

Report Title:	2023/24 Month 7 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 – 29 th November 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 is an overspend on services of £7.396m which reduces to an overspend of £3.688m 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; and**
- iii) notes the forecast capital outturn is expenditure of £46.332m against a budget of £87.784m (para 10).**

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

- 3.1 RBWM faces significant financial challenges. In the Cabinet meeting of 27th of September, the Chief Executive and S151 Officer gave an update to Cabinet, 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.
- 3.2 The position at month 7 is worse than that reported at month 5, but this does not truly reflect the improvements in processes and approach that have been quickly implemented over the last couple of months to reduce the in year overspend. This work has been done at pace and has required the cooperation of all directorates and the ongoing support of members, all of which has happened. The positive effects were able to be seen immediately in the month 6 results which showed an improvement on month 5 of almost a million pounds. The most significant area of improvement was the Place directorate which reduced contract costs, project costs and increased income.
- 3.3 In month 7 however, we had an unanticipated increase in demand in Adult Services, some of which were individually expensive placements, and additional audit fees in Resources for the completion of the 2020/21 audit of £450k, of which £400k has been included in the forecast. These two items alone have worsened the position by almost £1m. While this is discouraging, it reflects the volatility we are facing and it should be noted that without the exceptional efforts already in place, the overall position would be an additional million pounds worse than that forecast in month 5 as opposed to appearing seemingly unchanged.
- 3.4 As a further inclusion in the report, to allow for greater transparency and understanding of the underlying issues, the Council has included a table of known financial risks. These are acknowledged, under discussion and where possible, have been quantified but are not included in the forecast position reported. These are both positive and negative. Mitigations are either in place or are being developed by the services.
- 3.5 The Spending Control Panel is running successfully and not only providing challenge to requests being raised, but also promoting a change in thinking and approach across budget owners which in turn is reducing spend before it gets to the panel. New processes such as these are initially iterative to address any outlying examples that are raised but these are being resolved quickly with the support of finance and IT to ensure that the process is smooth. All non essential spend over £500 is referred to the panel.
- 3.6 Budget challenge sessions have been concluded successfully with all services, initially with officers, moving to challenge from the Chief Executive and culminating in challenge sessions with members of Cabinet with the Leader and the Lead member for Finance in every session. These have been extensive but have proved to be a collaborative and effective way to reduce the forecast budget gap for next year.

- 3.7 The key variances in each directorate are outlined below. The main pressures remain unchanged and are mainly an increase in both costs and usage in demand led services. These increases are being offset where possible by the use of external grants and earmarked reserves although there is a firm acknowledgement in the budget process that these are temporary alleviations. 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.
- 3.8 Forecasts are expected to have a certain level of volatility during the year, especially on demand led budgets which to some extent are beyond our control. Directorates have been asked to establish clear action plans to address the current in year situation. Where feasibly, any measures identified to improve next year's budget will be implemented as early as possible, allowing for benefits to be realised in this current financial year.
- 3.9 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. A review of the borrowing strategy and the current cashflow forecasts is also in progress.
- 3.10 This report also covers capital expenditure and debt recovery which are two high focus areas with significant impact on our current financial position. All current capital expenditure is under review and subject to budget challenge session review. Additional resource has been put in place to recover debt with areas that currently fall outside of normal processing being given additional attention.
- 3.11 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.
- 3.12 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. The challenge is significant but both officers and members have risen to it. The response has been swift and assured and the effect on both in year overspend and next year's budget gap, well underway.

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 deemed required in the Feb 23 budget papers to protect against financial and service risks (7.9m), they remain low compared to the optimum level that should be held.

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 7 REVENUE FORECAST OUTTURN

- 5.1 The month 7 forecast is an overspend on service budgets of £7.396m. Assuming the contingency budget is applied and the budgeted contribution to general reserves not made, this reduces to an overspend of £3.688m. The movement between months 5 and 7 is detailed in the table below.

