance	1,580	1,575	(5)
Governance	2,392	2,363	(29)
Legal services	977	835	(142)
TOTAL RESOURCES	12,300	11,508	(792)
Place			
Executive Director of Place	20	20	0
Neighbourhood Services	9,277	11,615	2,338
Planning Service	1,331	1,661	330
Communities including Leisure	(1,250)	(882)	368
Housing	2,018	1,959	(59)
Property	(2,908)	(2,908)	0
Infrastructure, Sustainability & Transport	3,184	3,183	(1)
TOTAL PLACE	11,672	14,648	2,976
TOTAL SERVICE EXPENDITURE	92,689	100,001	7,312
Sources of funding and non-service expenditure			
Contingency and Corporate Budgets	3,037	541	(2,496)
Precepts and Levies	2,066	2,066	0
Financing and investment (income) and expenditure	5,180	4,820	(360)
Taxation and non-specific grant income	(110,629)	(110,629)	0
Minimum Revenue Provision	3,139	3,268	129
Transfer to / (from) earmarked reserves	118	(878)	(996)
Contribution to Pension Fund deficit	4,400	4,400	0
TOTAL FUNDING AND NON-SERVICE EXPENDITURE	(92,689)	(96,412)	(3,723)
(INCREASE) DECREASE IN GENERAL FUND	0	3,589	3,589

REVENUE BUDGET VIREMENTS

Where revenue budget virements exceed £0.100m, or £0.025m when funds move between departments, the Council Constitution requires Cabinet sign off. The virements up to the end of Month 5 that required Cabinet sign off are set out below, along with an explanation as their purpose.

	Debit /(Credit) £	Explanation
Adult Social Care	380,750	This represents the draw-down of the Optalis Earmarked Reserve. This is required to partially mitigate the significant pressures on care package costs.
Technical Accounting	(380,750)	As above
Adult Social Care	43,020	Budget is being moved from contingency budget as it was previously agreed that the pressure from the Coroner's Service, which is a Berkshire-wide joint arrangement, would not be met from the Adult Social Care budget as it is not within the department's control.
Corporate and Contingency	(43,020)	As above

CAPITAL BUDGET VIREMENTS

Where capital budget virements exceed £0.100m, when funds move between schemes, the Council Constitution requires Cabinet sign off. The virements up to the end of Month 5 that required Cabinet sign off are set out below, along with an explanation.

	Increase /(decrease) £	Explanation
Commercial Investment Property Portfolio-Repairs	230,100	Budget is being moved here from the project below to combine both projects. This is just for housekeeping as there is no reason for them to be separate.
Operational Estate Improvements	(230,100)	As above
Affordable Housing-St Edmunds	2,734,000	This is the correction of a transposition error where the budget was added to the incorrect scheme. Again, it is a housekeeping adjustment.
Affordable Housing - 16 Ray Mill Ave East, Maidenhead	(2,734,000)	As above