

---

# Financial Performance Report 2016-17

## Quarter Two

---

<b>Committee considering report:</b>	Executive
<b>Date of Committee:</b>	22 December 2016
<b>Portfolio Member:</b>	Councillor Anthony Chadley
<b>Date Portfolio Member agreed report:</b>	01 December 2016
<b>Report Author:</b>	Melanie Ellis
<b>Forward Plan Ref:</b>	EX3136

---

### 1. Purpose of the Report

- 1.1 To inform Members of the latest financial performance of the Council.

### 2. Recommendation

- 2.1 To ensure that Members are fully aware of the latest financial position of the Council.

### 3. Implications

#### 3.1 **Financial:**

The current financial forecast is an over spend of £698k against a net revenue budget of £116.8million. The forecast over spend has reduced by £579k compared to the forecast position at Quarter One. The forecast may have an impact on the level of the Council's reserves at year end if savings cannot be made to offset the over spend. Forecast capital spend is £37.4 million against a revised budget of £47.5 million, with £10.05 million now planned to be re-profiled into 2017/18.

#### 3.2 **Policy:** n/a

#### 3.3 **Personnel:** n/a

#### 3.4 **Legal:** n/a

#### 3.5 **Risk Management:** n/a

#### 3.6 **Property:** n/a

#### 3.7 **Other:** n/a

### 4. Other options considered

- 4.1 Not applicable – factual report for information

## 5. Executive Summary

- 5.1 At Quarter Two, the forecast revenue position is an over spend of £698k against a net budget of £116.8m. This is an improved position with a reduction of £579k from the Quarter One forecast over spend.
- 5.2 The Communities Directorate is forecasting an over spend of £634k, against a net revenue budget of £66million. The forecast over spend has decreased by £399k since Quarter One. Adult Social Care is forecasting an over spend position of £451k (a £545k decrease from the Quarter One position) against a net revenue budget of £37.3million. The over spend is as a result of increasing client numbers and increased complexity of need together with an increase in the cost of commissioning services in respect of nursing and residential care. The change in the forecast from Quarter One is the result of fluctuations in new and existing care packages with a number of high cost packages coming to an end during Quarter Two. The Education Service is forecasting a £183k over spend against a net revenue budget of £9.3million. The over spend has been generated through pressure on Home to School Transport budgets (£101k), and the Educational Psychologist Service (£95k). All other services in the directorate are forecasting to budget.
- 5.3 There are two service specific risk reserves for the Communities Directorate; £1.1m for Adult Social Care and £500k for Children and Family Services. The Quarter Two forecasts are before any potential use of one off funding from these risk reserves.
- 5.4 The Environment Directorate is forecasting an under spend of £130k against a net budget of £31million. This has changed from an on line position at Quarter One. The Highways and Transport Service is forecasting an under spend of £97k which is due to increased parking income. The Planning and Countryside Service is forecasting £133k under spend. There is a pressure of £50k in the Local Development Framework due to the additional costs of carrying out the Housing Site Allocation Development Planned Document examination. Development Control income is above target and income carried forward from 2015 for 2016 work has brought the Service in under budget. In the Culture & Environmental Protection Service there is a forecast pressure of £100k largely as a result of income pressures within Activity Team West Berkshire and the Environmental Health Shared Service.
- 5.5 The Resources Directorate is forecasting an over spend of £144k against a net revenue budget of £12.3million. This is a decrease of £70k from the Quarter One forecast over spend. Legal Services is forecasting an over spend of £260k against a net revenue budget of £952k, which remains unchanged from the forecast at Quarter One. The pressure relates to costs arising from the London Road Industrial Estate procurement challenge and fee income pressures within the Service. Some of this pressure may be offset if the Council is successful in reclaiming these costs through the judicial review process. The forecast pressure against Legal Services is being partially offset through a forecast under spend Strategic Support of £72k and minor under spends in other services.
- 5.6 There is one service specific risk reserve allocated to the Resources Directorate: £50k for Legal Services. The Quarter Two forecast is before any potential use of one off funding from this risk reserve.

## Quarter Two

- 5.7 There is a £50k pressure on Levies and Interest. The pressure is the result of the current low level of interest rates affecting levels of interest earned.
- 5.8 In order to meet the funding available, the 2016-17 revenue budget was built with a £13.9m savings programme. Transitional grant funding of £1.4m and part year funding of £576k has been allocated to the 2016-17 budget, resulting in a net savings programme of £11.9m.
- 5.9 The Council set a revenue budget of £116.8million for 2016-17. In-year budget changes may be approved and the approval limits are set out in the Council's Financial Regulations. There are no budget changes requiring approval at Quarter Two.
- 5.10 Forecast capital spend in the year is currently £37.4 million against a revised budget of £47.5 million with £10.05 million expected to be re-profiled into 2017/18. 58.8% of the 2016/17 capital programme is committed as at the end of Quarter Two.
- 5.11 The amount of capital programme committed by each directorate at the end of Quarter Two is as follows:
- (1) Communities – 39.2%
  - (2) Environment – 81.2%
  - (3) Resources – 40.9%
- 5.12 A breakdown of capital spend and commitments to date is shown in Appendix A (3). The appendix also explains the changes from the original capital programme which was approved by the Council in March 2016.
- 5.13 The Dedicated Schools Grant (DSG) was showing no variances emerging in any of the spending blocks as at the end of August 2016 compared to the budget set. There is a planned over spend on grant income of £697k as per the decision made by the Schools' Forum when the budget was set in March 2016 to allocate out more grant than that expected to enable the continuation of some key high needs services. This decision was taken after consideration of the two year position whereby it was forecast that the 2016/17 overspend can be met from the 2017/18 DSG allocation, assuming costs overall do not significantly increase and our DSG allocation remains at a similar level. There is an additional £303k variance on grant income which is due to the January 2016 early years PVI census returning a lower number than that estimated in the budget. This was notified to the local authority in July and has resulted in a claw back of funding relating to 2015/16 (91k), and a lower estimate of funding for 2016/17.
- 5.14 It is too early in the academic year to assess whether the DSG budget will continue to be on-line. Most funding changes occur in the autumn term, so a clearer picture will emerge by month seven.

## 6. Conclusion

- 6.1 The Council remains in a challenging financial environment, and is faced with delivering savings of £13.9m as well as addressing in year pressures as they arise. The Council is taking steps to maintain financial discipline, ensure that the agreed

savings programme is deliverable and to find additional savings to offset the revenue over spend currently forecast.

## 7. Appendices

Appendix A (1) – Supporting Information

Appendix A (2) – Summary Revenue Forecast Quarter Two 2016/17

Appendix A (3) – Capital Summary Quarter Two 2016/17

Appendix B – Equalities Impact Assessment