Table 3: 2023/24 Month 7 Revenue Budget Forecast

	Current Budget	Forecast Outturn Mth 5	Forecast Outturn Mth 6	Forecast Outturn Mth 7	Over / (under) spend Mth7	Change since Month 5
	£000	£000			£000	£000
Adult Social Care and Health	40,455	44,879	45,032	46,170	5,715	1,291
Children's Services	27,758	27,974	27,973	28,024	266	50
Place	11,672	14,648	13,700	13,869	2,197	(779)
Resources	12,324	11,508	11,217	11,542	(782)	34
Chief Executive Department	1,013	992	1,013	1,013	0	21
TOTAL SERVICE EXPENDITURE	93,222	100,001	98,935	100,618	7,396	617
Contingency and Corporate Budgets	2,983	541	682	739	(2,244)	198
Other funding and non-service expenditure	(96,205)	(96,953)	(97,290)	(97,669)	(1,464)	(716)
DECREASE IN GENERAL FUND RESERVE	0	3,589	2,327	3,688	3,688	99

GENERAL FUND	
Opening balance	(10,213)
Transfer out	0
CLOSING BALANCE	(6,525)

- 5.2 This shows an improvement at month 6 but a worsening at month 7 and would leave to a significant reduction in the level of already low general reserves.
- 5.3 Although the overall position is very similar in month 7 compared to month 5, there have been significant changes:
- The forecast outturn for Adults has increased by nearly £1.3m as its expenditure is demand led
 - The Resources directorate have reduced their expected saving because of circa £400k of additional audit fees requested by Deloitte, our external auditors, on the 2020/21 audit.
 - The Place directorate have reduced their forecast deficit by nearly £800k by finding in-year savings, despite continued pressure on planning fee income and the effect of inflation on contract prices

6. ADULT SOCIAL CARE AND HEALTH

- 6.1 The Adult Social Care & Health directorate forecast outturn at M7 is an overspend of £5.715m.

Table 4: Adult Social Care and Health

	Budget	Forecast Outturn Mth 5	Forecast Outturn Mth 6	Forecast Outturn Mth 7	Over / (under) spend Mth 7	Change Since Mth 5
	£000	£000	£000	£000	£000	£000
Exec Director & Commissioning	1,704	1,713	1,782	2,010	306	297
Adult Social Care	38,506	42,996	43,005	43,915	5,409	919
Transformation and Community	170	170	170	170	0	0
Public Health Spend	5,392	5,403	5,392	5,392	0	(11)
Public Health Grant	(5,317)	(5,403)	(5,317)	(5,317)	0	86
Total	40,455	44,879	45,032	46,170	5,715	1,291

- 6.2 The overspend is primarily due to the residential care costs of older people. There also continue to be workforce challenges, meaning all 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.
- 6.3 The worsening forecast between months 5 and 7 is also due to:
- A significant increase in LD placement costs of nearly £400k, including one new client costing £5,200 per week

- £115k due to 3 new clients in OPPD temporary care
- Increased agency spend in OP & PD (£59k) and in Mental Health (£128k)
- £120k of the projected saving on reducing bad debt costs is unlikely to be achieved

6.4 Ongoing actions to address the overspend include establishing a rigorous panel process for new care placements, the Homefirst project that seeks to support people as they leave hospital to reduce the risk of 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 with demand led services we must wait to see longer term trends before drawing firm conclusions.

6.5 There is significant inflationary pressure from all providers, especially those with no contractually agreed terms. 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%.

