Report Title:	2023/24 Month 8 Budget 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 – 24th January 2024
Responsible Officer(s):	Elizabeth Griffiths, Executive Director of Resources Andrew Vallance, Deputy Director of Finance
Wards affected:	All

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Royal Borough of Windsor & Maidenhead

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 £8.009m which reduces to an overspend of £4.347m when including unallocated contingency budgets and changes to funding budgets (para 5);

ii) notes the forecast capital outturn is expenditure of £43.960m against a budget of £88.267m (para 11).

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 was therefore at risk of issuing a S114 notice.

3.2 Since then, a huge amount of work has been done, and continues to be done to produce a balanced budget for 2024/25 and indeed, coupled with an ambitious but achievable transformation programme for the systems and services next year, the Council was able to issue a balanced draft budget in December 2023.

3.3 The overall financial position however remains extremely vulnerable, with a clear inter-play between the current year overspend and the council's financial resilience as we move into the 2024/5 financial year in April. While plans are being implemented to ensure that the required transformations happen, these are future deliverables and therefore inevitably carry an element of risk. The current year position continues to worsen which not only highlights the unexpected pressures that can be put on our finances at any time by our provision of statutory services but also reduces our current level of reserves to significantly below the minimum level set at February 23, leaving us increasingly vulnerable to unexpected costs and decreasing our already fragile financial resilience.

Although a draft balanced budget was presented to Cabinet in December, the level of reserves the council will have going into 2024/25 is likely to be minimal, removing the already low level of resilience we started the year with and meaning that the risk of issuing a S114 notice remains very real.

3.4 In spite of the ongoing work on financial controls, the position at month 8 has deteriorated by a further £0.659m. This is because the majority of the increases are either beyond our control or relate to past events. If we compare the positions between month 2, which was reported in July and marked the first reporting of a significant overspend, and our current outturn at month 8, it's easy to see the impact that rising costs in our statutory services have had.

- Adult Social Care overspend has increased from £2.85m to £6.36m
- Children's Services overspend has increased from £0.05m to £0.585m
- Place overspend has reduced from £2.5m to £1.7m
- Resources underspend has increased from (£0.53m) to (£0.65m)

It must be noted that within these movements the increased governance and work by individual directorates has reaped benefits. Place has suffered negative budget impacts but has found compensating savings to create an overall reduction. Resources have also absorbed impacts from unexpectedly high audit fees to reach an improved position. Children's services, while rising overall, have found ways to mitigate hundreds of thousands of pounds of cost. Adult's Services have managed to maintain the number of people requiring long-term residential care, in spite of the fact that the number of people discharged from hospital over the last year has doubled.

The increasing overspend we are noting each month is due to the cost of statutory services we are obligated to deliver. The team have done everything they can, where safe and appropriate, to increase prevention and check the rise in the number of clients, but the complexity of need drives the cost ever upwards. This is also difficult to predict and project and must be acknowledged as an issue not only for this year but, in spite of significant funding being added to these services for the 2024/25 budget, a risk for next year too.

3.5 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.

3.6 The initial process of setting the draft budget has been successfully concluded with a balanced draft budget published in December 2023. Further work is being done to review the potential of funding the transformative work that has been planned by a different route, which would allow the Council to boost its reserves a little in the short term.

3.7 The Spending Control Panel continues to run successfully and provide challenge to avoidable spend. All non-essential spend over £500 is referred to the panel.

3.8 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.

3.9 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 feasible, 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. This is particularly applicable to the increases in fees and charges which are being finalised and will be included in the forecast when agreed.

3.10 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.

3.11 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 has been reviewed and additional resource has been put in place to recover debt.

3.12 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.

3.13 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 are working hard to alleviate the risk as far as possible.

4. KEY IMPLICATIONS

4.1 The Council faces considerable financial risks that could have a significant and immediate impact on its finances. The expectation is that reserves will fall below the minimum level set out in the February 2023 budget papers. Whether the remaining level of reserves can be deemed adequate will depend on whether the authority can transform its ongoing financial position sufficiently to continue to reduce its expenditure and significantly reduce the current debt liability.

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 8 REVENUE FORECAST OUTTURN

5.1 The month 8 forecast is an overspend on service budgets of £8.009m. Assuming the contingency budget is applied and the budgeted contribution to general reserves not made, this reduces to an overspend of £4.347m. The movement between months 7 and 8 is detailed in the table below.

