

Report Title:	2023/24 Month 11 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 – 24 April 2024
Responsible Officer(s):	Elizabeth Griffiths, Executive Director of Resources Julian McGowan, Senior Finance Business Partner
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 £10.392m which reduces to an overspend of £6.755m when including unallocated contingency budgets and changes to funding budgets (para 4); and
- ii) notes the forecast capital outturn is expenditure of £41.125m against a budget of £89.541m (para 9).

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. KEY IMPLICATIONS

- 3.1 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 February 2023 budget papers to protect against financial and service risks (£7.900m), they are projected to fall below £4m by the end of the year, based on the current forecast.

4. SUMMARY

- 4.1 RBWM faces significant financial challenges. Whilst a balanced 2024/25 budget was set at February Council, the in-year position continues to deteriorate. Many additional savings have been found to offset the variances but in spite of this the overall position is worsening.
- 4.2 The majority of the overspend is in our statutory services and, despite processes being strengthened and costs being mitigated, the pressure of additional demand is driving the cost upwards. The risk attached to these rising costs is that the placements which drive them will continue into the new financial year creating an instant pressure on the budget which has had millions of pounds of additional funding added to cover these services but is seeing ever increasing rises in demand. The scale of costs related to just one resident in these services means that relatively small fluctuations in demand create huge impacts on our budget.
- 4.3 The month 11 forecast is an overspend of £10.392m on service budgets, which reduces to £6.755m when considering contingency and funding budgets. This is an adverse movement of £0.686m from the prior month.
- 4.4 Attention is drawn to Appendix B. While some risks will simply remain risks through year end, others such as unapproved invoices and the bad debt provision will need to crystallise for the end of year position.
- 4.5 The significant changes in month 11 are:
- Continuing pressures in Adult Social Care, largely caused by additional social care placements costs (£0.318m).
 - Children's services is showing an adverse variance of (£0.090m) but it should be note this includes some significant increases in care package costs due to increased demand and a lack of foster placements, with a much higher full year effect if the council does not manage to step them down. This also includes some unaccounted-for legal services overspend.
 - Increasing demand for temporary accommodation within Housing (£0.250m).
 - Unaccrued consultancy costs in Finance from 20/21 which have only been invoiced this financial year (£0.115m).

Table 2: 2023/24 Revenue Budget Forecast Outturn

	Current Budget	Forecast Outturn	Forecast over / (under) spend	Change
	£000	£000	£000	£000
Adults and Housing	40,506	47,624	7,038	318
Children's Services	27,758	29,291	1,533	84
Place	11,985	14,332	2,347	291
Resources	13,195	12,683	(512)	52
Chief Executive Department	1,030	1,016	(14)	0
TOTAL SERVICE EXPENDITURE	94,474	104,866	10,392	745
Contingency	2,857	709	(2,148)	(60)
Other funding and non-service expenditure	(97,331)	(98,820)	(1,489)	1
DECREASE IN GENERAL FUND	0	6,775	6,775	686

GENERAL FUND	
Opening balance	(10,213)
Transfer out	6,835
CLOSING BALANCE	(3,378)

5. ADULTS AND HEALTH

5.1 The adverse movement of £0.318m is due to:

- Placement costs moved adversely by £0.478m, mainly due to spot placements in Older People and Mental Health.
- There has been a favourable variance on income as Finance have focused on reviewing funding agreements, including Funded Nursing Care, and ensured contributions are agreed with the Integrated Care Board and invoices issued (£0.160m). The forecast takes into account that the Integrated Care Board is refusing to the fee uplifts agreed by Cabinet from 1 January.

Table 3: Adults and Health Forecast Outturn

	Budget	Forecast Outturn	Forecast over / (under) spend	Change
	£000	£000	£000	£000
Exec Director & Commissioning	1,735	1,767	32	0
Adult Social Care	38,526	45,549	7,023	318
Transformation and Community	170	153	(17)	0
Public Health Spend	5,392	5,392	0	0
Public Health Grant	(5,317)	(5,317)	0	0
Total	40,506	47,544	7,0388	318

Adult Social Care (forecast overspend of £7.023m)

- 5.2 The main reason for the adverse forecast variance, continues to be placement costs which currently is £5.340m. £4.150m of this variance is due to the residential care costs of older people, £0.970m relates to mental health placements whilst £0.520m relates to pressure in Homecare service. The budget assumed demand would return to pre-Covid levels but that has not been the case. There are also significant inflationary pressures from all providers, especially those with no contractually agreed terms. This is particularly noticeable in residential and nursing home places where have seen requests for 8% - 16% uplifts on existing placements, having budgeted 5%.
- 5.3 Staffing costs show an overspend of £0.850m due to the large number of vacancies and the subsequent reliance on agency staff especially with our provider services.
- 5.4 Income shows an adverse forecast variance of £0.530m mostly driven by unachieved client and grant income. There is an ongoing process led by Finance to recoup funding from the Integrated Care Board. However, the Integrated Care Board is also under financial pressure and this can result in a reluctance to pay what we would deem an equitable portion of the cost.
- 5.5 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 which started in August.