6.6 Other risks include:

- Predicting the client income figure in the forecast outturn
- Further bad debt write offs
- Further inflationary pressures on fees

7. CHILDREN'S SERVICES

7.1 The Children's directorate forecast outturn at M7 is an overspend of £0.266m.

Table 5: Children's Services

	Budget	Forecast Outturn Mth 5	Forecast Outturn Mth 6	Forecast Outturn Mth 7	Over / (under) spend Mth 7	Change Since Mth 5
	£000	£000	£000	£000	£000	£000
Management & Business Services	3,158	3,315	3,226	3,242	84	(73)
Education	1,279	1,261	1,036	1,041	(238)	(220)
SEN & Disabilities	3,676	3,891	4,071	4,205	529	314
Social Care and Early Help	21,043	20,806	21,324	21,225	182	419
Public Health	(11)	87	(11)	(16)	(5)	(103)
RBWM Retained Grant Budgets	(1,387)	(1,387)	(1,673)	(1,673)	(286)	(286)
Total	27,758	27,973	27,973	28,024	266	51

7.2 There are continuing pressures on SEN Transport costs and Legal support costs. However, this has been mostly mitigated by using appropriate government grants to offset costs.

- 7.3 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.
- 7.4 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.
- 7.5 Ongoing actions to address the areas of budget pressure include a new process to hear SEN appeals to ensure only eligible young people are offered transport.

8. PLACE

- 8.1 The Place directorate forecast outturn at M7 is an overspend of £2.197m. This is a reduction of nearly £800k since period 5.

Table 6: Place

	Budget	Forecast Outturn Mth 5	Forecast Outturn Mth 6	Forecast Outturn Mth 7	Over / (under) spend	Change Since Mth 5
	£000	£000	£000	£000	£000	£000
Executive Director of Place	20	20	20	20	0	0
Neighbourhood Services	9,277	11,615	10,935	10,970	1,693	(645)
Planning Service	1,331	1,661	1,661	1,725	394	64
Communities including Leisure	(1,250)	(882)	(1,032)	(1,032)	218	(150)
Housing	2,018	1,959	1,841	1,889	(129)	(70)
Property	(2,908)	(2,908)	(2,908)	(2,908)	0	0
Infrastructure, Sustainability & Transport	3,184	3,183	3,183	3,205	21	22
Total	11,672	14,648	13,700	13,869	2,197	(779)

- 8.2 The overspend includes the following significant factors:

- Contract costs, including £0.600m on the SERCO contract and £0.360m 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 with performance at 92% of income targets but there remains an underachievement of parking income targets partly due to the continued lower levels of season ticket sales at 77% of budgeted income(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.
- Increase in reprocessing rates on waste recycling (£0.465m) that are reporting higher than anticipated, mainly due to stockpiling of material in

overseas markets and paper mills in Europe being shut due to energy crisis.

- Continued uncertainty on the leisure services contract renewal (£0.560m).
- A reduction in major planning applications, reflecting the current economic situation, leading to a shortfall in planning fees income (£0.395m)

8.3 The predicted overspend has decreased between months 5 and 7 partly due to

- A reduction in contractual costs (£0.200m)
- A review of existing projects (£0.200m)
- Applying earmarked reserves (£0.118m)

8.4 Further risks in Place include:

- Pressures on Temporary Accommodation budgets from increasing levels of homelessness
- Increase in the required levels of tree maintenance across the borough
- Insufficient Housing Grant Funding to cover the increased costs of housing refugees

8.5 The Place Directorate Leadership Team are developing a range of other in-year actions to address the overspend, these include:

- Forecasting – working across service teams to ensure full year forecasts are accurate.
- Contract Management – working within existing contract frameworks, officers are identifying potential cost saving opportunities, which are also informing future procurements.
- 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 cost.
- Potentially increasing fees and charges from February 2024 (rather than April 2024) (£0.150m). These are still to be agreed but would have a positive impact on the overspend as above.