Table 3: 2023/24 Month 8 Revenue Budget Forecast

	Current Budget £000	Forecast Outturn Mth 7 £000	Forecast Outturn Mth 8	Over / (under) spend Mth 8 £000	Change since Month 7 £000
Adult Social Care and Health	40,456	46,170	46,816	6,360	645
Children's Services	27,758	28,024	28,343	585	319
Place	11,672	13,869	13,382	1,710	(487)
Resources	12,326	11,542	11,680	(646)	136
Chief Executive Department	1,013	1,013	1,013	0	0
TOTAL SERVICE EXPENDITURE	**93,225**	**100,618**	**101,234**	**8,009**	**613**
Contingency and Corporate Budgets	2,983	739	788	(2,195)	49
Other funding and non-service expenditure	(96,208)	(97,669)	(97,675)	(1,467)	(3)
DECREASE IN GENERAL FUND RESERVE	**0**	**3,688**	**4,347**	**4,347**	**659**

GENERAL FUND		
Opening balance	(10,213)	(10,213)
Transfer out	0	4,347
CLOSING BALANCE	(10,213)	(5,866)

5.2 This shows a worsening at month 8 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 8 compared to month 7, there have been significant changes:

- The forecast outturn for Adults has increased by nearly £0.650m as a result of further line by line reviews of all service budgets, along with an increased number of residents needing support on leaving hospital

- The Resources directorate have reduced their expected saving because of circa £130k of additional scale audit fees for the 2023/24 audit

- The Place directorate have reduced their forecast deficit by nearly £500k 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 M8 is an overspend of £6.360m.

Table 4: Adult Social Care and Health

	Budget £000	Forecast Outturn Mth 7 £000	Forecast Outturn Mth 8 £000	Over / (under) spend Mth 8 £000	Change Since Mth 7 £000
Exec Director & Commissioning	1,563	2,010	1,888	325	19
Adult Social Care	38,648	43,915	44,683	6,035	626
Transformation and Community	170	170	170	0	0
Public Health Spend	5,392	5,392	5,392	0	0
Public Health Grant	(5,317)	(5,317)	(5,317)	0	0
Total	**40,456**	**46,170**	**46,816**	**6,360**	**645**

6.2 The overspend is primarily due to the residential care costs of older people and increased demand for services, driven by worsening health of a growing population. 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 and this is reflected in the forecast.

6.3 The worsening forecast between months 7 and 8 is also due to:

- Backdated Direct Payments for a number of older people have now been recognised in the forecast (£0.072m)
- Increased projection for rehabilitation costs in light of sustained levels of discharge from acute hospitals over the year (£0.078m)
- Likely bad debt costs (£0.142m) – failure to make the entire £350k saving despite the ongoing recovery project work
- Apprentice fee and additional staff costs for developing our own social workers (£0.053m)
- Additional agency staff costs for qualified Mental Health workers to maintain minimum staffing levels (£0.070m)

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 The additional Urgent and Emergency Care Fund govt grant of £0.233m which was recently awarded has been incorporated into this forecast.

6.7 While vacancies in this section of the Finance team have been filled after a significant length of time, we are still working with a team who, bar one FTE, are entirely new this year. The complex set up where transactions are split over two ledgers also makes forecasting extremely difficult. These issues are expected to be resolved in part by the move from the current adult social care system to the new system currently being implemented.

6.8 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 M8 is an overspend of £0.585m.

Table 5: Children's Services

	Budget £000	Forecast Outturn Mth 7 £000	Forecast Outturn Mth 8 £000	Over / (under) spend Mth 8 £000	Change Since Mth 7 £000
Management & Business Services	3,158	3,242	3,195	37	(47)
Education	1,279	1,041	1,081	(198)	40
SEN & Disabilities	3,676	4,205	4,291	615	86
Social Care and Early Help	21,043	21,225	21,465	422	240
Public Health	(11)	(16)	(16)	(5)	0
RBWM Retained Grant Budgets	(1,387)	(1,673)	(1,673)	(286)	0
Total	**27,758**	**28,024**	**28,343**	**585**	**319**

7.2 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.

7.3 Since month 7 there have been further additional costs:

- Increase in residential placements of £108k. This is for the placement of 2 young people costing £4.5k per week
- Placement of 3 young people into Independent Foster Placement costing £124k for 2023/24
- 8 new support packages for families, totalling £45k for 2023/24
- Placement of 2 young people into an in-house foster placement, costing £40k for 2023/24

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 around SEN cases to ensure only eligible young people are offered transport.

8. PLACE

8.1 The Place directorate forecast outturn at M8 is an overspend of £1.710m. This is a reduction of nearly £500k since period 7.

Table 6: Place

	Budget £000	Forecast Outturn Mth 7 £000	Forecast Outturn Mth 8 £000	Over / (under) spend Mth 8 £000	Change Since Mth 7 £000
Executive Director of Place	20	20	20	0	0
Neighbourhood Services	9,277	10,970	10,844	1,567	(126)
Planning Service	1,331	1,725	1,498	167	(227)
Communities including Leisure	(1,250)	(1,032)	(1,054)	196	(22)
Housing	2,018	1,889	1,889	(129)	0
Property	(2,908)	(2,908)	(2,908)	0	0
Infrastructure, Sustainability & Transport	3,184	3,205	3,093	(91)	(112)
Total	**11,672**	**13,869**	**13,382**	**1,710**	**(487)**

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 91% of income targets but there remains an underachievement of parking income targets partly due to the continued lower levels of season ticket sales at 71% of budgeted income (1.020m). Development of the Maidenhead parking strategy is progressing and a comms campaign has launched to increase parking use in key locations.
- Reprocessing rates are still higher than anticipated (£0.285m), mainly due to stockpiling of material in overseas markets and paper mills in Europe being shut due to the energy crisis. An additional saving of £0.180m has been achieved by signing a new Dry Mixed Recycling contract for 50% of materials, and negotiating lower rates with the existing supplier for the rest.