Public Health

- 5.6 Public Health spend is met from the ringfenced grant and as such there is no impact on the General Fund, and £nil variance reported.

6. CHILDREN'S SERVICES

- 6.1 The forecast is an adverse movement of £0.084m. Placement of children looked after continues to be a pressure. There has been one new placement at £10,500 per week and a second placement has increased from £8,050 to £14,487 per week. These two packages have a full year impact of £0.883m but efforts will be made to safely step down.
- 6.2 There is also a pressure from the Joint Legal Service (£0.090m). The host council (Reading Borough Council) have indicated that this is due to unaccounted chargeable hours (£0.060m) and an adjustment to the chargeable hourly rate (£0.030m).
- 6.3 Income shows a positive forecast variance of £0.077m mostly driven by increase in grant allocation for Supporting Families Grant and an increase in income from traded service of the Psychological Service. Transport costs for pupils shows a slight improvement of £0.035m from M10. Final confirmation of the costs of routes are lower than anticipated.

Table 4: Children's Services Forecast Outturn

	Budget	Forecast Outturn	Forecast over / (under) spend	Change
	£000	£000	£000	£000
Mgt & Business Services	3,158	3,134	(25)	(1)
Education	1,279	778	(501)	(42)
SEND	3,676	4,716	1,039	(35)
Social Care & Early Help	21,043	22,430	1,387	209
Public Health	(11)	(58)	(46)	(13)
Grant budgets	(1,387)	(1,707)	(321)	(35)
Total	27,758	29,291	1,533	84

- 6.4 The budget remains volatile due to the statutory duty to safeguard children of the borough. As a demand led service any increase in demand to support children and families will likely have an impact on the budget projections.

7. PLACE

- 7.1 The adverse movement of £0.291m is mainly due to increasing demand for Temporary Accommodation. Part of the reason for the late recognition of this cost was that a significant batch of invoices was authorised in recent weeks and a reminder is being made to budget holders on the importance of timely authorisation of invoices.

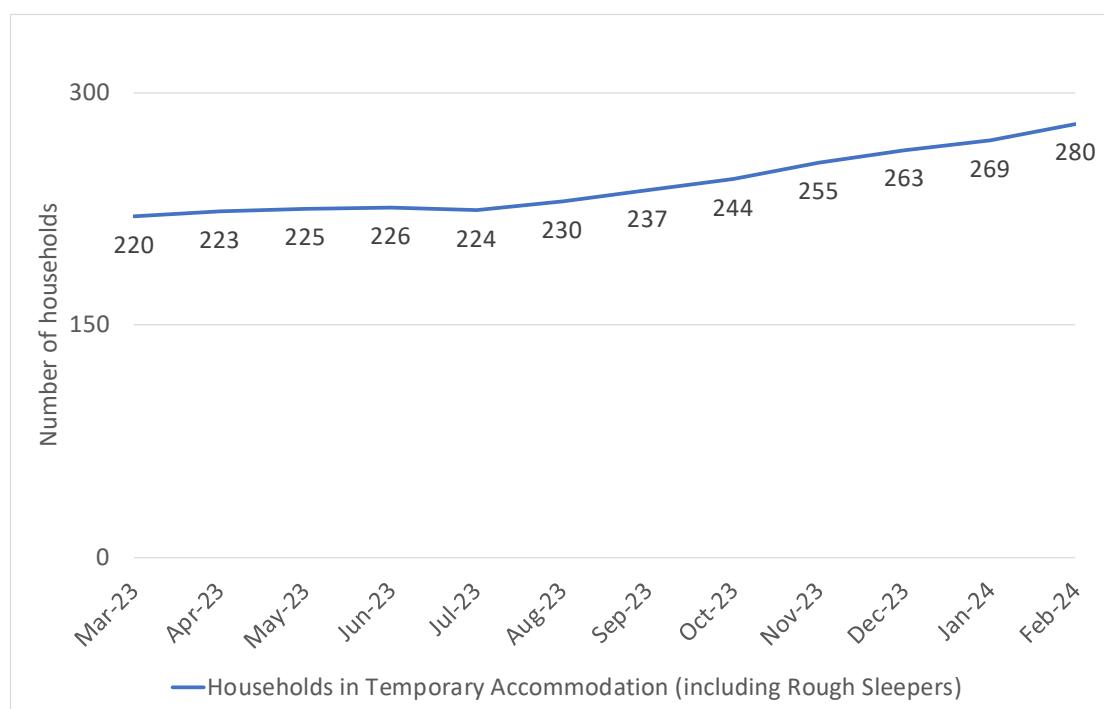
Table 5: Place Forecast Outturn

	Budget	Forecast Outturn	Forecast over / (under) spend	Change
	£000	£000	£000	£000
Executive Director of Place	20	20	0	0
Neighbourhood Services	8,027	9,927	1,900	79
Planning	1,330	1,785	455	0
Housing, EH & TS	2,134	2,255	121	250
Property	(2,908)	(2,908)	0	0
Infrastructure, Sust. & Transport	3,382	3,253	(129)	(38)
Total	11,985	14,332	2,347	291