9.5 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. RESOURCES

9.1 The Resources directorate forecast at M7 is an underspend of £782k.

Table 7: Resources

	Budget	Forecast Outturn Mth 5	Forecast Outturn Mth 6	Forecast Outturn Mth 7	Over / (under) spend Mth 7	Change Since Mth 5
	£000	£000	£000	£000	£000	£000
Executive Director of Resources	155	126	83	83	(72)	(43)
Revs & Bens, Library & Res Services	4,389	3,811	3,584	3,522	(867)	(289)
Housing Benefit	(377)	(377)	(346)	(346)	31	31
HR, Corporate Projects & IT	3,346	3,321	3,288	3,301	(45)	(20)
Corporate Management	(196)	(146)	(146)	304	500	450
Finance	1,615	1,575	1,554	1,549	(66)	(26)
Governance	2,368	2,363	2,318	2,280	(88)	(83)
Legal Services	1,024	835	882	849	(175)	14
Total Resources	12,324	11,508	11,217	11,542	(782)	34

9.2 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.

9.3 The corporate management overspend is caused by increased external auditors' fees. Officers are currently challenging the size of the requested increase.

10. SUNDRY DEBT

10.1 The current level of overdue sundry debt is £7.969m. On subsidiary systems there is also debt of £2.917m and £0.140m in relation to Housing Overpayments and Housing Rents respectively. This remains an area of high focus.

10.2 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.
- ensuring processes are in place for debt on subsidiary systems that are not covered by regular corporate processes (e.g. Housing Rents)
- adopting a tailored approach 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	Cost of Bad Debt Prov
	£000	£000	£000	£000	£000	£000
Adults & Health						
Adult Social Care	231	670	691	2,612	4,205	360
Deferred Payments	20	148	64	498	729	0
Children's Services	16	21	9	6	52	7
Place						
Housing	47	2	3	21	1,356	81
Commercial property	74	149	517	114	908	172
Other Place	399	203	225	101	625	12
Resources	47	5	9	3	94	-27
Total Agresso Debt	627	1,593	1,003	4,747	7,969	605

Debt on other systems:

HB Overpayments	2,917	0
Housing Rents	140	88
Total overdue debt	11,026	693

11. CAPITAL

- 11.1 The 2023/24 budget of £88.267m 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.
- 11.2 The capital budget for the current financial year is summarised in Table 9 below.

- 11.3 All capital expenditure from 2023/24 is currently under review in order to minimise borrowing requirements and reduce spend where possible.

Table 9: Capital programme outturn

	Budget	Reprofiled to 24/25	Forecast 23/24 Outturn	YTD spend
	£000		£000	£000
ASC and Health	1,738	(859)	751	233
Children's Services	15,044	(4,049)	11,395	5,345
Place	67,228	(34,294)	31,960	9,639
Resources	3,774	(42)	2,226	694
Total	87,784	(39,244)	46,332	15,911

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

Table 10: Financing of the capital programme

	Over / (under) spend
	£000
	£000
Government Grants	15,577
Other Grants	901
Community Infrastructure Levy	13,684
S106	1,959
Capital Receipts & contributions	200
Borrowing	14,011
Total	46,332

12. LEGAL IMPLICATIONS

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

13. RISK MANAGEMENT

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

14.POTENTIAL IMPACTS

14.1 Equalities. There are no direct impacts.

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

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

15.CONULTATION

15.1 None.

16.TIMETABLE FOR IMPLEMENTATION

Implementation date if not called in: 'Immediately'.

17.APPENDICES

17.1 This report is supported by two appendices:

Appendix A Revenue monitoring statement
Appendix B Risks and assumptions

18.BACKGROUND DOCUMENTS

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

19.CONULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputies)</i>			
Elizabeth Griffiths	Executive Director of Resources	17/11/23	18/11/23
Elaine Browne	Monitoring Officer	17/11/23	21/11/23
<i>Deputies</i>			
Andrew Vallance	Deputy Director of Finance	Report Author	Report Author
Jane Cryer	Principal Lawyer & Deputy Monitoring Officer	17/11/23	
<i>Directors</i>			
Stephen Evans	Chief Executive	17/11/23	21/11/23
Andrew Durrant	Executive Director of Place	17/11/23	

Lin Ferguson	Executive Director of Children's Services	17/11/23	
Kevin McDaniel	Executive Director of Adult Services and Health	17/11/23	

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
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