- A reduction in major planning applications, reflecting the current economic situation, leading to a shortfall in planning fees income (£0.690m). This is £0.3m worse than month 7

8.3 The predicted overspend has decreased between months 7 and 8 partly due to

- A one-off CIL allocation of £0.573m for essential work to green infrastructure has been applied and various ear marked reserves and grants have been applied where appropriate to mitigate other costs.

8.4 Further risks in Place include:

- Pressures on Temporary Accommodation budgets from increasing levels of homelessness

- Legal costs following the refusal of a planning permission. Early forecasts of these are around £0.2m but have not yet been included in the forecast.

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 M8 is an underspend of £646k.

Table 7: Resources

	Budget £000	Forecast Outturn Mth 7 £000	Forecast Outturn Mth 8 £000	Over / (under) spend Mth 8 £000	Change Since Mth 7 £000
Executive Director of Resources	155	83	83	(72)	0
Revs & Bens, Library & Res Services	4,390	3,522	3,523	(867)	0
Housing Benefit	(377)	(346)	(346)	31	0
HR, Corporate Projects & IT	3,346	3,301	3,286	(60)	(15)
Corporate Management	(196)	304	556	752	252
Finance	1,615	1,549	1,448	(167)	(101)
Governance	2,368	2,280	2,280	(88)	0
Legal Services	1,025	849	850	(175)	0
Total Resources	**12,324**	**11,542**	**11,680**	**(646)**	**136**

9.2 The underspends in the table above are mainly related to £0.43m staff vacancies and £0.8m of New Burdens Funding from ear marked reserves.

9.3 Planned savings on corporate debt of £0.2m were previously rated amber but due to arrangements for enhanced debt monitoring still being developed and current capacity issues, progress has not been as quick as anticipated. There is an expectation that £0.165m of these will not be achieved and this has been included in the forecast. Please see below for an update on the work that is being undertaken.

9.4 This under collection of debt, along with expected overspends on audit fees for 20/21 and confirmed rises in fees for 2023/24 are the cause of the overspend in Corporate Management.

10. SUNDRY DEBT

10.1 The current level of overdue sundry debt is £9.247m. On subsidiary systems there is also debt of £2.917m and £0.129m 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. This process is being balanced against collection of debt to avoid timing issues on the bad debt provision.
- 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 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.
- Investigation of where system capabilities can improve the process, for example to collect the history on a case as it moves between the stages of the process.

Table 8: Aged Debt and bad debt provision

	> 1 month £000	> 2 month £000	> 6 month £000	> 1 year £000	Total £000	Cost of Bad Debt Prov £000
Adults & Health						
Adult Social Care	339	749	683	2,677	**4,447**	461
Deferred Payments	21	100	114	528	**763**	0
Children's Services	16	24	0	6	**46**	3
Place						
Housing	3	8	13	1,316	**1,341**	66
Commercial property	53	610	148	110	**921**	185
Other Place	152	398	164	92	**805**	134
Resources	837	4	5	77	**924**	56
Total Agresso Debt	1,421	1,893	1,127	4,805	**9,247**	**905**
Debt on other systems:						
HB Overpayments					**2,917**	0
Housing Rents					**129**	60
Total overdue debt					**12,293**	**965**

Note: this excludes CTAX and Business Rates debt due to the collection fund

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 £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 has been reviewed in order to minimise borrowing requirements and reduce spend where possible.

Table 9: Capital programme outturn

	Budget £000	Variance on Budget £000	Reprofiled to future years £000	Forecast 23/24 Outturn £000	YTD spend £000
ASC and Health	1,738	(213)	(899)	626	239
Children's Services	15,044	0	(4,049)	10,995	6,127
Place	67,712	(1,716)	(36,159)	29,838	12,946
Resources	3,774	(1,151)	(122)	2,501	808
Total	**88,267**	**(3,079)**	**(41,228)**	**43,960**	**20,120**

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	15,469
S106	1,959
Capital Receipts & contributions	200
Borrowing	9,854
Total	**43,960**

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. CONSULTATION

15.1 None.

16. TIMETABLE FOR IMPLEMENTATION

Implementation date if not called in: 'Immediately'.

17. APPENDICES

17.1 This report is supported by one appendix:

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. CONSULTATION

Name of consultee	**Post held**	**Date sent**	**Date returned**
Mandatory:	*Statutory Officers (or deputies)*		
Elizabeth Griffiths	Executive Director of Resources		08/01/24
Elaine Browne	Monitoring Officer		08/01/24
Deputies			
Andrew Vallance	Deputy Director of Finance	Report Author	
Directors			
Stephen Evans	Chief Executive		08/01/24
Andrew Durrant	Executive Director of Place		08/01/24
Lin Ferguson	Executive Director of Children's Services		08/01/24

Kevin McDaniel	Executive Director of Adult Services and Health		08/01/24

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

REPORT HISTORY

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

Report Author: Andrew Vallance, Deputy Director of Finance