Housing, Environmental Health and Trading Standards (forecast overspend of £0.121m)

7.2 The forecast for temporary accommodation has increased by £0.250m to reflect an increase in volume of placements of people in short-term accommodation. Part of the reason for the materialising late was that a significant batch of invoices was authorised in recent weeks and a reminder is being made to budget holders on the importance of timely authorisation of invoices. However, it is still the case that the number of households being supported has increased by 60 (27%) since the start of the financial year.

Figure 1: Number of households in Temporary Accommodation



Neighbourhood Services (forecast overspend of £1.900m)

- 7.3 There are significant cost pressures on the waste contract (£0.600m) due to haulage and vehicle costs. There also a pressure on the highways contract due to higher inflation than budgeted (£0.360m). There are ongoing discussions with contractors to identify savings.
- 7.4 Reprocessing rates for dry mixed recycling is higher than anticipated (£0.355m) and a new contract for recycling has resulted in a saving (£0.150m).
- 7.5 Parking income is £1.200m below budget (£0.630m daily parking, £0.450m season tickets). Compared to the previous year daily parking is 4% up, and season ticket 11%, but this is equivalent to increases in charges and is insufficient to make up the budget (2022/23 included a reduced target to reflect recovery from the pandemic). As reported last month, promotions including the uptake of season tickets as well as the development of the parking strategy continue.
- 7.6 The Leisure Contract is £0.560m below budget as the budgeted concession income is less than currently obtained. There was uncertainty at the time of setting the budget as the tender was in progress at the time and has subsequently been delayed. This is partly mitigated by holding funding of the community wardens and identification of alternative sources of funding (e.g. Public Health). There are ongoing discussions with Leisure Focus on commercial options such as increase of prices.

Planning (forecast overspend of £0.455m)

- 7.7 There is a pressure on planning fees (£0.760m) due to the current market and a low volume of building control applications. The planning fee increase of 35% has been included in the forecast (£0.028m).
- 7.8 Appeal costs of £0.180m have also been included (see Appendix B: Risks and Opportunities) for further information. It should also be noted that one-off CIL funding of essential tree works is included in the forecast (£0.570m).

8. RESOURCES

The adverse movement of £0.052m is mainly due to additional costs in finance as a result of 2020/21 consultancy costs on the Collection Fund not been accrued for (£0.115m) offset with a mix of staff vacancies and overachievement of income.

Table 6: Resources Forecast Outturn

	Budget	Forecast Outturn	Forecast over / (under) spend	Change
	£000	£000	£000	£000
Executive Director of Resources	155	83	(72)	0
Revenues, Bens, Library & Res	5,250	4,332	(918)	(10)
Housing Benefit	(377)	(346)	31	0
HR, Corporate Projects, and IT	3,355	3,288	(67)	5
Corporate Management	(196)	591	787	0
Finance	1,615	1,648	33	102
Governance	2,368	2,299	(69)	0
Legal Services	1,025	788	(237)	(45)
Total Resources	13,195	12,683	(512)	52

Executive Director of Resources (forecast underspend of £0.072m)

8.1 The underspend is due to the Director post being vacant for the start of the year.

Revenues, Benefits, Library & Residents Services (forecast underspend of £0.918m)

8.2 The underspend is related to the release of earmarked reserves previously agreed by ELT (£0.799m). These reserves were mostly funded from New Burdens grants that related to previous years. There is also an underspend of £0.124m in Business Services and Registrars primarily due to vacancies and Court Cost income, and an overspend of £0.051m across library services.

Human Resources, Corporate Projects, and IT (forecast underspend of £0.067m)

8.3 The underspend is due to a number of smaller variances, most significantly savings on IT contracts (£0.065m).

Corporate Management (forecast overspend of £0.787m)

8.4 The pressure is caused by the additional external audit fees for 20/21 and the increase in the scale fee for 23/24 (£0.587m), and a saving in respect of a reduction in bad debt provision that is unlikely to be achieved.

Finance (forecast overspend of £0.033m)

8.5 As set out above, the previously reported underspend on Finance is now an overspend due to unaccrued costs for consultancy costs received in respect of the 2020/21 Collection Fund.

Governance (forecast underspend of £0.069m)

8.6 The variance is made up of a number of smaller variances, most significant staff vacancies and member allowances budget not being used.

Legal Services (forecast underspend of £0.237m)

- 8.7 The forecast underspend is due to staff vacancies (£0.142m) including the case worker and an Executive Assistant post, and over achievement of income from legal fees (£0.050m). The change in month 11 is an increased underspend of (£0.045m) is due to over achievement of income and continued staff vacancy.

9. SUNDRY DEBT

- 9.1 The current level of overdue sundry debt is £9.339m. On subsidiary systems there is also debt of £2.917m and £0.175m in relation to Housing Overpayments and Housing Rents respectively. This remains an area of high focus and actions being taken on this have been reported in previous Cabinet reports. Work is underway to recruit the additional credit control support agreed in the 2024/25 budget.

Table 7: Aged debt

	> 1 month	> 2 month	> 6 month	> 1 year	Total
	£000	£000	£000	£000	£000
Adults & Health					
Adult Social Care	562	626	720	2,791	4,699
Deferred Payments	23	100	156	539	818
Children's Services	0	0	0	6	6
Place					
Housing	9	43	2	1,324	1,377
Commercial property	417	109	551	127	1,204
Other Place	59	610	189	126	984
Resources	0	166	6	78	250
Total Agresso Debt	1,070	1,655	1,624	4,990	9,339

Subsidiary systems:

HB Overpayments	2,917
Housing Rents	175
Total overdue debt	12,431

Note: debt excludes CTAX and Business Rates payable to the Collection Fund

10. CAPITAL

- 10.1 The 2023/24 budget of £88.267m includes the capital programme of £35.338m and slippage of £52.929m from 2022/23 and prior years. All capital expenditure is under review to minimise external financing requirements and reduce spend where possible. The 2024-25 budget papers include the estimated £43.011m of capital budget that will be slipped to future years though this is subject to further review. A final figure will be reported at year-end.

Table 8: Capital programme forecast outturn

	Budget	Forecast Outturn	Forecast slippage to 24/25 and later	Forecast variance
	£000	£000	£000	£000
ASC and Health	1,738	626	(899)	(213)
Children's Services	15,787	10,666	(5,121)	0
Place	68,243	27,834	(36,368)	(4,041)
Resources	3,774	2,000	(623)	(1,151)
Total	89,541	41,125	(43,011)	(5,405)

10.2 The following table details how this year's capital spend will be financed.

Table 9: Financing of the capital programme

	£000
Government Grants	15,585
Other Grants	275
Community Infrastructure Levy	12,116
Section 106	3,842
Capital Receipts	587
Borrowing	8,721
Total	41,125

11. LEGAL IMPLICATIONS

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

12. RISK MANAGEMENT

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

13. POTENTIAL IMPACTS

13.1 Equalities. There are no direct impacts.

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

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

14. CONSULTATION

14.1 None.

15. TIMETABLE FOR IMPLEMENTATION

15.1 Implementation date if not called in: Immediately.

16. APPENDICES

16.1 This report is supported by two appendices:

- Appendix A – Revenue monitoring statement
- Appendix B – Risk and assumptions

17. BACKGROUND DOCUMENTS

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

18. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory:</i> Statutory Officer (or deputy)			
Elizabeth Griffiths	Executive Director of Resources & S151 Officer	14/03/24	15/03/24
Elaine Browne	Deputy Director of Law & Governance & Monitoring Officer	14/03/24	28/03/24
<i>Deputies:</i>			
Julian McGowan	Senior Finance Business Partner & Deputy S151 Officer		
Jane Cryer	Principal Lawyer & Deputy Monitoring Officer		
Helena Stevenson	Principal Lawyer & Deputy Monitoring Officer		
<i>Mandatory:</i> Procurement Manager (or deputy) - if report requests approval to go to tender or award a contract			
Lyn Hitchinson	Procurement Manager	n/a	n/a
<i>Mandatory:</i> Data Protection Officer (or deputy) - if decision will result in processing of personal data; to advise on DPIA			
Samantha Wootton	Data Protection Officer	n/a	n/a
<i>Mandatory:</i> Equalities Officer – to advise on EQiA, or agree an EQiA is not required			
Ellen McManus-Fry	Equalities & Engagement Officer	n/a	n/a
<i>Mandatory:</i> Assistant Director HR – to advise if report has potential staffing or workforce implications			

Nikki Craig	Assistant Director of HR, Corporate Projects and IT	n/a	n/a
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Stephen Evans	Chief Executive	14/03/24	
Andrew Durrant	Executive Director of Place	14/03/24	
Kevin McDaniel	Executive Director of Adult Social Care & Health	14/03/24	
Lin Ferguson	Executive Director of Children's Services & Education	14/03/24	15/03/24

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: Julian McGowan, Senior Finance Business Partner
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